

POSTAL REGULATORY COMMISSION

OFFICE OF INSPECTOR GENERAL



FINAL INSPECTION REPORT

PRC CONTRACTING PRACTICES: ACQUISITION PLANNING

**Inspection Report 11-1-A01
September 27, 2011**

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Introduction

Background

This report presents the results of a self-initiated review by the Postal Regulatory Commission (PRC) Office of Inspector General (OIG) of PRC contracting practices. It is the first in a series of reports. Our objective was to determine whether PRC's contract planning and strategies complied with policies to minimize contract risk.

The acquisition process begins when an agency's need is established. The efforts of all personnel responsible for an acquisition should be coordinated and integrated through a comprehensive plan to fulfill the agency's need in a timely manner and at a reasonable cost.

PRC's Secretary and Director of Administration is responsible for, among other duties, procurement and supply, serving as the contracting officer, as well as approving acquisition plans. To maintain public confidence in the PRC, it is important that the PRC obtains reasonable prices, monitors contract performance and ensures items are received in a timely manner.

Title 39 United States Code, Section 410, exempts the PRC from federal laws dealing with public or federal contracts, property, officers, employees, budgets or funds. Similarly, the provisions of Chapters 5 and 7 of Title 5 exempt the PRC from the competition rules that govern most other civilian agency procurements.

Objective, Scope and Methodology

The objective of our inspection was to determine whether PRC's contract planning and strategies complied with policies to minimize contract risk. To accomplish our objectives, we:

- Obtained and reviewed documentation provided by PRC officials to determine the universe of PRC's contracts issued between January 1, 2009 and December 31, 2010;
- Interviewed PRC management and contracting personnel regarding their roles and responsibilities in acquisition planning;
- Reviewed PRC contract files for acquisition plans and required documentation;
- Reviewed PRC purchasing policies and procedures as well as other relevant policies;
- Benchmarked PRC acquisition planning policies with the United States Postal Service and the Federal Acquisition Regulations (FAR); and
- Reviewed PRC training files for completion of contract training.

We conducted this inspection between February 2011 and September 2011 in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspections and Evaluation*. We believe that the documentation obtained provides a reasonable basis for our conclusion based on our objective. We discussed our observations and conclusions with the Office of the Secretary and Administration of the PRC on August 11 and 24, 2011, and September 8, 2011.

Prior Audit Coverage

There were no PRC or GAO prior reviews on this topic conducted within the last three years.

Results

We found that PRC's acquisition planning and strategies did not comply with its policy to minimize contract risk. Specifically, we found that PRC management did not prepare acquisition plans necessary to show PRC's overall strategy to accomplish and manage their contracts. This occurred because PRC management did not:

- have an approved purchasing policy which addressed acquisition planning and strategies from January 1, 2009 through July 14, 2009;
- comply with the approved July 15, 2009 purchasing policy; and
- ensure staff completed contracting training in accordance with policy.

As a result, from January 1, 2009, through December 31, 2010, the PRC awarded 25 contracts for approximately \$2 million dollars under questionable contracting practices.

According to the PRC's purchasing policy implemented in July 2009, an acquisition plan should be developed in coordination with appropriate program staff before a solicitation for offers or request for proposals is drafted. In addition, PRC officials are also responsible for conducting market research as soon as requirements are developed in accordance with policy.

The acquisition plan, which is approved by the Office of Secretary and Administration, is a contracting tool which captures the necessary objectives and tactics used to obtain the best value for the PRC in the most effective, economical and timely manner. The plan is required to include:

- acquisition background and objectives;
- a plan of action;
- identification of the office responsible for quality assurance;
- documentation of sole source procurement; and
- any requests for information analysis.

We requested a copy of PRC approved purchasing policy prior to July 2009. PRC management provided us two policies dated June 24, 1985 and January 23, 1989 which did not address acquisition plans.

PRC staff manually prepared and maintained a spreadsheet which showed all of their contracts¹ issued by fiscal year. In addition, it is also used to assign contract numbers for each contract.

