



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Oversight of Contracting Officer Authority

Audit Report

Report Number
SM-AR-17-008

September 6, 2017





OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Highlights

Background

At the U.S. Postal Service, the contracting officer (CO) plays an essential role in carrying out the solicitation, award, management and termination of a contract. COs receive a letter which provides specific authority levels for contract vehicles and a certificate of appointment officially designating their authority in the position.

A CO may take a contractual action (a purchase, modification, or termination) exceeding his or her authority after receiving a written delegation of authority specific to the action from a CO having and authorized to redelegate the required authority. In addition, COs can commit up to the maximum limit for orders placed against any indefinite delivery contracts and ordering agreements.

As of June 2017, the Postal Service had 133 COs within the Supply Management function who manages the organization's contract portfolio. COs manage contracts within one of three contract systems — the Contract Authoring Management System (CAMS), the Transportation Contracting Support System (TCSS), or the electronic Facilities Management System (eFMS).

The U.S. Postal Service Office of Inspector General (OIG) developed and monitors indicators—or tripwires—to identify contract risks, such as COs who exceed their delegated authority. For the period of October 31, 2014 through

October 31, 2016, we used this tripwire to identify instances in all three systems where COs executed contract actions above their delegated authority.

CAMS was the only system where the tripwire identified that COs executed contract actions above their delegated authority, with 32 COs executing 96 contract actions valued at \$1.5 billion. In these cases, a written delegation of authority was required to execute the actions.

Our objective was to determine whether Postal Service controls are effective in preventing COs from improperly exceeding their delegated contracting authority.

What the OIG Found

The controls in TCSS and eFMS are adequate; however, the Postal Service should strengthen controls for CAMS in preventing or detecting COs from improperly exceeding their delegated contracting authority.

We determined that 22 percent of the COs (7 of 32) executed contract actions in CAMS above their delegated contracting authority without an appropriate written delegation of authority. These exceptions equated to 14 percent (13 of 96) of the contract actions we reviewed in CAMS.

These issues occurred because the control in CAMS to prevent COs from executing a contract action exceeding their delegated



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contracting authority is not activated as it is with TCSS and eFMS, and there are no adequate mitigating controls in place to compensate for this deficiency.

The impact to the Postal Service is there are 13 open contract actions that are unauthorized contractual commitments due to COs improperly exceeding their delegated contracting authority. These contract actions are valued at an annual average of \$10.2 million for the two year period. This also poses the risk going forward that without adequate controls, such improper actions may not be identified timely.

We also conducted benchmarking with three agencies with similar contracting policies to compare controls related to contracting officer authority levels. The results indicate other agencies restrict deviations to CO authority levels and leverage

system controls in their contracting systems to prevent exceptions. We also noted, within the Postal Service's Supply Management Facilities portfolio, a standard operating procedure was implemented which restricted deviations to contracting officer authority levels for all contracts except for indefinite delivery contracts and ordering agreements.

What the OIG Recommended

We recommended management ratify the unauthorized contractual commitments identified in the audit, assess the feasibility of using systems controls in CAMS, or develop mitigating controls to prevent or detect COs from committing contract actions that exceed their delegated contracting authority.

Transmittal Letter




OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

September 6, 2017

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

E-Signed by Charles Turley
VERIFY authenticity with eSign Desktop



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

SUBJECT: Audit Report – Oversight of Contracting Officer Authority
(Report Number SM-AR-17-008)

This report presents the results of our audit of the Oversight of Contracting Officer Authority (Project Number 17SMG018SM000).

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

Other agencies restrict deviations to contracting officer authority levels and leverage system controls in their contracting systems to prevent exceptions.

Introduction

This report presents the results of our self-initiated audit of the oversight of contracting officer (CO) authority (Project Number 17SMG018SM000). Our objective was to determine whether U.S. Postal Service controls are effective in preventing COs from improperly exceeding their delegated contracting authority. See [Appendix A](#) for additional information about this audit.

At the Postal Service, the CO plays an essential role in carrying out the solicitation, award, management and termination of a contract. COs receive a letter which provides specific authority levels for contract vehicles and a certificate of appointment officially designating their authority in the position.

