OFFICE OF

INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Contract Management Data – Transportation Contract Support System

Audit Report

August 9, 2012

BACKGROUND:

The U.S. Postal Service uses the Transportation Contract Support System (TCSS) to manage transportation contracts and related activities. As of December 1, 2011, TCSS contained 16,993 highway contract routes (HCRs), valued at about $2.8 billion. The audit objectives were to assess the integrity of data in TCSS to support the contract administration process and determine whether contract funding was properly approved prior to entering into contractual agreements.

WHAT THE OIG FOUND:

TCSS contained accurate data for all of the HCRs we reviewed. Because of the high accuracy rate from our sample, we determined TCSS data is sufficiently accurate to support the transportation contract administration process. In fact, we found several best practices that can be used to better ensure data validity in other systems maintaining contract management data. For example, contract specialists use a checklist and data verification form to help ensure that adequate supporting documentation is maintained and that data is entered correctly in TCSS.

Our audit determined that contracting officers (CO) signed HCRs without obtaining the necessary funding approval. Specifically, Postal Service

COs did not ensure that contracts valued at about $48 million had appropriate funding approval documentation prior to contract signing. Of the 196 randomly selected contracts we reviewed, 184 (93.9 percent) did not have proper funding approval documentation prior to entering into the contractual commitments. Without prior funding approval, the Postal Service might not have the funds necessary to pay its obligations. Proper authorization to fund contracts also aids in complying with Sarbanes-Oxley requirements and overall controls over Postal Service purchases to prevent fraud.

However, in response to a prior audit report, Postal Service officials have recently implemented policy changes that should prevent this from happening in the future. We noted that nine of the 11 more recent contract actions did have the required prior funding approval. Management also provided other documentation they have used to track the contract funding process.

WHAT THE OIG RECOMMENDED:

Because of the implementation of our prior recommendation regarding contract funding approvals, we are not making a recommendation.

Link to review the entire report

August 9, 2012

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

E-Signed by Michael A. Magalski
VERIFY authenticity with e-Sign

FROM: Michael A. Magalski
Deputy Assistant Inspector General
for Support Operations

SUBJECT: Audit Report – Contract Management Data –
Transportation Contract Support System
(Report Number CA-AR-12-005)

This report presents the results of our audit of Contract Management Data –
Transportation Contract Support System (Project Number 12YG014CA000).

We appreciate the cooperation and courtesies provided by your staff. If you have any
questions or need additional information, please contact Judith Leonhardt, director,
Supply Management, or me at 703-248-2100.

Attachments

cc: Stephen J. Masse
     James D. Young
     Royale A. Ledbetter
     Douglas P. Glair
     Susan A. Witt
     Corporate Audit and Response Management

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Introduction

This report presents the results of our audit of Contract Management Data – Transportation Contract Support System (TCSS) (Project Number 12YG014CA000). Our audit objectives were to assess the integrity of data in TCSS to support the contract administration process and determine whether contract funding was properly approved prior to entering into contractual agreements. This self-initiated audit addresses operational risk. See Appendix A for additional information about this audit.

TCSS contains data for highway contract routes (HCR), which are contracts with independent suppliers to deliver mail to residents and other U.S. Postal Service facilities. Supply Management Surface Transportation officials use information in TCSS to manage HCRs. As of December 1, 2011, TCSS contained 16,993 active HCRs, valued at approximately $2.8 billion.[1] It is important to ensure the Postal Service has the capability to maintain accurate contract management data to support the contract administration process.

Conclusion

TCSS contained accurate data for all of the HCRs we reviewed. Because of the high accuracy rate from our sample, we determined that TCSS data is sufficiently accurate to support the transportation contract administration process. In fact, we noted several best practices that may be used to help ensure data integrity in other contracting information systems. However, our audit found that contracting officers (CO) signed the majority of HCRs without obtaining the required funding approval. Without prior funding approval, the Postal Service might not have the funds necessary to pay its obligations. Proper authorization to fund contracts also aids in complying with Sarbanes-Oxley (SOX) requirements[2] and overall controls over Postal Service purchases to prevent fraud. On February 21, 2012 (subsequent to our review period), the Postal Service implemented corrective actions recommended in an earlier U.S. Postal Service Office of Inspector General (OIG) audit report[3] that should resolve this problem for the future. We did note that nine of the 11 sampled contracting actions occurring in November and December 2011 did receive the necessary prior approval.

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[1] The $2.8 billion value of HCRs represents annual spend amounts.
[2] According to SOX Cycle 02 Procurement, Process .209 Accounts Payable – Highway Transportation, as part of the contract initiation process, Postal Service officials must determine whether funding is available prior to executing a contract.
[3] *Contract Funding Approval* (Report Number CA-AR-11-005, dated August 24, 2011); see Appendix A – Prior Audit Coverage for details of the report.