¹ The log also includes purchase orders, which were not included in this review.

During our review of the spreadsheet, we identified inconsistencies associated with the contract award amount and contract award date noted in their spreadsheet. In addition, we found a contract that was not reported on the spreadsheet.

During the period of our review, we reviewed 24² of the 25 contract files. We noted five³ (20%) of the total files reviewed were not required to have an acquisition plan since the PRC did not have a policy in place. We found that 19 files did not have the required documents or approved acquisition plans as required by PRC policy. In addition, there were contracts missing in the files.

To determine acquisition planning requirements and strategies, we benchmarked the Postal Service's Supplying Principles & Practices (SP&P) and FAR policies and procedures requirements.

The Postal Service policy requires written acquisition plans for all purchases valued at \$1 million or more. For lesser-dollar value, the Postal Service Purchase and Supply Chain Management teams make a determination for the need of a plan based on the complexity of the purchase. The FAR states that each agency head establishes the criteria and threshold.

Without preparing a clear, concise and informative acquisition plan, the PRC may be unable to make the best value business decision when awarding contracts.

We recommend that the PRC:

- 1. Ensure PRC policies and procedures associated with acquisition planning and strategies are followed.**

Management's Comments

PRC Management provided a response to the draft inspection report on September 20, 2011. A copy of that response is included as Appendix A of this report. Management agreed with this recommendation and will meet quarterly to ensure policies and procedures are followed.

Evaluation of Management's Comments

Management's comments are responsive to the recommendation, and the action taken or planned should correct the issue identified

- 2. Ensure all required documents as outlined in the PRC purchasing policy and procedures are properly prepared, approved and placed in the contract file.**

² PRC management was unable to locate one contract file.

³ Four contracts were awarded prior to July 2009. One contract modification was misclassified as a separate PRC contract.

Management's Comments

Management agreed with this recommendation and has standardized their contract files with a checklist of required documents. In addition, PRC management meets quarterly to ensure required documents outlined in the policy and procedures are properly prepared, approved and placed in the contract file.

Evaluation of Management's Comments

Management's comments are responsive to the recommendation, and the action taken or planned should correct the issue identified.

3. Develop a policy to ensure quality assurance reviews are completed on the contract files.*Management's Comments*

Management agreed with this recommendation and implemented a contracts standard operating procedure for quality assurance reviews on September 20, 2011.

Evaluation of Management's Comments

Management's comments are responsive to the recommendation, and the action taken or planned should correct the issue identified.

Training

PRC management did not ensure that contracting staff completed required and adequate contracting training according to PRC policy. PRC management were unaware of their roles and responsibilities necessary to execute acquisition planning.

We reviewed PRC training records from January 2009 through December 2010. PRC did not provide annual contract training requirements that were in effect from January 1, 2009 to July 14, 2009. According to PRC's purchasing policy in effect July 15, 2009, contracting officials were required to enroll and complete required contracting courses. We did not find any training records showing that PRC staff and management completed the training. PRC policy⁴ stated that the Administrative office would maintain records of training activities. Upon completion of training, it would be recorded in the employee's official personnel folder. PRC management stated that contracting staff would complete all training requirements by the end of the Fiscal Year 2011.

On March 4, 2011, PRC management revised the purchasing policy. The revision included less stringent contracting training requirements for staff. For example, the revised policy "recommended" rather than "required" that the Chief Administrative Officer, Contracting

⁴ PRC Training and Employee Development Program dated February 1, 2009

Officer Representative and the Contracting Officer Technical Representative enroll in appropriate business or procurement courses. Since PRC management did not ensure training requirements were completed, they were less able to fully understand contracting roles and responsibilities, as well as statutory and contractual procedural requirements.