A CO may take a contractual action (a purchase, modification, or termination) exceeding his or her authority after receiving a written delegation of authority specific to the action from a CO having and authorized to redelegate the required authority. In addition, COs can commit up to the maximum limit for orders placed against any Indefinite Delivery, Indefinite Quantity (IDIQ) contracts and ordering agreements.

As of June 2017, the Postal Service had 133¹ COs in the Supply Management function that manages the organization's contract portfolio. Contracts are managed in one of three contract systems — the Contract Authoring Management System (CAMS), the Transportation Contracting Support System (TCSS), or the electronic Facilities Management System (eFMS).

The U.S. Postal Service Office of Inspector General (OIG) developed indicators — or tripwires — to identify contract risks, such as COs who exceed their contracting authority when awarding or committing funds to a contract (considered contract actions).² For the period of October 31, 2014 through October 31, 2016, we used this tripwire to identify instances in all three systems where COs executed contract actions above their delegated authority. CAMS was the only system with exceptions, where 32 COs executed 96 of 38,231 (or 0.25 percent) contract actions valued at \$1.5 billion of \$12.4 billion (or 12 percent). In these cases, a written delegation of authority was required.

Summary

The controls in TCSS and eFMS are adequate; however, the Postal Service should strengthen controls in CAMS that prevent COs from improperly exceeding their delegated contracting authority.

We determined that 22 percent of the COs (7 of 32) executed contract actions in CAMS above their delegated contracting authority without an appropriate written delegation of authority. These exceptions equated to 14 percent of the contract actions we reviewed in CAMS (13 of 96).

We also conducted benchmarking with three agencies with similar contracting policies to compare controls related to contracting officer authority levels. The results indicate other agencies restrict deviations to contracting officer authority levels and leverage system controls in their contracting systems to prevent exceptions. We also noted that within the Supply Management Facilities portfolio, a standard operating procedure was implemented which restricted deviations to CO authority levels for all contracts except IDIQ contracts and ordering agreements.

¹ CO list retrieved from USPS BlueShare website on June 9, 2017.

² A new contract, delivery order, task order, work order, or modification to or termination of a contract.

