



December 15, 2005

KEITH STRANGE
VICE PRESIDENT, SUPPLY MANAGEMENT

SUBJECT: Audit Report – New York Metro Area Contract for Labor Relations Issues
(Report Number CA-AR-06-001)

This report presents the results of our self-initiated audit of a New York Metro Area (NYMA) contract for labor relations issues (Project Number 05WG011CA000). Our objective was to evaluate management controls over the award and administration of the contract and its related modifications.

We found weaknesses in management controls over the award and administration of the contract. These weaknesses occurred because NYMA Human Resources personnel reacted to emergency situations without being aware of necessary contracting requirements. In addition, Supply Management did not have a plan in place to handle emergency labor relations issues such as those that occurred in the Central New Jersey and Caribbean Districts. As a result, Postal Service personnel did not adhere to key procurement requirements and the Postal Service may have paid more money than was necessary for the services provided.

We recommended management consider alternatives for having suppliers in place for emergency Human Resources situations and instruct Supply Management personnel to follow policies and procedures related to the award and administration of contracts. We also recommended management validate that corrective actions occur. Management agreed with our recommendations and has initiatives planned that address the issues in this report. Management's comments and our evaluation of these comments are included in this report.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have any questions or need additional information, please contact Judy Leonhardt, Director, Supply Management, or me at (703) 248-2300.

E-Signed by Mary Demory 
VERIFY authenticity with Approve!


Mary W. Demory
Deputy Assistant Inspector General
for Headquarters Operations

Attachments

cc: Anthony J. Vegliante
David L. Solomon
Steven R. Phelps

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EXECUTIVE SUMMARY

Introduction

This report presents the results of our self-initiated audit of management controls over the award and administration of a contract with 21st Century Consulting Inc. (21st Century). The initial contract amount for work in the Central New Jersey District was \$15,000. Eight subsequent modifications expanded the scope of the contract to include work in the Caribbean District and contract authority ultimately reached \$638,200.

Results in Brief

We found weaknesses in management controls over the award and administration of the 21st Century contract. Specifically:

- 21st Century began work before a contract was in place, creating an unauthorized contractual commitment.
- Postal Service personnel did not adequately document justification to award the contract noncompetitively.
- The statements of work did not always describe the work to be performed in enough detail to price the contract and modifications, and use as a standard for measuring performance.
- Postal Service personnel did not perform market research or price analysis to ensure the Postal Service was getting the best value.
- Supply Management personnel did not ensure that key contract clauses were included in the contract.
- Contract payments exceeded contract authority.
- The contracting officer did not formally appoint a contracting officer's representative.
- Supply Management personnel did not obtain supplier clearances for contractor personnel.

These weaknesses occurred because New York Metro Area Human Resources personnel reacted to emergency situations without being aware of the necessary contracting requirements. In addition, Supply Management did not have a plan in place to handle emergency labor relations issues such as those that occurred in the Central New Jersey and Caribbean Districts. For example, Human Resources personnel did not have a list of prequalified suppliers to select from in emergency situations. As a result, they did not comply with key procurement requirements and the Postal Service may have paid more than was necessary for the services provided.

Summary of Recommendations

We recommended that management consider having suppliers in place for emergency Human Resources situations and instruct Supply Management personnel to follow policies and procedures related to the award and administration of contracts. We also recommended that management validate that these corrective actions occurred.

Summary of Management's Comments

Management agreed with the recommendations. They agreed to use this report to engage Human Resources management to establish appropriate service-wide strategic sources for emergency Human Resources situations. Also, they agreed to cascade the report to all portfolio managers who will be required to review the report and further cascade it within their organizations. However, management stated the Office of Inspector General should direct the findings and recommendations to other appropriate Postal Service organizations. Additionally, management provided views that differed from some of the report's findings. Management's comments, in their entirety, are included in the appendix of this report.

Overall Evaluation of Management's Comments

Management's planned actions are responsive to the recommendations and should correct the issues identified in the findings. We directed the findings and recommendations to Supply Management because the contracting officer was ultimately responsible for the award and administration of the contract. We believe that establishing appropriate service-wide strategic sources for

emergency Human Resource situations and requiring Supply Management personnel to review this report will help alleviate similar deficiencies in the future.

