



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Award of Agilex Technologies, Inc. Contracts

Audit Report

Report Number
SM-AR-15-005

June 17, 2015



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Highlights

The Postal Service did not properly administer one of three Agilex contracts.

Background

U.S. Postal Service customers and employees increasingly rely on mobile devices to meet their business needs. To address this growing demand, the Postal Service awarded three contracts to Agilex Technologies, Inc. (Agilex). Agilex provides mission and technology consulting, software and solution development, and system integration.

The first contract, valued at \$389,871, was noncompetitively awarded in September 2009 for program management services. The second contract, valued at \$512,710 and competitively awarded in August 2012, was for mobile computing strategy development. A third contract, valued at \$8 million, was noncompetitively awarded in October 2013 to address immediate and future Postal Service mobile computing needs.

When soliciting requests for proposals, contracting officers must ensure contract requirements correctly and clearly describe the Postal Service's expectations. The requirements must be outlined in enough detail to ensure a best value decision and effective contract performance.

Our objective was to determine whether the Postal Service properly administered the Agilex contracts.

What The OIG Found

The Postal Service did not properly administer one of three Agilex contracts. Specifically, contracting officials awarded a contract to develop a mobile computing strategy without ensuring the contract requirements clearly described the Information Technology department's expectations. This occurred because the contracting officer did not work with the Information Technology department to clearly define its needs.

Because these requirements were unclear, contracting officials incorrectly approved additional requirements without treating them as a new purchase. As a result, the Postal Service spent over \$3.8 million for work that was outside the scope of the original contract requirements.

Contract awards that do not clearly define requirements pose an increased financial risk to the Postal Service. When contract requirements are vague, prospective suppliers may make assumptions in their proposals that lead to higher costs. Such awards are not in the best interest of the Postal Service and may negatively impact the brand.

What The OIG Recommended

We recommended management reiterate to contracting officers the importance of collaborating with their internal business partners prior to solicitation to obtain clearly defined requirements.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

June 17, 2015

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

A rectangular box containing a handwritten signature in black ink that reads "John E. Cihota". There is a small black dot in the top right corner of the box.

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

SUBJECT: Audit Report – Award of Agilex Technologies, Inc. Contracts
(Report Number SM-AR-15-005)

This report presents the results of our audit of the Award of Agilex Technologies, Inc. Contracts (Project Number 15BG007SM000).

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

Table of Contents

Cover	
Highlights	1
Background	1
What The OIG Found.....	1
What The OIG Recommended	1
Transmittal Letter.....	2
Findings	4
Introduction	4
Conclusion	4
Contract Requirements Not Clearly Defined.....	6
Recommendation	8
Management's Comments	8
Evaluation of Management's Comments	8
Appendices.....	9
Appendix A: Additional Information	10
Background	10
Objective, Scope, and Methodology.....	10
Prior Audit Coverage	11
Appendix B: Management's Comments	13
Contact Information	14

Findings

Contracting officials awarded a contract to develop a mobile computing strategy without ensuring the contract requirements clearly described the IT department's expectations.

Because these requirements were not clear, contracting officials incorrectly approved additional requirements without treating them as a new purchase. As a result, the Postal Service spent over \$3.8 million for work that was outside the scope of the original contract requirements.

Introduction

This report presents the results of our self-initiated audit of the U.S. Postal Service's Award of Agilex Technologies, Inc. Contracts (Project Number 15BG007SM000). Our objective was to determine whether the Postal Service properly administered Agilex Technologies, Inc. (Agilex) contracts. See [Appendix A](#) for additional information about this audit.

Postal Service customers and employees are increasingly relying on mobile devices to meet their business needs. To address this growing demand, the Postal Service awarded three contracts to Agilex. Agilex provides mission and technology consulting, software and solution development, and system integration.

The first contract, valued at \$389,871, was noncompetitively awarded in September 2009 for program management services in support of Project Phoenix.¹ The purpose of the contract was to provide best practices and approaches to help this initiative succeed, particularly in supporting call centers and retail operations.