Contract Data Integrity

The Postal Service has done an excellent job in correctly entering critical contract data into the TCSS system. We reviewed a random sample[4] of 196 active HCRs as of December 1, 2011, and found that all of the contracts were recorded correctly in TCSS (see Table 1 for details).

Table 1. Data Verification Results

TCMT[5]	Number of Sample Contracts	Number of Contracts With Data Errors[6]	Error Rate
Southern	63	0	0.00%
Northern	14	0	0.00%
Western	28	0	0.00%
Central	48	0	0.00%
Eastern	43	0	0.00%
Totals	**196**	**0**	**0.00**%

Source: TCSS contract data as of December 1, 2011.

Because of the high accuracy rate from our sample, we determined TCSS data is sufficiently accurate to support the transportation contract administration process. Therefore, we will not make any recommendations related to data accuracy.

We identified the following best practices that contributed to the high data accuracy rate in TCSS. If implemented for other contracting systems, these best practices could strengthen data accuracy in those systems. We are providing these best practices to the Postal Service for their consideration:

- Contract specialists (CS) use a checklist, which contains a list of the documentation needed in the contract file. They use this checklist to verify that all supporting documentation is maintained in the contract file and properly input into TCSS.

- CSs use a Data Verification Form, which is built into TCSS. This feature provides a system check of manual inputs and provides a warning or error notification if information entered is incorrect or questionable. This allows CSs to verify data and identify and correct any errors before the contract is ordered-in.[7]

- New CSs are paired with an experienced CS, who provides them with on-the-job training. This helps the new CS understand the importance of entering accurate

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[4] We performed a random attribute sample of TCSS contracts. As of December 1, 2011, the TCSS contained 16,993 contracts. We sampled 196 contracts to achieve a 95 percent confident level.
[5] Transportation Category Management Teams (TCMT) represent five different locations and are responsible for soliciting and administering Highway Transportation Contracts nationwide.
[6] Either the data in TCSS was inaccurate when compared to supporting documentation or there was no documentation to support the data in TCSS.
[7] "Ordering-In" a contract means to activate the contract and vendor in TCSS, establishing an executable contract.

information into TCSS. For example, entering the correct SSN is very important because this information is essential for reporting income to the IRS. The CS also becomes more familiar with the contracting process and working with TCSS prior to working on their own.

▪ Separation of duties (TCSS will not allow the same person to input and approve a contracting action) precludes the person who orders-in an activity from starting or working on the same activity. This practice improves accuracy by mandating a second review by the person ordering-in the activity.

Contracting Actions without Proper Funding Approval

Postal Service COs did not ensure that contracts valued at about $48 million as of December 1, 2011, had proper funding approval prior to contract signing. Specifically, 184 of 196 (93.9 percent) randomly selected contracts we reviewed did not have proper funding approval documentation prior to entering into the contractual commitment (see Table 2 for details).

Table 2. Contract Funding Approval Results

TCMT	Number of Sample Contracts	Number of Contracts Without Funding Approval	Error Rate
Southern	63	60	95.24%
Northern	14	13	92.86%
Western	28	28	100.00%
Central	48	40	83.33%
Eastern	43	43	100.00%
Totals	**196**	**184**	**93.88%**

Source: TCSS contract data as of December 1, 2011.

In December 2002, Deputy Postmaster General Patrick Donahoe[8] issued a memorandum stating that, effective January 2003, all employees who have web access must use eBuy[9] for all requisitions. He reiterated the same in a memorandum dated December 19, 2007. Further policy denotes that a CO must ensure that sufficient funding has been approved before making a contractual commitment or incurring potential liabilities for the Postal Service.[10]

For the sample contracts we reviewed, we noted that Supply Management officials completed the procurement actions without having completed eSCR documentation. This occurred because Postal Service officials did not make it a priority to comply with

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[8] Mr. Donahoe is the current postmaster general.
[9] HCR funding approval is made through the electronic Service Change Request (eSCR) System, which has a review process similar to eBuy's, but also has necessary features that eBuy does not have, such as allowing users to update route information.
[10] *Supply Management Transportation Portfolio Administrative Instruction* (SMTP-2005-001, dated April 7, 2005).

funding approval policies. We issued an audit report titled *Contract Funding Approval* (Report Number CA-AR-11-005, dated August 24, 2011) that brought this issue to the attention of the Postal Service. In response to our recommendations in that report, the Postal Service began taking corrective action to remedy the situation.