INTRODUCTION

Background

In July 2003, the New York Metro Area (NYMA) Human Resources Office became aware of a labor relations issue in the Central New Jersey District. The NYMA Human Resources Office recognized that third-party resolution was needed and contacted 21st Century Consulting Inc. (21st Century), which agreed to provide services.

21st Century submitted its first invoice on August 25, 2003. At that time, NYMA Human Resources personnel realized they could not make payments using local buying authority and needed a contract. They contacted the Supply Management Professional Services (Consulting) Category Management Center to develop a contract. Shortly thereafter, the Human Resources Office became aware of a labor relations issue in the Caribbean District. The initial scope of the work was expanded to include services in the Caribbean District and a time, materials, and labor hour contract was signed on October 2, 2003.

The initial contract amount was \$15,000. Eight subsequent contract modifications increased contract authority to \$638,200. Services ended in November 2004 and the final payment was paid in December 2004.

On March 22, 2005, Supply Management issued Administrative Instruction SM 2005-014, *Higher Level Review of Purchase Actions*. This instruction requires a review of each purchase action valued at more than \$100,000 to ensure appropriate checks and balances in the purchasing process.

Objectives, Scope, and Methodology

The objective of this review was to evaluate management controls over the award and administration of the 21st Century contract and its related modifications.

To accomplish our objective, we interviewed the contracting officer; the manager, Professional, Printing, & Creative Services, Supply Management Category Management Center; the current NYMA human resources manager; the NYMA human resources analyst; and contracts payable personnel at the San Mateo Accounting Service Center.

We obtained and reviewed contract file documentation and Accounts Payable/Accounts Receivable System (APARS) and Strategic National Automated Procurement System (SNAPS) data. We also obtained and reviewed all invoices associated with the two active 21st Century contracts.¹ We used Postal Service instructions, manuals, policies, and procedures as criteria to evaluate internal controls.

We conducted this audit from March through December 2005, in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. We did not rely on any computer-generated data to support the opinions or conclusions in this report. We discussed our observations and conclusions with management officials and included their comments where appropriate.

Prior Audit Coverage

We did not identify any prior audits or reviews related to the objective of this audit.

¹ In addition to the contract for work in the NYMA, 21st Century was under an additional contract for work in the Great Lakes Area.

AUDIT RESULTS

Contract Award and Administration	<p>We found weaknesses in management controls over the award and administration of the 21st Century contract. These weaknesses occurred because NYMA Human Resources personnel reacted to emergency situations without being aware of contracting requirements. In addition, Supply Management did not have a plan in place to handle emergency labor relations issues such as those in the Central New Jersey and Caribbean Districts. For example, Human Resources personnel did not have a list of prequalified suppliers to select from in emergency situations. As a result, they did not meet key procurement requirements and the Postal Service may have paid more than was necessary for the services provided.</p>
Contract Award	<p>Weaknesses in the contract award process included the following:</p> <ul style="list-style-type: none"> • 21st Century began work before a contract was in place, creating an unauthorized contractual commitment. • The justification to award the contract noncompetitively was not adequately documented. For example, the claim of superior past performance was not supported. • Statements of work (SOWs) did not always describe the work to be performed in enough detail to price the contract and modifications or to use as a standard for measuring performance. • There was no market research or price analysis to ensure that Postal Service was getting the best value. • Key contract clauses were not included in the contract.
Unauthorized Contractual Commitment	<p>The supplier began work three months before a contract was in place, creating an unauthorized contractual commitment. Specifically, NYMA Human Resources personnel authorized 21st Century to begin work in the</p>

Central New Jersey District in August 2003. The initial intent was to pay for the services using local buying authority.² However, on August 25, 2003, 21st Century submitted its first invoice for \$15,000 and NYMA Human Resources personnel realized they could not pay for these services using local buying authority because the invoice exceeded the local buying authority limit of \$10,000. In addition, the *Administrative Support Manual 13*, paragraph 722.31.g, dated July 1999, prohibits the purchase of professional/technical, consultant, or personal services using local buying authority. A contract was not signed until October 2, 2003.