The second contract, valued at \$512,710, was competitively awarded in August 2012 to develop a mobile computing strategy.² The Postal Service requested the contract include an overall approach for selecting and procuring technology for network and mobile device management, developing and managing the application, and organizing staff to support mobile computing capabilities. A third contract, valued at \$8 million, was noncompetitively awarded in October 2013 to address immediate and future Postal Service mobile computing needs. This contract replaced the second contract.

When soliciting requests for proposals, contracting officers (COs) must ensure contract requirements correctly and clearly describe the Postal Service's expectations. The requirements must be described in enough detail to ensure a best value decision and effective contract performance.

Conclusion

The Postal Service did not properly administer one of three Agilex contracts. Specifically, contracting officials awarded a contract to develop a mobile computing strategy without ensuring the contract requirements clearly described the IT department's expectations. This occurred because the COs did not work with the IT department to clearly define its needs.

Because these requirements were not clear, contracting officials incorrectly approved additional requirements without treating them as a new purchase. As a result, the Postal Service spent over \$3.8 million for work that was outside the scope of the original contract requirements.

Contract awards that do not clearly define requirements pose an increased financial risk to the Postal Service. When contract requirements are vague, prospective suppliers may make assumptions in their proposals that lead to higher costs. Such awards are not in the best interest of the Postal Service and may negatively impact the brand.

¹ A management initiative to improve the underlying Information Technology (IT) infrastructure that supports three key revenue-generating channels within the Postal Service: the website (USPS.com), the contact center, and retail operations.

² Includes overall approach for technology selection and procurement for both network and mobile device management, application development and management, and organizational staffing levels to support mobile computing capabilities.

TASK VALUE INFLATION

Click on a a task to reveal brief summary of details.

Tasks Within Scope of Initial Contract:

Tasks Outside Scope of Initial Contract:

For complete details regarding each task, including date, cost, and requirements, see [Table 1](#).

Before the contract was awarded, competing suppliers asked the Postal Service to clarify task seven. They noted they could not draft well-defined responses because the task description lacked detail and they questioned whether the Postal Service knew what it wanted.

Contract Requirements Not Clearly Defined

The Postal Service did not properly administer the Agilex contract to develop a mobile computing strategy. Officials issued the contract without ensuring all requirements were clearly defined. This occurred because contracting officials did not consult with the IT department to clearly identify its expectations for all tasks associated with the contract.

The contract included seven tasks. For six of them, the IT department's expectations were clearly defined. But the description of the seventh task was not detailed and did not include specific deliverables. Task seven included a requirement to create and upload mobile applications to the internal USPS app store;³ however, the requirement did not specify what the mobile applications were to do or the type of operating platform on which they would be released.

Before the contract was awarded, competing suppliers asked the Postal Service to clarify task seven. They noted they could not draft well-defined responses because the task description lacked detail and they questioned whether the Postal Service knew what it wanted. Contracting officials did not provide additional information but, rather, told suppliers to submit proposals based on their assumptions. COs accepted the suppliers' proposals and did not clarify task seven's requirements until after the contract was awarded. As a result, suppliers' proposals for this task varied widely—from \$42,400 to \$552,576.

Contracting policy states contracting officials must ensure requests for proposals correctly and clearly describe the Postal Service's expectations regarding contract performance.⁴ Further, policy states contract requirements must be described as precisely as possible and in enough detail to ensure a best value⁵ decision and effective contract performance.⁶

Seven months after contract award, contracting officials revised task seven's requirements to clarify the IT department's expectations. However, by this time COs had already spent \$217,878 over the contract's original committed value. Then, 2-to-4 months after approving the revisions to task seven, contracting officials improperly approved additional requirements for the design and implementation of two mobile applications: Mobile Point-of-Sale (MPOS), used by retail locations to speed up the checkout process, and a mobile application to enable highway contract route (HCR) drivers to report mail collection information.⁷ These requirements were not in the original request for proposal. Contracting officials used task seven's broad requirements as justification for placing these additional tasks under the contract rather than treating them as a new purchase. These tasks resulted in the Postal Service spending \$3,844,873 for work that was outside the scope of the original contract requirements. See [Table 1](#) for the dates and total values of each task order.

