



September 29, 2009

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VICE PRESIDENT, SUPPLY MANAGEMENT

SUBJECT: Audit Report – Information Technology’s Preferred
Portfolio Partnering Program (Report Number CA-AR-09-007)

This report presents the results of our audit of the U.S. Postal Service Information Technology’s (IT) Preferred Portfolio Partnering (PPP) Program (Project Number 09YG002CA000). This audit addresses operational risk, and was performed based on a Value Proposition Agreement dated January 27, 2009, between the U.S. Postal Service’s Vice President, Supply Management, and the Office of Inspector General (OIG). The objectives of this audit were to review the task order pricing process to determine if the price and cost analysis the Postal Service performed resulted in lower prices; and to assess how the program pricing process compares to the IT services industry best practices. See [Appendix A](#) for additional information about this audit.

Conclusion

The price and cost analysis Postal Service personnel performed usually did not result in negotiated price reductions of Accenture LLC’s (Accenture)¹ proposals. Additionally, Supply Management personnel did not always follow the recommendations of a third party contractor to reduce task order amounts or reject them in full. Further, the PPP program pricing process does not conform to current best practices for pricing IT service contracts and task orders.

However, Supply Management personnel have recently begun implementing IT service industry best practices by making plans to award multiple indefinite delivery indefinite quantity (IDIQ) contracts for IT services. This should provide for price competition when issuing task orders and result in better pricing and better quality services. The Postal Service could further improve pricing controls by increasing their requests to the OIG for Defense Contract Audit Agency (DCAA) audits of IT service providers’ systems and proposals.

¹ The Postal Service has four PPP ordering agreements with Accenture established to assist the Postal Service in delivering business solutions, and maximize the value obtained from its IT investment.

Price and Cost Analysis for PPP Task Orders

We reviewed 192 task order proposals totaling approximately \$110 million, and found the Postal Service's price and cost analysis usually did not result in lower prices. Specifically, the Postal Service negotiated down the price of 21 out of 192 (11 percent) task orders reviewed. These negotiated savings totaled approximately \$3.5 million. Supply Management and IT program office personnel usually performed a level of effort analysis on each proposal.² However, the proposals were not negotiated down consistently because Accenture was the only supplier providing a proposal and Supply Management personnel stated they had no leverage in negotiations.

Additionally, a third party contractor reviewed nine of the task order proposals on behalf of the Postal Service, and recommended revised target prices for seven of them. However, the Postal Service did not fully utilize these target prices and did not fully document the rationale for its decisions. As a result, the Postal Service contractually committed to approximately \$11.8 million more than the contractor's recommended target prices. The contractor's recommendations were not consistently followed because the IT program office usually values the speed of delivery over price.

Because the Postal Service personnel issued task orders without price competition, there is reduced assurance that the proposals contained fair and equitable prices. See [Appendix B](#) for our detailed analysis of this topic.

Best Practices for Pricing IT Service Contracts and Task Orders

The PPP program pricing process does not conform to current best practices for pricing IT service contracts and task orders. When it was first developed, speed of delivery was an important factor in providing functional enterprise-wide solutions with fewer suppliers. However, the goals and objectives of the program have evolved. With the current economic environment, best value through competition has become more important to the Postal Service. Supply Management has recognized this and is developing an approach that uses task order competition among multiple IDIQ contractors. Because there is currently no requirement for competition among suppliers, the PPP program has been using the same suppliers without competition for over 10 years.

NGI-Solution's *Report on Best Practices for Pricing IT Services Contracts/Task Orders* (see [Appendix C](#)) concluded that, overwhelmingly, both government and industry believe a competitive environment at the task order level will result in better pricing along with better quality services. IT industry best practices include competition at the task order level through use of multiple award IDIQ contracts. Without competition at the task order level, the belief is that agencies are paying higher prices and getting inferior performance for work under task orders issued without competition. Best

² The labor hour rates used in the proposals were established using competition at the origination of the PPP program. The Postal Service has continued to negotiate the rates during the life of the program. The task order proposal negotiations involve reviewing the level of effort required to complete the task.

practices do provide for exceptions to competition for task orders. The report details several recommendations for enhancing the IT services acquisition process.