Contracting Officers' Delegations of Authority

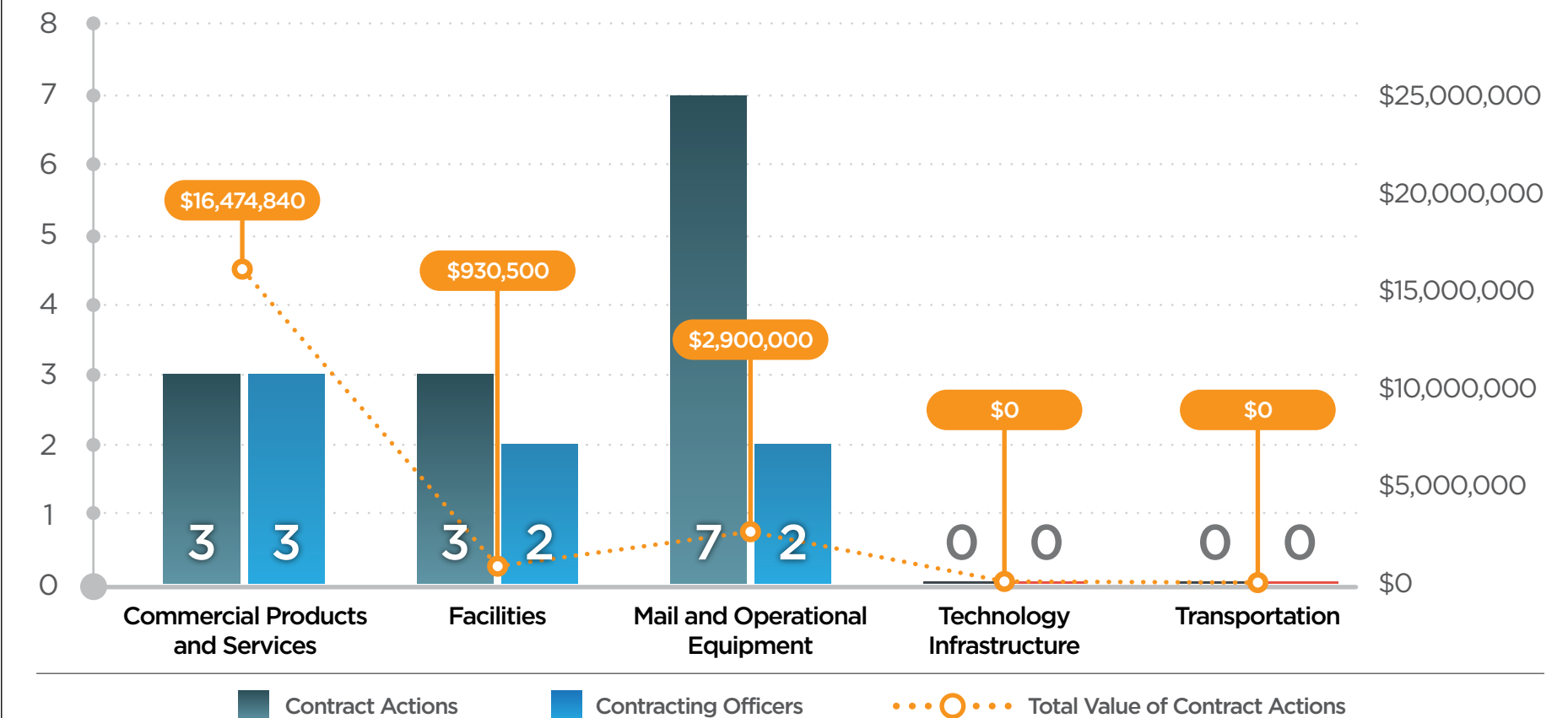
COs receive a Delegation of Authority (DOA) letter which provides specific authority levels for contract vehicles. The DOA delineates the authority to execute and award contracts up to the delegated amount. The DOA also describes the authority for orders, unauthorized contractual commitments, and the authority to approve noncompetitive purchases up to the delegated authority. Additionally, COs also receive a Certificate of Appointment officially designating their authority in the position.

COs did not exercise due diligence in adhering to their delegated contract authority.

Per the Postal Service's Supplying Principles and Practices (SP&P), a CO may take a contractual action (a purchase, modification, or termination) exceeding his or her authority after receiving a written DOA from a CO authorized to redelegate the required authority. The delegation must be placed in the contract file. Written approval of the proposed contract award or modification from the appropriate authority serves as the DOA required if the proposed award or modification exceeds the COs delegated authority.³ Approval of the Noncompetitive Purchase Request (NPR) does not constitute approval of contract award.⁴

Of the 32 COs, 22 percent (7 of 32) exceeded their delegated contracting authority without proper DOA for 14 percent (13 of 96) of the contract actions we reviewed. These issues occurred because system controls in CAMS are not being leveraged, there are no adequate mitigating controls in place to compensate for this deficiency, and COs did not exercise due diligence in adhering to their delegated contract authority. See Figure 1 for results by SM portfolio.

Figure 1. Contract Actions and COs Without DOA by SM Portfolio



Source: Results from Postal Service COs and CAMS data.

³ SP&P Section 2-41.2.2, Review and Approvals, effective September 30, 2016.

⁴ Management Instruction SP-S2-2015-1, *Noncompetitive Purchases*, effective August 7, 2015.

Contracting System Controls

COs manage contracts using one of three contracting systems — CAMS,⁵ TCSS,⁶ or eFMS.⁷ All three systems have preventive controls to mitigate COs executing contract actions that exceed their delegated contracting authority; however, CAMS preventive controls are not currently being leveraged.

Postal Service management indicated that implementing CAMS controls would require a very time-consuming, labor-intensive process to allow COs to be granted a higher level of authority for specific awards. Currently, CAMS does not allow temporary waivers for COs to exceed their delegated contracting authority. Without the flexibility of temporary waivers, all contract actions over \$10 million would require either the portfolio manager's signature or the granting of a higher level of authority to the CO for each specific contract action. To date there are about 20,000 contracting actions valued at over \$10 million in CAMS that would be impacted.