Management Instruction AS-710-1999-2, *Unauthorized Contractual Commitments*, dated February 8, 1999, states that an unauthorized contractual commitment occurs when a Postal Service employee, who has not been delegated contracting or local buying authority, by his or her actions causes another party to provide goods or services. The instruction provides procedures for ratification.³ These procedures require the employee who caused the commitment to forward documentation about the circumstances to their immediate manager. The manager and contracting officer then review the information and determine whether or not to approve the commitment by ratification. Subsequently, the ratifying official either approves or disapproves the ratification.

NYMA Human Resources and Supply Management personnel did not meet the requirements for ratifying an unauthorized contractual commitment. As a result, no one reported the unauthorized contractual commitment to Postal Service for proper ratification.

Noncompetitive Justifications

Supply Management personnel required NYMA Human Resources personnel to prepare a justification for awarding the contract noncompetitively. A single justification was used for multiple contract modifications, which expanded the scope of the work. However, NYMA Human Resources did not document the justification in accordance with Postal Service policy.

² Local buying authority is the right to buy and pay for day-to-day operational needs without coordinating with Supply Management.

³ Ratification is the process by which unauthorized contractual commitments are formalized, approved, and paid.

Management Instruction PM-2.1.6-2002-2, *Noncompetitive Purchases*, dated April 18, 2002, requires management to document the decision to make a noncompetitive purchase in a business case and include it in the contract file. The business case must address the applicable business scenario,⁴ the extent and result of market research performed, discussion as to whether the purchase team believes that future purchases of goods and services should be made noncompetitively, and discussion of any other issues that should be considered in the interest of sound and effective purchasing.

The noncompetitive justification included the following statements that other contract file documentation did not fully support:

- The Postal Service used the supplier previously and with much success in a similar labor relations situation. Internal supplier ratings indicated that 21st Century had two performance ratings of 2.67 and one performance rating of 2.89 out of a possible 5.0 on three other contracts the past performance database identified.
- The supplier's successful, cutting-edge methodologies were unsurpassed.
- The supplier provided training and consultation to groups specializing in multicultural diversity programming and sexual harassment prevention and intervention.
- In an effort to expedite the current situation, the Postal Service contacted the supplier who indicated they would be available immediately.
- The supplier was a subject matter expert in this field.
- The supplier maintained a superior working knowledge of the Postal Service's policies, procedures, and goals.

⁴ The four general business scenarios outlined in the management instruction include compelling business interests, industry structure or practice, single source, and superior performance.

NYMA Human Resources personnel stated that they were reacting to emergency situations and needed immediate assistance. They also stated that other Postal Service personnel recommended using 21st Century. They did not at any time consider using other suppliers who could potentially provide similar services at a better value.

Statements of Work

The SOWs did not always describe the work to be performed in enough detail to price the contract and modifications or to use as a standard for measuring performance. For example, the initial SOWs did not detail the tasks to be performed or the timeframes for performance of tasks. Rather, the statements provided that the work would be at the direction of the NYMA Human Resources manager.

The *Purchasing Manual*, Issue 2, paragraph 2.3.1.b, dated January 31, 2002, states that the Postal Service generally uses SOWs when purchasing a service rather than an end product and they must describe the work as precisely as practicable and in enough detail to allow a best value decision. SOWs are the standard for measuring performance and both parties use them to determine rights and obligations under the contract.

NYMA Human Resources personnel stated that they wanted to keep the SOWs simple, nondescriptive, and flexible for both the supplier and the Postal Service. However, without detailed SOWs, the Postal Service did not have a standard for measuring the supplier's performance.

Market Research and Price Analysis

Postal Service personnel did not conduct market research and price analysis prior to contract award. Postal Service personnel did not document the basis for determining that contract prices were fair and reasonable.

The *Purchasing Manual*, Issue 2, paragraph 2.1.4.a, dated January 31, 2002, states that market research is central to a sound purchase planning. Market research helps determine what supplies or services are available, what suppliers are available, how to best state requirements, and whether price or cost estimates are realistic; and identifies commodity or industry trends. Paragraph 5.1.1.b.1 requires the purchase team to ensure that contract prices are fair and reasonable by evaluating proposed prices using price analysis or cost

analysis and by pricing each contract separately and independently without consideration for proposed price reductions, profits, or losses under other contracts.