The Postal Service is in the process of implementing best practices. Specifically, they are planning to award multiple IDIQ contracts under the Enterprise Technical Service program. This should provide for increased competition at the task order level.

According to the Postal Service's Supplying Principles and Practices (SP&Ps) dated May 1, 2006, updated through August 27, 2008, the agency should make competitive purchases based on adequate competition whenever feasible.³

Use of DCAA Audits

The Postal Service has not been using DCAA to audit IT service providers' systems and proposals. For example, the agency has not reviewed Accenture's estimating system to determine the adequacy of its internal controls. DCAA's audits help provide assurance that contractors provide supplies and services to the Postal Service at fair and reasonable prices. We discussed DCAA audit services with the IT Category Management Center Manager and the CO to make them aware of the services we can elicit from DCAA. They were not fully aware of all of the services that DCAA can provide and were concerned that the use of the services will affect the timeliness of contractual actions. With the support of Postal Service officials, we requested that DCAA audit Accenture's estimating system. The audit is scheduled for completion by October 15, 2009, with a final report to be issued no later than October 31, 2009.

We recommend the Vice President, Supply Management; direct the Information Technology Category Management Center Manager to:

1. Require documented justification from IT program office personnel when they are not going to follow contractor recommendations regarding the pricing of task order proposals.
2. Implement industry best practices by moving forward with the award of multiple indefinite delivery indefinite quantity contracts for IT services that, unless otherwise justified, will provide for competition at the task order level.
3. Establish and implement policies and procedures requiring documented justification when task orders are not competed.
4. Consider additional best practice recommendations documented in *NGI-Solution's Report on Best Practices for Pricing IT Service Contracts/Task Orders*.

³ Adequate competition means soliciting a sufficient number of the best qualified suppliers to ensure the required quality and quantity of goods and services are obtained when needed and the price is fair and reasonable. Competition allows the purchase team to compare the relative value of proposals and prices to determine the best value for the Postal Service. It is the Contracting Officer's (CO) responsibility to demonstrate that sound business judgment was applied to the overall purchase project.

5. Emphasize the benefits, and encourage the use of DCAA audits of IT service providers' systems and proposals, as appropriate.

Management's Comments

Management agreed with the findings and recommendations. Management noted that, contrary to the draft report, the Postal Service paid EDS approximately \$9.7 million under the PPP program in fiscal year (FY) 2008. With regard to recommendation 2, management stated they completed corrective action in mid-August when they awarded the Enterprise Technology Services contracts to four suppliers. In addition, with regard to recommendation 5, management requested that the OIG draft a communication to educate Supply Management staff on use of the DCAA's services. See [Appendix D](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and management's corrective actions should resolve the issues identified in the report. Based on documentation Supply Management personnel provided, the OIG changed the report to reflect PPP program payments made to EDS in FY 2008. Based on management's action taken with regard to recommendation 2, the OIG can close the recommendation upon receipt of award documentation for the Enterprise Technology Services contracts. In addition, the OIG will be happy to assist the Supply Management Infrastructure staff in further educating Supply Management personnel on the benefits of using the DCAA's services. However, we believe that executive-level endorsement of the benefits of DCAA is also warranted.

The OIG considers recommendations 1 and 2 significant, therefore they require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations 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.

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



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Attachments

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APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

The IT PPP program has been operational for over 10 years. The basic goals of the program are to award long-term professional service ordering agreements to enterprise wide IT providers, assist the Postal Service in delivering business solutions, and maximize the value obtained from its IT investment.