In contrast, eFMS and TCSS have the following active controls in place that prevent COs from exceeding their delegated contract authority. For both systems:

- CO's must first request system access in eAccess.⁸ The respective program managers are responsible for system oversight, including review and approval of all submitted information, system profiles, and updates.
- The eAccess approval process is customized by role, delegated authority amount, and start and end date. A copy of the CO's delegated contracting authority letter is also maintained in eAccess.
- When using eFMS or TCSS, if a contract action exceeds the CO's delegated contracting authority, the CO will not appear as a signatory option in the drop-down menu or the system will prompt an error message.
- In circumstances where the SP&P allows COs to exceed their delegated contracting authority — such as IDIQ contracts, ordering agreements, and DOAs — a temporary allowance is permitted. However, COs must submit approved documentation to the program managers for review and authorization.

Currently, the Supply Management Compliance Team conducts a quarterly compliance review on all new contract awards. This review serves as a quality review check and assesses various contract compliance components, including reviews and approvals. The reviews are conducted on all new contract awards regardless of which contract system is being used to manage the contract. As this control is adequate in detecting COs who may exceed their delegated contracting authority, it would typically apply to new contract awards, not all contract actions. Therefore, preventive or detective controls for contract actions related to contracts managed in CAMS are not adequate to provide reasonable assurance that the risk of COs improperly exceeding their delegated contracting authority is mitigated.

⁵ CAMS, the primary contracting system, is a contract writing tool that facilitates the solicitation, award, and storage of various contracts.

⁶ An application used to manage transportation contracts. It allows contracting offices to solicit, award, and administer transportation contracts. This contracting system is used by the Transportation Portfolio.

⁷ An application used to manage USPS real property inventory and administer all property-related projects, such as acquisition, construction, repairs, and disposal. This contracting system is used by the Facilities Construction Category Management Center (CMC).

⁸ A Postal Service application for managing authorization to information resources.

Contracting Officer Due Diligence

Per the SP&P, contract awards or modifications valued at less than \$250,000 require no further reviews and approvals beyond that of the CO. Contract awards or modifications valued at \$250,000 or more but less than \$10 million and purchase plans valued at \$1 million or more must be reviewed and approved by a CO who is a team leader or manager in the purchasing organization and has a sufficient amount of contracting authority to perform the action being reviewed.⁹

COs did not exercise due diligence in adhering to their delegated contract authority. Specifically, COs failed to verify assigned contract actions, did not obtain appropriate authorization due to excessive workload, or misinterpreted the SP&P regarding written approval for delegation of authority. Specifically, of the seven COs:

- Four COs neglected to ensure the contract action was within their delegated contracting authority:
 - Two failed to verify the contract action amount assigned by the purchasing specialist.
 - Two stated that due to excessive workload and high staff turnover they did not realize or validate that the contract actions exceeded their delegated authority level. During the course of the audit, the CMC manager took corrective action for these two COs by modifying the respective contract actions.
- One CO indicated he misinterpreted SP&P, Section 2-41.4, and misapplied previously approved award recommendations as DOA. Based on their interpretation of the SP&P, they believed an approved award recommendation was a written approval to exceed their delegated contracting authority and could be used for future contract actions.
- One CO retired and the CMC manager could not provide supporting documentation validating the contract action was appropriate.
- One CO could not locate the original award recommendation that was used as the basis of a DOA.

COs who commit contract actions above their delegated contracting authority without approval lack the authority to enter into contractual commitments on behalf of the Postal Service.

COs who exceeded their delegated contracting authority committed 13¹⁰ unauthorized contract actions valued at \$20,305,340¹¹ of \$1,575,684,967 (or 1.3 percent) from October 31, 2014 to October 31, 2016. This poses a risk because such actions may not include the required terms and conditions necessary to protect the interests of the Postal Service.

⁹ SP&P Section 2-41.2.2, Review and Approvals, effective September 30, 2016.