On February 21, 2012, the Supply Management Transportation Portfolio and Network Operations reached an agreement to address the funding approval process. According to the agreement, all requests for HCRs are to be submitted through the eSCR system, including requests for new contracts, contract renewals, and changes to existing contracts. Requests without an estimated cost will be returned for funding authorization. This action was taken in response to the prior audit of contract funding approval.[11] We noted that nine of the 11 sampled contract actions occurring in November and December 2011 did receive the necessary prior funding approval. Additionally, management provided examples of spreadsheets they have used to track the funding process for contract awards, changes, and renewals. As a result of the policy change, we will not make any recommendations regarding funding approval in this audit.

Management's Comments

Management agreed with our finding that all HCRs reviewed were recorded correctly in TCSS to support the transportation contract administration process. However, management disagreed with our finding that COs did not ensure that contracts valued at about $48 million as of December 1, 2011, had proper funding approval prior to contract signing. Management stated that, while the OIG was unable to obtain funding documentation for each contract and the eSCR system was not used consistently at the time, each distribution network office (DNO) had area-specific manual funding, tracking, and approval processes in place for establishing and changing route requirements. For headquarters contracts, HCR renewals were linked to a Surface Operations renewal funding limit subject to further discussion and agreement. Management further stated that these manual processes, though not standardized throughout the DNOs, provided contracting personnel with approved funding documentation for the contract routes. See Appendix B for management's comments in their entirety.

Evaluation of Management's Comments

Although the report does not contain any recommendations, the OIG considers management's comments responsive. In response to management's comments concerning proper funding approval, there may have been some non-standard manual funding, tracking, and approval processes in place for HCRs. However, for the period and HCRs audited, the contract files did not contain evidence of prior funding approval, nor could the COs provide this documentation. Additionally, documentation management provided at our exit conference did not have evidence of proper funding approval for the HCRs reviewed. As we indicated in the report, the February 2012 policy

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[11] *Contract Funding Approval* (Report Number, CA-AR-11-005, dated August 24, 2011); see the Prior Audit Coverage section of this report for details.

changes made in response to a prior OIG contract funding audit are sufficient to address this finding.

<p style="text-align:center;color:blue;">**Appendix A: Additional Information**</p>

<p style="color:blue;">Background</p>

The Postal Service is exempt from the Federal Funding Accountability and Transparency Act of 2006; therefore, it is not required to use the Federal Procurement Data System to post contract action data. However, the Postal Service uses the Enterprise Data Warehouse (EDW) as its entity-wide repository to provide internal transparency in managing contracts and spend data. According to Supply Principles and Practices (SP&Ps),[12] certain contract actions are required to be publicized in the government-wide point of entry[13] for external transparency. In addition, newspapers, trade journals, and magazines may publish contract awards.

Postal Service COs primarily use three systems for contract data collection and contract management: the Contract Authoring and Management System, TCSS, and the Electronic Facilities Management System. These systems capture general contract management data and data specific to contracts in transportation and facilities. The Postal Service developed each system to support the uniqueness of certain commodity purchases. These systems feed required data elements directly to the Accounts Payable Excellence[14] system for payment certification.

TCSS is an Oracle Web-based application used to manage transportation contracts and related activities. TCSS contains data for HCRs, which are contracts with independent suppliers to deliver mail to residents and other Postal Service facilities. TCSS allows contracting offices to solicit, award, and administer these contracts. TCSS interfaces with the National Air and Surface System and the eSCR application for the transfer of specific contract data needed to maintain contract schedules. In addition, contract data from TCSS is transferred to EDW, which is a repository used to manage the Postal Service's corporate data assets. As of December 1, 2011, TCSS contained 16,993 HCRs, with an annual value of approximately $2.8 billion.

<p style="color:blue;">Objectives, Scope, and Methodology</p>

Our audit objectives were to assess the integrity of data in TCSS to support the contract administration process and determine whether contract funding was properly approved prior to entering into contractual agreements. To accomplish our objectives, we:

- Randomly selected a sample of 196 contracts from a universe of 16,993 active HCRs with an annual value of approximately $2.8 billion as of December 1, 2011.

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[12] SP&P are intended to provide internal advice and guidance on approaches to performing supply chain management (SCM) functions. They are intended for use by Postal Service professionals, as required and as appropriate to perform their job functions, throughout the SCM lifecycle.
[13] Government-wide point-of-entry, specified by SP&P as Federal Business Opportunities, has been designed as a single point-of-entry for federal buyers to publish and for vendors to find posted federal business opportunities across departments and agencies.
[14] An automated accounting system for processing and reporting payments at the Postal Service.

