

## **\$5 Million Recovery Results from OIG Investigation into Defective Pricing**

The U.S. Postal Service Office of Inspector General (USPS OIG) investigated alleged defective pricing of subcontract costs for two computer programs awarded to a contractor in amounts aggregating to more than \$100 million. The USPS OIG's investigation revealed the contractor systematically and knowingly presented and used inflated cost and pricing data in the negotiation of several Postal Service contracts. This violated contract terms and the *Postal Service Purchasing Manual*. The Postal Service relied on these fraudulent records, to its detriment, in the attempt to negotiate fair and reasonable contract prices.

The contractor was issued an exposure letter in May 2005, which included our investigative findings and the potential financial exposure to the contractor. At that time the contractor and the Department of Justice initiated settlement discussions.

On July 17, 2006, the USPS OIG, along with representatives of the contractor and Postal Service Management, executed a settlement agreement of all allegations and outstanding issues under this investigation. Under this agreement the contractor agreed to provide the Postal Service a \$5 million credit as the settlement amount for restitution and compensation to the Postal Service.