¹⁰ The allocation of the 13 contract actions: five were funding actions, five were to extend the period of performance, and three were to exercise an option.

¹¹ This is the total value of the 13 contract actions committed by COs who did not have proper delegation of authority.

We found that all three agencies have policies and contract systems controls in place to prevent COs from exceeding their contracting authority under any circumstances, including IDIQ contract actions.

Benchmarking Results

Federal Agencies

The Federal Acquisition Regulations (FAR) applies to all federal executive agencies in their acquisition of supplies and services. However, the Postal Service does not adhere to FAR regulations and utilizes their SP&P as their guiding principles. We benchmarked three agencies, Federal Aviation Administration (FAA), Department of the Interior (DOI), and Department of Education (ED), to compare controls and practices related to contracting officer authority levels with the Postal Service. The FAA is a non-FAR agency similar to the Postal Service.

Contracting authority levels at these federal agencies are similar to those of the Postal Service with multiple tiers of dollar value authority within each level. See Table 1 for the comparison of contracting authority levels.

Table 1. Comparison of Contracting Authority Levels

Agency	Contracting Officer Level and Authority			
	I	II	III	IV
USPS	Up to \$250,000	Up to \$1,000,000	Up to \$10,000,000	Unlimited
FAA	\$150,000	\$1,000,000 \$5,000,000 \$10,000,000	\$50,000,000 Unlimited	None
DOI	\$150,000 \$500,000	\$2,500,000 \$5,000,000 \$10,000,000	\$25,000,000 \$100,000,000 \$250,000,000 \$500,000,000 Unlimited	None
ED	\$150,000	\$1,000,000	\$10,000,000	Unlimited

Source: OIG analysis.

We also determined whether these agencies had technology solutions or best practices the Postal Service could use to improve its oversight of COs' delegated contracting authority. See [Table 2](#) for the comparison of contracting authority level practices.

We found that all three agencies have policies and contract systems controls in place to prevent COs from exceeding their contracting authority under any circumstances, including IDIQ contract actions.

- The FAA and DOI use CompuSearch PRISM for their contracting systems — the same software the Postal Service uses for CAMS. ED uses the Comprizon award system. All three agencies use their respective system's controls to prevent COs from exceeding their contracting authorities, whereas the Postal Service does not use the preventive controls in CAMS.

- All three agencies manage and maintain their own CO authority databases in real time and updates them as soon as delegations are issued, changed, or rescinded. In contrast, the Postal Service manages a network-shared active CO list, which depends on personnel from each portfolio to update with authority delegation activities.

Table 2. Comparison of CO Authority Level Practices

Agency	FAA	DOI	ED	Postal Service
Allows COs to exceed authority level?	No	No	No	Yes
Allows IDIQ actions to exceed authority level?	No	No	No	Yes
Contract system used	Compusearch PRISM	Compusearch PRISM	Comprizon Award	Compusearch PRISM
Use system controls to prevent CO exceedance?	Yes	Yes	Yes	No
Maintains active CO list?	Yes	Yes	Yes	Yes, not in real-time

Postal Service Facilities Portfolio

We also conducted benchmarking within the Supply Management’s five portfolios to identify internal practices that are effective in managing CO authority levels.

The Postal Service’s Facilities portfolio consists of the Construction CMC and Services CMC. The Facilities Construction CMC uses eFMS to manage contracts and the Facilities Services CMC uses CAMS to manage contracts. The following mitigating controls were implemented to address CO authority levels:

- In February 2017, the portfolio established a standard practice that does not allow COs to exceed their delegated contracting authorities, except in cases of IDIQ actions or ordering agreements. This was instituted as a result of new portfolio leadership (portfolio manager).
- The portfolio developed standard operating procedure (SOP) workflows that define the purchasing process — from purchase request to contract award — for their various commodities.¹²
- Contracts managed in eFMS; the system will not allow a CO to approve a commitment (or obligation of funds) over the CO’s designated contracting authority.

¹² Commodities examples are Cleaning Services, Elevator Maintenance, Emergency Management, and Facility Security & Safety.