³ An online marketplace where users of smartphones and other mobile devices can browse, purchase, and download applications, or "apps." Apps are typically small, specialized programs downloaded onto mobile devices.

⁴ *Supplying Principles and Practices*, General 2-24.1, December 12, 2011.

⁵ Best value is the basis of all Postal Service sourcing decisions, determined by analysis of a contract solicitation's evaluation factors and weightings in combination with a price analysis.

⁶ *Supplying Principles and Practices*, Statement of Work 2-2.3, December 12, 2011.

⁷ Tasks 9 and 10.

Ambiguous contract requirements can be misleading and result in inferior proposals or a more expensive solution than necessary.

Table 1. Task Number History and Value

Date	Task Number	Requirements	Amount
8/21/2012	Tasks 1-5 (base contract)	Kickoff Meeting, draft document for technology strategy checkpoint and final, define technical Architecture checkpoint and final.	\$148,196.29
11/1/2012	Task 6 (optional task)	Design for enterprise management and support of mobile devices.	\$151,977.80
	Task 7 (optional Task)	Deliverable - Create and upload two mobile computing apps functioning without error.	-
3/15/2013	Task 7 (revised optional task)	Task 7 Deliverables - Create and upload a custom application to the internal Postal Service app store functioning without error on IOS mobile computing devices. Solutions architecture for mobile app development.	\$430,413.80
Total Cost for Tasks 1-7 (Allowable)			\$730,587.89
3/15/2013	Task 8 - Additional work	Create governance model and develop mobile device management solution. Travel for task 7 and 8.	\$595,726.58
5/23/2013	Task 9	Discovery and analysis phase - MPOS.	\$96,808.80
6/17/2013	Task 9	Funding for phase 1 implementation - MPOS.	\$100,000.00
6/25/2013	Task 9	Funding for phase 1 implementation - MPOS.	\$1,312,137.55
7/9/2013	Task 9	Hardware purchase - MPOS.	\$10,652.00
7/11/2013	Task 10	Kickoff meeting and HCR scan prototype.	\$150,000.00
9/4/2013	Task 8 - Additional work	Support efforts of task 8 continuance.	\$20,000.00
9/12/2013	No Task Number*	Address mobile computing implementation requirement.	\$1,059,052.80
9/25/2013	Task 7 - Additional Work	Testing and troubleshooting focusing on Bluetooth connectivity.	\$25,788.02
9/27/2013	Task 9 - Additional Work	Continue developing critical functionality.	\$225,000.00
10/31/2013	Task 9 - Additional Work	Critical defect testing November and December 2013.	\$125,000.00
12/31/2013	Task 9 - Additional Work	Critical defect testing for January and February 2014.	\$124,707.21
Total Cost for Tasks 8-10 (Outside Scope)			\$3,844,872.96
Total Contract Value			\$4,575,460.85

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

* There was no task number assigned for this work in the original contract documentation.

Ambiguous contract requirements can be misleading and result in inferior proposals or a more expensive solution than necessary.⁸ Research shows when project objectives and expected outcomes are unclear and the supplier does not clearly articulate the scope of the work expected from the supplier, the projects often fail. When the scope is vague, suppliers make assumptions in their proposals that can lead to higher cost estimates and, ultimately, higher costs for the Postal Service.

Because COs awarded this Agilex contract without clearly defining the requirements and did not treat additional requirements as a new purchase, the Postal Service spent \$3,844,873 for work that was outside the scope of the original contract requirements. Contract awards that do not contain clear requirements are not in the best interest of the Postal Service and may negatively impact the brand.

⁸ Supplying Principles and Practices, Requirement Specifications 1-11.3, December 12, 2011.