The contracting officer determined that pricing was fair and reasonable due to the multiple services provided to the Postal Service and the similarity to rates in the market place. He said he did not do any market research or price analysis, but that NYMA Human Resources personnel might have. He also stated that he did not give much pricing consideration to, what was at that time, a \$15,000 contract. However, NYMA Human Resources personnel said that since the Postal Service had used this vendor successfully in the past, they did not conduct any market research or price analysis.

As a result, there was no evidence that the Postal Service received fair and reasonable prices for the work performed.

Key Contract Clauses

Supply Management personnel did not ensure that key contract clauses were included in the basic contract or the contract modifications. While contract clauses are generally included at the discretion of the purchase team, some clauses must be included because of the type of contract used; the commodity being purchased; or other policies, laws, or Executive Orders. Specifically, Supply Management personnel omitted the following clauses, required by *Purchasing Manual*, Issue 2, Appendix B, dated January 31, 2002, and its modifications:

- Clause 2-38 is required for all time, materials, and labor hour contracts. This clause requires the supplier to substantiate vouchers by evidence of actual payment and by individual daily job timecards or other substantiation approved by the contracting officer. The contractor did not always provide supporting documentation for invoices. In addition, this clause requires the supplier to establish a ceiling price which they exceed at their own risk.
- Clause 6-1 is required for all contracts that have a contracting officer's representative (COR) assigned. This clause states that the contracting officer may appoint a COR, responsible for the day-to-day administration of the contract, who will serve as the

Postal Service’s point of contact with the supplier on all routine matters. The Postal Service did not formally appoint a COR for the 21st Century contract. However, NYMA Human Resources personnel performed many of the duties typically associated with the COR position (e.g., the certification of invoices for payment).

The contracting officer did not ensure that all appropriate contract clauses were included in the contract. As a result, NYMA Human Resources personnel and 21st Century did not perform some contract administration activities in accordance with Postal Service policy.

Recommendation	<p>We recommend the vice president, Supply Management:</p> <ol style="list-style-type: none"> 1. In coordination with the chief Human Resources officer and executive vice president, consider alternatives—such as prequalifying suppliers or awarding multiple ordering agreements—to have suppliers in place for emergency Human Resources situations.
Management’s Comments	<p>Management agreed with the recommendation and, within 30 calendar days following receipt of the final report, will use it to engage Human Resources management to establish appropriate service-wide strategic sources for emergency Human Resources situations.</p>
Evaluation of Management’s Comments	<p>Management’s comments are responsive to the recommendation and planned actions should correct the issues identified in the finding.</p>
Recommendation	<p>We recommend the vice president, Supply Management:</p> <ol style="list-style-type: none"> 2. Instruct the Professional Services (Consulting) Category Management Center to follow policies and procedures related to unauthorized contractual commitments, noncompetitive justifications, statements of work, market research and price analysis, and contract clauses.

**Management's
Comments**

Management agreed with the recommendation and, within 30 calendar days following receipt of the final report, will cascade it to all portfolio managers. The portfolio managers will be required to review the report and further disseminate it within their organizations. Management stated that the issues related to unauthorized contractual commitment and SOW should be primarily directed to the NYMA office. They also stated that documentation concerning noncompetitive justifications, SOW, and market research and price analysis was sufficient. Additionally, they stated that clause 6-1 is only included in a contract when a contracting officer determines a need to issue a formal appointment letter for a COR and a formal appointment letter was not necessary for this contract.

**Evaluation of
Management's
Comments**

Management's comments are responsive to the recommendation and planned actions should correct the issues identified in the finding. We directed the finding and recommendation to Supply Management because the contracting officer was ultimately responsible for the award and administration of the contract. In addition, we do not believe that the documentation concerning noncompetitive justifications, SOW, and market research and price analysis was sufficient. We modified the report to state that clause 6-1 is required for all contracts that have a COR. We believe management should have included that in the contract and, as noted in the contract administration finding, formally appointed a COR.