- Contracts managed in CAMS: the CMC developed a SOP¹³ to review and manage COs' delegated contracting authority. In addition, the portfolio's Analysis and Research Team reconciles Enterprise Data Warehouse¹⁴ reports combined with the active CO List¹⁵ to perform quarterly reviews of all active contracts in CAMS to identify exceptions or single contract actions where the CO exceeded their delegated contracting authority.

Notwithstanding, the Postal Service can further strengthen its controls over CO authority levels by leveraging practices currently used by other Federal agencies or its Facilities portfolio in preventing and detecting when COs exceed their delegated contracting authority.

Other Matters

Delegation Of Authority Not Filed

Postal Service policy states that, as of May 2014, all new contracts should be filed in the electronic document repositories and file folders developed in the contracting systems.¹⁶ The delegation must be placed in the contract file.¹⁷ In addition, COs must perform file maintenance to ensure they fully document any contract changes in the contract file and that file documentation is sufficient for a third party to understand what was done and why.¹⁸

Of the 32 COs, 28 percent (9 of 32) did not electronically file the DOA in CAMS to commit 17 percent (16 of 96) of contract actions. This occurred because COs did not ensure their delegations were uploaded in the contract file. Without the proper documentation uploaded in the contracting system, a third party will not sufficiently understand the basis of the contract action.

Active Contracting Officer List

The Postal Service's SM Professional Development team manages the active CO List on their Blueshare site.¹⁹ The purpose of this list is to maintain a centralized repository of COs' delegations and qualifications. Maintenance of the list is the sole responsibility of the portfolios, which must maintain a list of all past and present COs who had delegated authority. These entries must be retained for historical purposes and never deleted from the CO List.

We used this active CO list during our audit to test 24 percent of the COs (32 of 133) and identified the following discrepancies:

- One CO's authority level became ineffective in August 2016 when he moved to another portfolio; however, the active CO Listing was not updated to reflect the change.
- One CO's authority level increased in July 2016, but was not updated until May 2017.

¹³ *Contracting Officer Delegated Contracting Authority Review and Management*, updated April 27, 2017.

¹⁴ A collection of data from various sources, which is stored in a single place for reporting and analysis.

¹⁵ CO authority level delegation information on the SM Infrastructure Blueshare website.

¹⁶ SM Communication dated May 23, 2014, to formalize verbal instruction from 2013.

¹⁷ SP&P Section 2-41.4, *Actions Exceeding a Contracting Officer's Delegated Authority*, effective September 30, 2016.

¹⁸ SP&P Section 3-6.1, *Contract Maintenance*, effective September 30, 2016.

¹⁹ USPS Blueshare site, *Blueshare Contracting Officer List*, dated January 2014.

Recommendations

We recommend management ratify the unauthorized contractual commitments identified in the audit, assess the feasibility of using systems controls in CAMS, or develop mitigating controls to prevent or detect COs from committing contract actions that exceed their delegated contracting authority.

We recommend the Vice President, Supply Management:

1. Ratify the 13 unauthorized contractual commitments identified in the audit.
2. Assess the feasibility of using the systems controls in the Contract Authoring and Management System to prevent contracting officers from committing contract actions that exceed their delegated contracting authority.
3. If CAMS systems controls are deemed not feasible to implement, design mitigating controls to prevent contracting officers from committing contract actions that exceed their delegated contracting authority, to include:
 - a. Expanding the quarterly compliance review process to include sampling from all contracting actions, or
 - b. Adopting the Facilities portfolio practice of conducting quarterly reconciliations of contracting actions with the contracting officer list, or
 - c. Restricting contracting officers from exceeding their authorized delegation of authority for all contract actions except indefinite delivery indefinite quantity contracts and ordering agreements.

Management's Comments

Management agreed with the findings, recommendations 1 and 2, and the monetary impact of unsupported questioned costs; however, they disagreed with recommendation 3.

Regarding recommendation 1, management stated that they will ratify the 13 unauthorized contractual commitments. The target implementation date is January 2018.

Regarding recommendation 2, management stated they will conduct and document an assessment to determine the feasibility of implementing the recommended controls will. The target implementation date is March 2018.