Recommendation

We recommend management reiterate to contracting officers the importance of collaborating with their internal business partners prior to solicitation to obtain clearly defined requirements.

We recommend the vice president, Supply Management, direct the manager, Technology Infrastructure Portfolio, to:

1. Reiterate to contracting officers that contract solicitations must correctly and clearly describe the Postal Service's requirements and emphasize to them the importance of collaborating with Postal Service internal business partners prior to solicitation to obtain these requirements.

Management's Comments

Management agreed with the finding, recommendation, and monetary impact. Management will share this report with all Supply Management employees with a reference to the relative *Supplying Principles and Practices* guidance. In addition, the manager, Technology Infrastructure Portfolio, will reiterate to employees and internal business partners the need to work together to ensure future requirements are clearly defined. Supply Management plans to implement this recommendation by August 30, 2015.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendation in the report and management's action plan should resolve the issue identified in the report.

The OIG considers the recommendation significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action is 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.

Appendices

*Click on the appendix title
to the right to navigate to
the section content.*

Appendix A: Additional Information.....10

 Background10

 Objective, Scope, and Methodology10

 Prior Audit Coverage.....11

Appendix B: Management’s Comments13

Appendix A: Additional Information

Background

Since 2009, the Postal Service awarded three contracts to Agilex. Agilex provides mission and technology consulting, software and solution development, and system integration primarily to various agencies of the U.S. federal government.

In September 2009, a noncompetitive-sole source contract valued at \$389,871 was awarded to Agilex for program management services in support of Project Phoenix. The purpose of the contract was to provide best practices and approaches to help Project Phoenix succeed, particularly in call centers and retail activities. In 2011, the OIG audited Project Phoenix⁹ and found the IT department did not adequately develop the requirements for the project. Management invested additional time and resources to revise requirements, resulting in an increase of \$4.6 million (103 percent) to the original contract value.

In February 2012, the IT department stated it needed to develop a mobile computing strategy. The strategy needed to include the overall approach for selecting and procuring technology for both network and mobile device management, developing and managing the application, and staffing to support mobile computing capabilities. To meet this need, in August 2012, Postal Service Supply Management competitively awarded a firm-fixed price (FFP) contract valued at \$512,710 for managed mobile computing.¹⁰

In October 2013, IT submitted a noncompetitive purchase request to address immediate and future Postal Service mobile computing requirements. IT requested to replace the 2012 FFP Agilex contract with an Indefinite Delivery Indefinite Quantity¹¹ contract. IT proposed this contract have a minimum value of \$1 million and maximum value of \$8 million.

COs must ensure requests for proposals correctly and clearly describe Postal Service expectations regarding contract performance.¹² Further, according to policy, statements of work must describe the work as precisely as possible and in enough detail to ensure a best value decision and effective contract performance.¹³

Objective, Scope, and Methodology

Our objective was to determine whether the Postal Service properly administered the Agilex contracts. To accomplish our objective we:

- Reviewed Postal Service criteria, guidelines, and procedures on awarding contracts.
- Queried the Contract Authoring Management System (CAMS)¹⁴ to obtain contract documentation for all three Agilex contracts.
- Interviewed the Supply Management CO and manager, IT Portfolio.
- Interviewed Postal Service IT managers and contracting officials who submitted the request for the managed mobile computing contract.

⁹ *Project Phoenix* (Report Number IT-AR-11-009, September 14, 2011).

¹⁰ The objective of managed mobile computing is to use mobile computing capabilities to enhance the user's ability to increase revenue or productivity, facilitate access to information, and decrease task complexity.

¹¹ A contract that provides for an indefinite quantity of specific supplies or services to be delivered during the contract period to designated locations when ordered.

¹² *Supplying Principles and Practices*, General 2-24.1, December 12, 2011.

¹³ *Supplying Principles and Practices*, Statement of Work 2-2.3, December 12, 2011.

¹⁴ A contract writing tool that facilitates the solicitation, award, and storage of various contracts.