The program does not provide for competition among suppliers when task orders are issued. Rather, suppliers were competitively awarded ordering agreements for specific portfolios and received all task orders for those portfolios. Accenture was awarded ordering agreements for four of the six PPP portfolios: Mail Operations, Marketing, Finance, and Human Resources. Electronic Data Systems (EDS) Corporation was awarded an ordering agreement for the IT Infrastructure portfolio and Computer Sciences Corporation (CSC) was awarded an ordering agreement for Other Enabling Functions portfolio. In FY 2008, the Postal Service paid Accenture and EDS approximately █████ million and █████ million, respectively, under their PPP ordering agreements. CSC was not paid under the PPP program in FY 2008. The current ordering agreements will expire in August 2010.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to review the PPP task order pricing process to determine if the price and cost analysis the Postal Service performed resulted in lower prices and assess how the PPP program pricing process compares to that within the IT services industries' best practices.

To accomplish our objectives, we reviewed the current Postal Service SP&Ps; the *Purchasing Manual* (PM), Issue 1, dated January 1997; and the Program Management Plan for the PPP program, dated August 9, 2002. Additionally, we conducted audit fieldwork at Postal Service Headquarters and reviewed all of the 192 task orders entered into under the PPP program ordering agreements with Accenture between October 1, 2007, and March 31, 2009. For each task order, we reviewed the Accenture proposal, determined the extent of price and cost analysis the Postal Service performed, and quantified the amount of any decrease in award amount due to negotiations between the Postal Service and Accenture. We analyzed the results to determine whether the price and cost analysis resulted in lower prices.

Also, we interviewed Postal Service officials, including the PPP COs, regarding the background of the PPP program, purpose of the ordering agreements, and the approval process for the individual task orders. Additionally, we requested DCAA to audit Accenture's estimating system. We also contracted with NGI-Solutions to obtain information on government and industry best practices for pricing information technology services. We relied on this information to assess how the PPP program pricing process compares to best practices. NGI's methodology and approach is detailed in [Appendix C](#).

We conducted this performance audit from October 2008 through August 2009, 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 officials on August 13, 2009, and included their comments where appropriate. We relied on data obtained from the Postal Service's Enterprise Data Warehouse. We did not test the validity of controls over the system. However, we obtained source documentation that validated the data we obtained from it.

PRIOR AUDIT COVERAGE

We did not identify any OIG or Government Accountability Office reports related to the objectives of our audit within the past 3 years.

**APPENDIX C: NGI-SOLUTIONS REPORT ON BEST PRACTICES FOR PRICING IT
SERVICE CONTRACTS/TASK ORDERS**



Report on Best Practices for
Pricing IT Service Contracts/Task Orders

**For the Office of Inspector General,
United States Postal Service
Task Order # SM004**

FINAL REPORT

June 28, 2009

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Executive Summary

NGI-Solutions, along with its business partner Jefferson Solutions, (hereafter NGI/Jefferson) was tasked by the Postal Service Office of Inspector General to identify best practices for pricing IT service contracts/task orders.

NGI/Jefferson's approach to gathering data consisted of both Internet research and interviews with federal agencies and private sector companies. Within the government, NGI/Jefferson interviewed procurement executives and personnel from agencies' offices of information technology. Within industry, NGI/Jefferson interviewed those executives responsible for providing IT to agencies through government-wide agency contracts (GWACs) and other large contracts as well as those responsible for acquiring IT services in support of their company's internal operations.

Internet research included reviewing a broad array of both civilian and Defense agencies' indefinite quantity contracts and GWACs. In addition, agency Inspector General (IG) reports and General Accountability Office (GAO) reports were reviewed.

The data presented a clear policy preference for multiple award indefinite quantity contracts over single award indefinite quantity contracts. Agencies discussed the reasons for the move away from single award indefinite quantity contracts. The major reason given was a belief that they were paying higher prices and getting inferior performance for work under task orders issued without competition. Both agencies as well as industry executives managing agency-run indefinite delivery, indefinite quantity contracts (IDIQ) and GWAC programs mentioned the 2008 National Defense Authorization Act statutory requirement for enhanced competition of task and delivery orders valued at over \$5 million and the prohibition against single award requirements contract valued at over \$100 million unless certain criteria are present. See Pub. Law No. 110-181, Section 843.