Regarding recommendation 3, management stated that if implementing CAMS controls is not feasible, they will consider implementing additional controls to mitigate the occurrence of COs exceeding their delegated contracting authority as may be appropriate. However, they cannot commit to the specific controls and frequencies prescribed by the OIG in this recommendation.

Management noted that the monetary impact value is nominal compared to the approximately \$20.1 billion in actions recorded among the Postal Service's contracting systems during the OIG's audit period. Therefore, management believes the identified risk to the Postal Service is small, impacting only 0.1 percent of overall funding commitments.

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 and the corrective actions should resolve the issues identified in the report.

Regarding recommendation 3, management's response met the intent of the recommendation. Should implementing CAMS controls not be feasible, we accept management's approach to consider implementing additional controls to mitigate the occurrence of COs exceeding their delegated contracting authority even if these controls are not the ones prescribed in our recommendation. The recommendation provided options for management to consider in mitigating the control gaps. The overall intent, which management agrees with, is to expand or establish controls to mitigate the concerns raised in the report.

Regarding management's assertion that the monetary impact value is nominal and therefore the risk is small, we agree with the monetary impact identified in the audit as being nominal compared to the overall value of all funding commitments but disagree with the risk being small. The risk lies within the control gaps identified within CAMS with no mitigating controls to compensate. The objective of controls is to help achieve prescribed objectives and goals and in this instance there is a greater risk that COs may be improperly exceeding their delegated contracting authority.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendations 1 and 2 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. Recommendation 3 will remain open as we coordinate a target implementation date for corrective action with management.

Appendices

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Appendix A: Additional Information


Background

The Postal Service's SM organization is comprised of five purchasing portfolios: Commercial Products & Services (CPS), Facilities, Mail & Operational Equipment (MOE), Technology Infrastructure (TI), and Transportation. SM has 133²⁰ COs who are appointed contracting authority²¹ by the Vice President, Supply Management, at one of four levels:

- Level I has contracting authority up to \$250,000.
- Level II has contracting authority up to \$1 million.
- Level III has authority up to \$10 million.
- Level IV has unlimited contracting authority.

COs who are appointed contracting authority at these levels must be career employees in good standing and must meet the education, experience, and training requirements for their particular level. See Table 3 for CO authority levels by SM portfolio.

Table 3. CO Authority Level by SM Portfolio

 Portfolio	Level I	Level II	Level III	Level IV	Total
Commercial Products and Services (CPS)	7	3	13	1	24
Facilities	11	3	12	1	27
Mail and Operational Equipment (MOE)	4	10	14	1	29
Technology Infrastructure (TI)	3	9	10	1	23
Transportation	10	8	11	1	30
Total	35	33	60	5	133

Source: USPS Blueshare website.

According to the Postal Service's policy²², COs may exceed their delegated contracting authority under certain exceptions. Specifically, if:

- A CO was issued a delegation of authority from their CMC or portfolio manager; or
- A CO with a higher authority level (their CMC or portfolio manager) provided a secondary approval for the purchase; or
- A contract award recommendation was approved by the appropriate authority.²³

²⁰ CO list retrieved from USPS Blueshare website on June 9, 2017.


²¹ The authority to approve contracts to acquire goods and services.

²² SP&P Section 2-41.2.2, Reviews and Approvals, effective September 30, 2016.

²³ The appropriate authority is based on the contract value. An example of an appropriate authority could be the CMC, portfolio managers, or Vice President, Supply Management.


We analyzed contract actions in CAMS from October 31, 2014, through October 31, 2016, and identified a universe of 96 contract actions valued at over \$1.5 billion, in which 32 COs potentially exceeded their delegated contracting authority without proper authorization (see Tables 4 and 5).

Table 4. Potential Instances by Portfolio

 Portfolio	Number of Contract Actions	Number of COs	Total Value of Contract Actions
CPS	32	10	\$454,205,575
Facilities	6	3	13,413,745
MOE	42	13	972,909,429
TI	11	4	55,805,483
Transportation	5	2	79,350,736
Total	96	32	\$1,575,684,967

Source: OIG analysis.