- Analyzed Question and Answer documentation submitted from suppliers and contracting officials.
- Analyzed purchase plans, statements of work, modifications, and proposals to determine whether contracting officials followed policies and procedures.

We conducted this performance audit from December 2014 through June 2015 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 May 26, 2015, and included their comments where appropriate.

We assessed the reliability of CAMS data by reviewing existing information about the data and the system that produced them, and interviewing agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Best Value in the Purchasing Process</i>	CA-AR-13-001	10/9/2012	\$327,327,782
Report Results: The Postal Service did not provide evidence that it achieved best value for all contract purchases. Evidence to support an assessment of mandatory evaluation factors and price analyses for contract purchases was not maintained and contracting actions were not properly approved by contracting officials. The OIG recommended contracting managers conduct periodic reviews of electronic and physical contract files and update the contract file transfer process to require receiving contract officials to certify that contract files contain required documentation. Finally, we recommended that management direct contracting officials and higher level approvers to ensure the accuracy of CAMS information and adhere to <i>Supplying Principles and Practices</i> to obtain appropriate written approval prior to submitting or approving contract actions. Management agreed with the findings and recommendations.			
<i>Award of Diebold Inc. Contract</i>	SM-AR-14-005	6/4/2014	\$18,399,448
Report Results: The Postal Service did not award the Diebold contract in accordance with Postal Service policies and procedures. Contracting officials did not develop a purchase plan and officials did not conduct a price analysis before awarding the contract. The Postal Service also did not conduct an analysis to establish the contract payments of \$18,399,448 provided best value. Further, Postal Service internal lock repair and maintenance cost was inadequately analyzed by officials. The OIG recommended that management train contracting officials to develop a purchase plan for purchases exceeding \$1 million and conduct a price analysis prior to awarding supplier contracts. We also recommended management develop a process to capture and analyze applicable data to support internal cost estimates when considering outsourcing in the future. Management did not agree with the internal cost estimates finding and the associated monetary impact, but generally agreed with the recommendations.			

Report Title	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Advertising and Consulting Supplier Selection Process</i>	SM-AR-14-006	6/11/2014	\$3,493,680

Report Results: This audit followed-up on a prior audit report titled *Advertising Program* (Report Number [MS-AR-13-002](#), dated January 4, 2013). In the original audit, the OIG found the Postal Service did not adequately monitor its two largest advertising contracts. For this audit, we noted the Postal Service increased competition for advertising contracts by closing its two largest advertising contracts and competitively awarding contracts to four suppliers. We recommended COs require evaluation teams to follow the *Supplying Principles and Practices* and document and file the narrative consensus evaluations that support their rational. Management agreed with the recommendations.

Appendix B: Management's Comments

SUSAN M. BROWNELL
VICE PRESIDENT, SUPPLY MANAGEMENT



June 10, 2015

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Response to Draft Report - Award of Agilex Technologies, Inc. Contracts
(Report Number SM-AR-15-DRAFT)

Thank you for providing the Postal Service with an opportunity to review and comment on this report. Management agrees with the findings, recommendations and monetary impact.

OIG Recommendations

We recommend the vice president, Supply Management, direct the manager, Technology Infrastructure Portfolio, to:

Recommendation 1: Reiterate to contracting officers that contract solicitations must correctly and clearly describe the Postal Service's requirements and emphasize to them the importance of collaborating with Postal Service internal business partners prior to solicitation to obtain these requirements.

Management Response/Action Plan: Management agrees and will cascade the final audit report to all Supply Management employees with a reference to the relative Supplying Principles and Practices guidance through a Supply Management Communication. The Manager, Technology Infrastructure Portfolio will reiterate to his employees and internal business partners the need to work together to ensure future requirements are clearly defined.

Target Implementation Date: August 2015

Responsible Official: Manager, Supply Management Infrastructure and Manager, Technology Infrastructure Portfolio

A handwritten signature in cursive script that reads "Susan M. Brownell".

cc: Manager, Corporate Audit Response Management

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