NGI/Jefferson recommends that the Postal Service use competition as a basic tool when buying IT goods and services, but permit exception to competition similar to the FAR fair opportunity exception that enables task orders to be awarded without competition in certain circumstances. These circumstances include

- Urgency;
- Only one contractor can provide services;
- Logical follow-on work; or
- Satisfy contractor's minimum guarantee

Other recommendations include—

- Enhancing acquisition planning both at the program level and at the individual task order level

- Fostering communication between the agency and multiple awardees
- Developing streamlined ordering guidelines and evaluation processes

I. Background

The US Postal Service (USPS) has been operating the Information Technology's (IT) Preferred Portfolio Partnering (PPP) Program for nearly 10 years. The basic goal of the program is to award long-term professional service ordering agreements to enterprise-wide IT providers in order to assist the Postal Service in delivering business solutions and maximizing the value obtained from its IT investment. The concept of utilizing a Preferred Portfolio Partner was to allow the Postal Service to provide functional and enterprise-wide solutions with fewer suppliers, rather than entering into separate contracts or placing orders among multiple suppliers to support single projects. Accenture was awarded ordering agreements for four of the six PPP portfolios: Mail Operations, Marketing, Finance, and Human Resources; EDS was awarded an ordering agreement for the IT Infrastructure; and CSC was awarded an ordering agreement for Other Enabling Functions. The current ordering agreements will expire in August 2010.

The basic long-term ordering agreements are structured in a similar manner. Each portfolio provider had proposed loaded hourly labor rates for a list of specific positions. Under the basic agreement the portfolio provider is to develop a series of business solutions in its respective portfolio area. The Postal Service begins the process by identifying one or more subject areas where it wishes to develop solutions. For each subject area identified, the provider enters into discussion with postal managers to devise an approach to the work, and documents the approach in a specific proposal (identifying scope, deliverables, resources required from the USPS and costs) to explore the subject area and design a solution. When the proposal has been finalized and accepted by the Postal Service, it forms the basis for a Phase I effort.

Under Phase I, the provider is to provide a statement of work (SOW) to develop and implement the proposed solution (Phase II), a technical and cost proposal for performing the SOW, and a separate SOW and cost proposal for providing a Transfer of Knowledge to another provider should the Postal Service choose to use a different supplier for Phase II. When the Postal Service accepts a provider's proposal for Phase II, the provider will develop and implement the solution in accordance with the SOW developed in Phase I.

NGI Solutions and their partner, Jefferson Solutions, (NGI/Jefferson) were tasked by the OIG to identify and interview executives both within the Federal Government as well the private sector, to identify best practices for pricing IT service contracts/task orders and to make recommendations to OIG regarding the PPP Program.

II. Methodology and Approach

NGI/Jefferson's approach to gathering data consisted of both Internet research and interviews with federal agencies and private sector companies. Within the government, NGI/Jefferson interviewed procurement executives and personnel from agencies' offices of information technology. Within industry, NGI/Jefferson interviewed both those executives responsible for providing IT to agencies through GWACs and other large contracts and those responsible for acquiring IT services in support of their company's internal operations.

NGI/Jefferson's interviews covered the following agencies:

- Pension Benefit Guaranty Corporation (PBGC)
- Environmental Protection Agency (EPA)
- General Services Administration (GSA)
- Department of Interior (Interior)

NGI/Jefferson's interviewed executives from the following industries:

- General Dynamics
- Lockheed Martin
- SAIC
- Tygart Technologies

Agency interviews focused on the decision-making process for using either a multiple-award vehicle such as an agency-run IDIQ, GWAC, or GSA Schedule 70 or a single award indefinite quantity contract; specifically, questions focused on:

- The number of task orders and dollar range of task orders issued against any indefinite quantity contract in a given year
- The agencies' use of streamlined techniques for ordering
- The extent of technical evaluation conducted for each task order issued
- The extent to which cost/price was analyzed both during the award of the indefinite quantity contract and at the task order level
- The factors influencing the agency's decision to use either a single or a multiple award indefinite quantity contract

For industry executives responsible for acquiring IT services in support of their company's internal operations, questions focused on:

- The extent to which individual requirements are competed
- How technical qualifications of competing firms are assessed
- How companies determine fair and reasonable pricing for the services being procured
- What ordering procedures are utilized
- Whether best practices are instituted