Table 5. CO Authority Level by Portfolio

 Portfolio	Level I	Level II	Level III	Total
CPS	2	1	7	10
Facilities	2	0	1	3
MOE	5	2	6	13
TI	1	2	1	4
Transportation	0	0	2	2
Total	10	5	17	32

Source: OIG analysis.

Objective, Scope, and Methodology

Our objective was to determine whether Postal Service controls are effective in preventing COs from improperly exceeding their delegated contracting authority. To accomplish our objective we:

- Obtained and reviewed contract actions in CAMS that exceeded COs' delegated contracting authority from October 31, 2014, through October 31, 2016.
- Analyzed Postal Service policies regarding contracting authority.
- Compared systems controls and its effectiveness to prevent COs from exceeding their delegated contracting authority.
- Interviewed portfolio managers, CMC managers, and COs regarding the process from purchase request to award and the procedures or controls in place to detect COs exceeding their delegated contracting authority.
- Interviewed program managers in charge of CAMS, TCSS, and eFMS systems and obtained an understanding of the systems relates to COs authority levels.
- Interviewed COs without a DOA to determine the rationale for committing a contract action exceeding their delegated authority level.
- Benchmarked Postal Service contracting authority levels and DOA practices with FAA, ED, and DOI.

We conducted this performance audit from April through September 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 August 2, 2017, and included their comments where appropriate.

We used computer-processed data from CAMS when performing our analysis. We assessed the reliability of computer-generated data by interviewing agency officials knowledgeable about the data. We assessed the reliability of contract data by comparing the CAMS data to COs' responses regarding contracts actions executed above the CO delegated contract authority. We determined that not all CAMS data were updated; however, 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.

Appendix B: Management's Comments

SUSAN M. BROWNELL
VICE PRESIDENT, SUPPLY MANAGEMENT



August 30, 2017

LORI LAU DILLARD

SUBJECT: Oversight of Contracting Officer Authority (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 Office of the Inspector General (OIG) draft audit report, "Oversight of Contracting Officer Authority." Management agrees with the findings, two recommendations, and monetary impact. It is noted, however, that the impact value is nominal compared to the approximately \$20.1 billion in actions recorded among the Postal Service's contracting systems over the OIG's audit period. Therefore, the identified risk to the Postal Service is small, impacting only 0.1 percent of overall funding commitments. Additionally, management disagrees with one recommendation.

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

We recommend the Vice President, Supply Management:

Recommendation 1: Ratify the 13 unauthorized contractual commitments identified in the audit.

Management Response to Recommendation 1: Management agrees with this recommendation. Management will ratify the 13 unauthorized contractual commitments.

Target Implementation Date: January 2018

Responsible Official: Manager, Supply Management Infrastructure

Recommendation 2: Assess the feasibility of using the systems controls in the Contract Authoring and Management System (CAMS) to prevent contracting officers from committing contract actions that exceed their delegated contracting authority.

Management Response to Recommendation 2: Management agrees with this recommendation. An assessment to determine the feasibility of implementing the recommended controls will be conducted and documented.

Target Implementation Date: March 2018

Responsible Official: Manager, Supply Chain Management Strategies

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Recommendation 3: If CAMS systems controls are deemed not feasible to implement, design mitigating controls to prevent contracting officers from committing contract actions that exceed their delegated contracting authority, to include:

- a. Expanding the quarterly compliance review process to include sampling from all contracting actions, or
- b. Adopting the Facilities portfolio practice of conducting quarterly reconciliations of contracting actions with the contracting officer list, or
- c. Restricting contracting officers from exceeding their authorized delegation of authority for all contract actions except indefinite delivery indefinite quantity contracts and ordering agreements.

Management Response to Recommendation 3: Management disagrees with this recommendation. Should implementing CAMS controls not be feasible, we will consider implementing additional controls to mitigate the occurrence of contracting officers exceeding their delegated contracting authority as may be appropriate. However, we cannot commit at this time to the specific controls and frequencies prescribed by the OIG in its recommendation.

Susan M. Brownell

cc: Manager, Corporate Audit Response Management



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