- Reviewed sample contracts at the five TCMT locations to determine whether critical contract data was properly entered into TCSS and whether contract funding approval was completed prior to entering into the contractual commitment. The data elements we verified were:

  o Contract amount (at time of most recent renewal).
  o Supplier name.
  o Supplier address.
  o Supplier SSN/employer identification number.
  o Performance start date.
  o Performance end date.
  o Vehicle type.
  o Number of vehicles.

- Reviewed policies and procedures related to TCSS and HCRs.

- If critical contract data was not properly entered into TCSS or contract funding approval was not completed prior to contractual commitment, we discussed issues with Postal Service officials to determine the reason.

- Held discussions with Supply Management transportation officials to determine best practices for properly entering contract data into TCSS.

We conducted this performance audit from January through August 2012 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management on July 10, 2012, and included their comments where appropriate.

We assessed the reliability of TCSS contract data by reviewing and verifying the system data to the administrative contract files. 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	Report Results
Contract Funding Approval	CA-AR-11-005	8/24/2011	$601,388,219	Postal Service officials did not submit eBuy requisitions for 16 of 143 (11 percent) randomly selected contracting actions, totaling more than $600 million. We recommended management require eBuy requisitions for funding approval for transportation contracts within the Contracting Authoring Management System (CAMS) prior to contractual commitments and establish an agreement to ensure an approved eBuy requisition for surface transportation contracts is obtained. Management agreed with the findings, recommendations, and monetary impact.
Contract Management Data	CA-AR-11-002	4/27/2011	None	Postal Service officials did not adequately collect and maintain contract data in CAMS and should create policies to ensure data integrity. We recommended management modify CAMS to adequately capture contract data; develop guidance to define CAMS data elements; develop mandatory training for all employees with CAMS access; develop processes, policies, and procedures to ensure validity and completeness of contract data; and define employees' roles and responsibilities for data quality. Management agreed with all of the recommendations.

Appendix B: Management's Comments

Susan M. Brownell
Vice President, Supply Management

UNITED STATES
POSTAL SERVICE

August 7, 2012

LUCINE M. WILLIS

SUBJECT: Response to Draft Audit Report – Contract Management Data -- Transportation
          Contract Support System (Report Number CA-AR-12-DRAFT)

Thank you for the opportunity to review and comment on the subject draft report. Management is
in agreement with the Office of Inspector General's (OIG) findings on the Transportation Contract
Support System (TCSS) contracting data. TCSS is an automated procurement contracting system
for administering Postal Service transportation contracts including highway contract routes (HCR)
and related activities. I am pleased with the report's conclusion that all HCRs reviewed contained
100% complete accurate data to support the transportation contract administration process.
However, we do not agree with the finding that contracting officers signed HCR contracts valued
at about $48 million without obtaining the necessary funding approval.

While we understand that during contract file review the OIG was unable to obtain a funding
document for each contract, and use of the Electronic Service Change Request (eSCR) system
was not nationally consistent, it is important to point out that prior to implementation of the eSCR
system which is used for transmitting service requests and funding, the Areas did have funding,
tracking and approval processes in place for transportation activity (nationally and locally) and
continued to use them during the phase in of eSCR.

Prior to the eSCR system, each Distribution Networks Office (DNO) had Area specific processes
for managing the establishment and change of route requirements. In most cases, the DNOs
used a paper-based change process where the requester completed several forms and manually
routed the service change request package through the appropriate approver. For headquarters
contracts, HCR renewals were linked to a Surface Operations renewal funding limit subject to
further discussion and agreement. According to the process, the DNO contracting personnel
analyzed renewing service for price competitiveness and if necessary requested a revised renewal
funding limit. The requested funding limit was reviewed by Surface Operations and approved or
modified. While the manual processes were not standardized throughout the DNOs, it provided
contracting personnel with approved funding documentation related to each contract route.

During the reorganization in 2009, the DNO's contracting personnel were reassigned to Supply
Management and six offices (five Transportation Category Management Teams and a branch
office) were established. Recognizing the need for a nationally standardized funding process, full
institutionalization of the eSCR system, and based on the results of a previous OIG audit, a joint
agreement was established between Network Operations and Supply Management. The
agreement was finalized on February 21, 2012, which mandates use of eSCR for all HCR contract
activities. Although transportation activity has always had a managed funding process, the eSCR
application automates the process bringing transparency, visibility, and accountability to the
service change request process. Moreover, enhancements to the eSCR System are underway
with implementation expected in fiscal year 2013.

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This report and management's response do not contain proprietary or sensitive business information that may be exempt from disclosure pursuant to the Freedom of Information Act. If you have any questions about this response, please contact Susan Witt at (202) 268-4833.

Susan M. Brownell
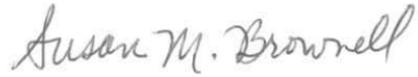
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