Contract Administration	<p>Weaknesses in the contract administration process included the following:</p> <ul style="list-style-type: none">• Contract payments exceeded contract authority.• The contracting officer did not formally appoint a COR.• Supply Management personnel did not obtain supplier clearances for all contractor personnel.
Contract Payment Processing	<p>The Postal Service processed two 21st Century invoices (totaling \$42,000) for work on the NYMA Human Resources contract against contract authority for another 21st Century contract in the Great Lakes Area. When we brought this matter to the attention of Postal Service personnel, they stated that the error occurred when an accounting clerk processed a batch of invoices for multiple contracts at the San Mateo Accounting Service Center. Supply Management personnel stated that the San Mateo Accounting Service Center was responsible for tracking payments on this contract.</p> <p>To partially correct the errors, the invoice for \$22,000 was processed against the NYMA Human Resources contract, bringing the amount paid on the contract to \$638,134.99. The NYMA Human Resources contract had only \$65.01 in remaining funding, which was not enough to cover the remaining invoice for \$20,000. At the time of our review, Postal Service personnel stated that circumstances did not warrant creation of a contract modification to correct the accounting error. As a result, contract payments exceeded contract authority by \$19,934.99.</p>
Contracting Officer's Representative	<p>As previously discussed, the contracting officer did not formally appoint a COR. The initial SOW identified the former manager, NYMA Human Resources, as the COR. The current manager indicated that she was responsible for routine interaction with 21st Century. However, a NYMA Human Resources analyst performed typical COR responsibilities such as certifying and submitting invoices for payment. While the manager was somewhat familiar with COR responsibilities, the analyst was not aware of what a COR was or what their responsibilities entailed.</p>

The *Purchasing Manual*, Issue 2, paragraph 4.4.3.a, dated January 31, 2002, states that the contracting officer may designate (by name and position title) Postal Service employees to serve as CORs. A COR is authorized to take actions related to the award and administration of specified contracts. Designations must be in writing and clearly specify the contracts or types of contracts over which the COR has delegated authority.

In addition, Management Instruction PM 610-2001-1, *Contracting Officer's Representative Program*, dated April 3, 2001, states that the contracting officer must appoint the COR through a letter of designation that details responsibilities and limitations, specifies COR recordkeeping requirements, and requires adherence to various standards of ethical conduct. It also states that CORs must receive training to ensure they are fully aware of their responsibilities and the limits of their authority. Trained CORs enhance the probability of good contract administration and reduce the risk of unauthorized expenditures and contract changes.

The Postal Service may have prevented noted weaknesses in contract administration if they had formally designated and trained individuals performing COR functions and fully informed them of their duties and responsibilities. As previously noted, Supply Management personnel approved some invoices for payment without adequate support. Additionally, they did not require 21st Century to submit travel vouchers and they did not require receipts to support invoiced travel reimbursements.

Supplier Clearances

Postal Service personnel did not ensure that supplier clearances were obtained for contractor personnel. The contractor requested and received domicile office space as well as access to the Postal Service facilities and computer network.

The *Purchasing Manual*, Issue 2, paragraph 1.6.11.a, January 31, 2002, states that the *Administrative Support Manual* requires the Postal Service to grant clearances to all individuals before they perform services, have access to occupied Postal Service facilities, or use Postal Service information and resources, including Postal Service computer systems. The contracting officer and the purchase

team determine, with the concurrence of the Postal Inspection Service, when a clearance requirement exists.

In addition, the *Administration Support Manual 13*, paragraph 272.331, dated July 1999, states that organizations requiring contract support and contracting officers review the scope of work to determine whether the nature of the work requires contracted individuals to have a clearance. At the time of the contract award, the contracting officer, the COR, or a designee provides the contractor with the required clearance forms and receives the forms upon completion.

Handbook AS-805, *Information Security*, paragraph 6-2.3, March 2002, states that contracting officers are responsible for confirming the employment status and clearance of all contractors requesting access to information resources.

NYMA Human Resources and Supply Management personnel were not familiar with the security clearance requirements for contractor personnel. As a result, 21st Century contractor personnel had access to Postal Service facilities, information, and resources without proper clearances.