We recommend that the PRC:

- 4. Revise the current PRC purchasing policy to ensure adequate training is completed, tracked, and documented for contract personnel.**

Management's Comments

Management agreed with this recommendation and updated the PRC Purchasing Policy on September 8, 2011 to strengthen the annual training requirements. In addition, PRC management implemented a contract training log on August 24, 2011 to ensure all training requirements are met and documented.

Evaluation of Management's Comments

Management's comments are responsive to the recommendation, and the action taken or planned should correct the issue identified.

- 5. Ensure contracting staff complete all contracting training requirements outlined in PRC purchasing policy.**

Management's Comments

Management agreed with this recommendation and will ensure staff completes required contract training by September 30, 2011 and document the training requirements.

Evaluation of Management's Comments

Management's comments are responsive to the recommendation, and the action taken or planned should correct the issue identified.

APPENDIX A: MANAGEMENT’S COMMENTS




U.S. POSTAL REGULATORY COMMISSION
Washington, DC 20288-0001

Office of the Secretary

DATE: September 20, 2011

TO: Jack Callender, Inspector General

FROM: Shoshana Grovc, Secretary and Chief Administrative Officer 

RE: Inspection Report 11-1-A01 – PRC Contracting Practices: Acquisition Planning

This memo is in response to the Draft Inspection Report received September 13, 2011. The Postal Regulatory Commission (PRC) is committed to its compliance with its contracting policy. We appreciate the diligence and professionalism exhibited by you and your staff during this inspection.

The PRC notes that the report benchmarks the PRC against the United States Postal Service and the Federal Acquisition Requirements (FAR). We recommend that our benchmark be a similarly situated agency (i.e. a micro-agency that is exempt from FAR).

In regards to the recommendations contained within the report, PRC management agrees with the recommendations. Under the direction of the current Chairman and Secretary, PRC management completed its own comprehensive review of contracts during this fiscal year and has addressed the recommendations below.

- 1) **Recommendation:** Ensure PRC Policies and procedures associated with acquisition planning and strategies are followed.

Response: PRC management agrees with the recommendation. In response to the inspection recommendation, the Secretary and/or Assistant Secretary will meet quarterly with the Administrative Support Specialist with responsibility for contracts to ensure that PRC Policies and procedures associated with acquisition planning and strategies are followed and documented.

- 2) **Recommendation:** Ensure all required documents as outlined in the PRC purchasing policy and procedures are properly prepared, approved and placed in the contract file.

Response: PRC management agrees with the recommendation. In response to the inspection recommendation, contract files have been standardized and contain a checklist of required documents, including the written acquisition plan (when applicable). The Secretary and/or Assistant Secretary will meet quarterly with the Administrative Support Specialist with



responsibility for contracts to ensure that all required documents as outlined in the PRC purchasing policy and procedures are properly prepared, approved and placed in the contract file.

- 3) **Recommendation:** Develop a policy to ensure quality assurance reviews are completed on the contract files.

Response: PRC management agrees with the recommendation. In response to the inspection recommendation, the Office of the Secretary implemented a Contracts Standard Operating Procedure on September 20, 2011 to ensure quality assurance reviews are completed on the contract files.

- 4) **Recommendation:** Revise the current PRC purchasing policy to ensure adequate training is completed, tracked and documented for contract personnel.

Response: PRC management agrees with the recommendation. In response to the inspection recommendation, the PRC Purchasing Policy was updated on September 8, 2011 to strengthen the annual training recommendation for the Contracting Officer, the Contracting Officer's Representative and the Contracting Officer's Technical Representative to a requirement.

- 5) **Recommendation:** Ensure contracting staff complete all contracting training requirements outlined in PRC purchasing policy.

Response: PRC management agrees with the recommendation. In response to the inspection recommendation, the Office of the Secretary will insure that all required FY 2011 contract training for PRC staff will be completed by September 30, 2011. To insure compliance in future years, the Office of the Secretary implemented a training log on August 24, 2011 for all PRC staff with contracts responsibilities. This log will be reviewed annually by the end of the third quarter to ensure that all training requirements are met and documented.