Recommendation	<p>We recommend the vice president, Supply Management:</p> <ol style="list-style-type: none"> 3. Instruct the Professional Services (Consulting) Category Management Center to follow policies and procedures related to contract payments, contracting officer’s representatives, and supplier clearances.
Management’s Comments	<p>Management agreed with the recommendation and, within 30 calendar days following receipt of the final report, will disseminate it to all portfolio managers. The portfolio managers will be required to review the report and further cascade it within their organizations. Management stated the Office of Inspector General should direct the issue related to contract payment processing to the San Mateo Accounting Service Center and direct the issue related to supplier clearances to the NYMA office.</p>

Evaluation of Management's Comments	Management's comments are responsive to the recommendation and planned actions should correct the issues identified in the finding. We did not direct the recommendation to the San Mateo Accounting Service Center because center personnel corrected the deficiencies to the extent possible. Also, we did not direct the recommendation to the NYMA because, as noted in the criteria, the contracting officer was responsible for ensuring that contractors obtain proper security clearances.
Recommendation	We recommend the vice president, Supply Management: 4. Validate that the Professional Services (Consulting) Category Management Center has rectified the deficiencies detailed in this report.
Management's Comments	Management agreed with intent of the recommendation and, within 30 calendar days following receipt of the final report, will disseminate it to all portfolio managers. The portfolio managers will be required to review the report and further cascade it within their organizations.
Evaluation of Management's Comments	Management's comments are responsive to the recommendation and planned actions should correct the issues identified in the finding.

APPENDIX. MANAGEMENT'S COMMENTS

Supply Management



October 24, 2005

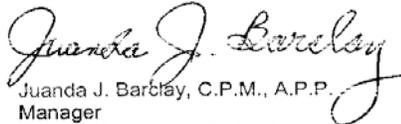
JOHN M. SEEBA

THRU KEITH STRANGE *KS* OCT 24 2005

SUBJECT: Draft Audit Report—New York Metro Area Contract for Labor Relations Issues
(Report Number CA-AR-05-DRAFT)

Thank you for the opportunity to review and comment on the subject draft audit report. While we appreciate the adjustments made by your audit team as a result of information exchanged during the exit conference on August 9, we are concerned that findings and recommendations in this report were not also directed to other appropriate postal organizations. The attachment highlights these issues and our differing views with some of the report's findings. It also includes responses to the report's four recommendations. To the extent that the recommendations are within the purview of our organization, they will be addressed.

We do not believe this report contains any proprietary business information that would be exempt from disclosure pursuant to Exemption 4 of the Freedom of Information Act (FOIA). Marie Martinez, Supply Management, will monitor implementation of applicable report recommendations. She can be reached at (202) 268-4117.


Juanda J. Barclay, C.P.M., A.P.P.
Manager
Supply Management Infrastructure

Attachment

cc: Anthony J. Vegliante (all w/attachment)
David L. Solomon
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WASHINGTON DC 20260-6210

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COMMENTS ON OIG REPORT FINDINGS

Contract Award and Administration

Unauthorized Contractual Commitment

The issues in this section are primarily directed to the New York Metro Area (NYMA) office rather than Supply Management. While we agree that a ratification of this unauthorized purchase should have taken place, the noncompetitive approval process actually requires a more rigorous review of the purchase and included the same higher level approval authority that would have been provided if treated as an unauthorized contractual commitment.

Noncompetitive Justifications

Considering the value of this purchase started at \$15,000, the contracting officer, using his business judgment, made the determination that the initial noncompetitive justification was adequately documented by the requester and that file documentation supporting the noncompetitive business case was adequate. Supporting file documentation was expanded as the value of this effort increased, and while the Office of Inspector General (OIG) relays that statements made in the contract file were not fully supported by other file documentation, this is an area of contracting officer discretion and business judgment.

Statements of Work (SOW)

The SOW was developed by the NYMA, and considering the type of work and its sensitive nature, as initially presented to Supply Management, it did appear reasonable. Further, subsequent modifications to the SOW did include requirements for more detailed supplier proposals. During the audit exit conference, the OIG was asked to provide specific examples of what should have been included in the initial SOW that would have put the Postal Service in a better position or provided substantial benefit in light of the emergency to act. This updated report, does not provide any specific examples.

Market Research and Price Analysis

Contract file documentation has to be balanced with the reality of the workplace, governing policies, the dollar value, and complexity of each purchase. The OIG relays the contracting officer determined the pricing was fair and reasonable based on his business judgment, but because file documentation was not adequate, there was no evidence that the prices received were fair and reasonable. While a clear statement supporting the price was fair and reasonable is preferable, the business case supporting noncompetitive purchase is normally sufficient for a non-complex, low dollar (\$15,000) purchase request. Based on the facts presented, the actions taken by the contracting officer appear reasonable.

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Key Contract Clauses

The OIG’s statement, “Clause 6-1 requires all contracts to have a contracting officer representative (COR),” is misleading. Clause 6-1, is only included when the contracting officer determines a need to issue a formal appointment letter for a COR. Further, Clause 6-1 is not a “requirement,” it simply relays that the contracting officer will appoint a COR. For low dollar, non-complex purchases you would rarely, if ever, see Clause 6-1 included or formal COR appointments being made. Further, the absence of clause 6-1, or a formal appointment letter, does not prohibit the contracting officer from designating others to perform administrative duties. For instance, consignees are often designated to receive and certify invoices, as was the case with this contract. This direction was also adequately supported by NYMA personnel being named in the SOW as CORs.

Contract Administration

Contract Payment Processing

The accounting error relayed in this section was the result of actions taken at the San Mateo Accounting Service Center, and as such, should be forwarded to that organization for any required action.

Contracting Officer’s Representative

We agree with the OIG, that a more formal COR appointment (beyond inclusion in the SOW) should have been considered by the contracting officer as the dollar value and complexity of this requirement changed.

Supplier Clearances

The OIG incorrectly states that Supply Management personnel were not familiar with security clearance requirements for contract personnel. While this may be the case for the staff in NYMA, it is certainly not true for Supply Management personnel. What we understand to be true is the requiring activity did not relay any information to the contracting officer that suggested contractor clearances would be needed. The issues in this section ultimately need to be directed to the NYMA.

RESPONSES TO OIG REPORT RECOMMENDATIONS

We recommend the vice president, Supply Management:

1. *In coordination with the chief human resources officer and executive vice president, consider alternatives, such as prequalifying suppliers or awarding multiple ordering agreements, to have suppliers in place for emergency Human Resources situations.*

Management Response: Management agrees with the recommendation; however, implementation is not entirely within the control of Supply Management. The Professional, Printing and Creative Services Category Management Center (CMC) will use this report to engage Human Resources management to establish appropriate servicewide strategic sources for these types of services. We will begin discussions within thirty calendar days following receipt of the final OIG report.

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2. *Instruct the Professional Services (Consulting) Category Management Center to follow policies and procedures related to unauthorized contractual commitments, noncompetitive justifications, statements of work, market research and price analysis, and contract clauses.*

Management Response: Management agrees with the recommendation; however, the lessons learned in this section are also applicable to NYMA staff. From a Supply Management perspective, the primary concern is using noncompetitive approval authority versus ratification authority, and this will be communicated to the staff in the Professional, Printing and Creative Services CMC and other purchasing organizations throughout Supply Management. To disseminate, we will cascade the report under Supply Management's Review for Excellence Program (SM REP) to all Managers in our purchasing portfolios. In turn, these managers will be required to review the report and further cascade it within their organizations. The SM REP cascade request will be issued within thirty calendar days following receipt of the final OIG report.

3. *Instruct the Professional Services (Consulting) Category Management Center to follow policies and procedures related to contract payments, contracting officer's representatives, and supplier clearances.*

Management Response: Management agrees with the recommendation; however, the lessons learned in this section are also applicable to personnel at the Accounting Service Center and in the NYMA. The lessons learned from this section of the report, particularly making more formal COR appointments, will be communicated to the staff in the Professional, Printing and Creative Services CMC and other purchasing organizations throughout Supply Management. To disseminate, we will cascade the report under Supply Management's Review for Excellence Program (SM REP) to all Managers in our purchasing portfolios. In turn these managers will be required to review the report and further cascade it within their organizations. The SM REP cascade request will be issued within thirty calendar days following receipt of the final OIG report.

4. *Validate that the Professional Services (Consulting) Category Management Center has rectified the deficiencies detailed in this report.*

Management Response: Management agrees with the intent of this recommendation; however, since this contract is closed, no further action is necessary or warranted. The concerns raised in this report will be addressed by the SM REP cascade action described above. The SM REP cascade request will be issued within thirty calendar days following receipt of the final OIG report.