Internet research included reviewing a broad array of both civilian and Defense agencies' indefinite quantity contracts such as Navy's SeaPort-e, Department of Homeland Security's Eagle, Air Force's Netcents, and FBI's ITSS-3. GWAC vehicles reviewed, along with their respective ordering guides, included:

- GSA's Alliant, Millennia, Millennia Lite, Commits NexGen, and Schedule 70
- NIH's CIO-Sp2i
- NASA's SEWP (Solutions for Enterprise-Wide Procurement)

In addition, agency Inspector General (IG) reports and General Accountability Reports (GAO) were reviewed, to include.

- Interagency Contracting: Improved Guidance, Planning, and Oversight Would Enable the Department of Homeland Security to Address Risks, GAO Report to Congressional Requesters (Sept. 2006)
- Task Orders on the Air Force Network-Centric Solutions Contract, Inspector General, Department of Defense, Report No. D-2008-007 (Oct. 25, 2007)
- Interagency Contracting: Problems with DOD's and Interior's Orders to Support Military Operations, GAO Report to Congressional Committees (April 2005)
- Transportation Security Administration's Information Technology Managed Services Contract, Department of Homeland Security Office of Inspector General, Report OIG-06-23 (Feb 2006)
- FY 2006 DoD Purchases Made Through the National Institutes of Health, Department of Defense, Office of Inspector General, Report No. D-2008-022 (Nov. 15, 2007)
- Review of Interagency Agreement between the Department of Veterans Affairs and Department of Navy, Space Naval and Warfare Systems Center (SPAWAR), Department of Veterans Affairs Office of Inspector General, Report No. 09-01213-142 (June 4, 2009)
- Interagency Contracting: Franchise Funds Provide Convenience, but Value to DoD is Not Demonstrated, GAO Report to Congressional Committees, GAO-05-456 (July 2005)
- Defense Acquisitions: DoD Needs to Exert Management and Oversight to Better Control Acquisition of Services, GAO Testimony Before the Subcommittee on Readiness and Management Support, Committee on Armed Services, U.S. Senate, GAO-07-359T (Jan. 17, 2007)
- FY 2005 DoD Purchases Made Through the National Aeronautics and Space Administration, Department of Defense, Office of Inspector General, Report No. D-2007-023 (Nov. 13, 2006)
- Federal Acquisition: Oversight to Help Implement Acquisition Advisory Panel Recommendations, GAO Report to the Committee on Oversight and Government Reform, House of Representatives, GAO-08-160 (Dec. 2007)

The data collected were then compared and analyzed.

III. Results of Data Collection and Research

A. Summary of Agency Practices

1. Selection of Contract Type/Vehicle

The data presented a clear policy preference for multiple award indefinite quantity contracts over single award indefinite quantity contracts. Agencies discussed the reasons for the move away from single award indefinite quantity contracts, including a belief that they were paying higher prices and getting inferior performance for work

under task orders issued without competition. Agencies also cited the enhanced competition provisions embodied in the 2008 National Defense Authorization Act as influencing their decision to use multiple award indefinite quantity contracts. Section 843 provides—

- Enhanced competition requirements for the award of multiple award contract task and delivery orders valued at over \$5 million
- Prohibition against single award task or delivery order contract valued at over \$100 million (including options) unless the agency head determines in writing that certain criteria are present

Agencies mentioned that they use a variety of multiple award indefinite quantity contracts, to include their own agency-run multiple award contracts, Government-wide Agency Contracts (GWACs), and to a more limited extent, Blanket Purchase Agreements (BPAs).

A strong theme throughout, mentioned by both government and industry, is the lack of strategic planning and involvement of agency stakeholders when choosing how best to procure needed IT goods and services. Industry commented that agencies will often choose to develop their own agency-run multiple award contract rather than use an existing GWAC to avoid the access fee charge without taking into account the administrative cost and manpower necessary to adequately administer the contract. Further, agencies will often make their own multiple award contract mandatory within the agency without having received sufficient input from agency customers to understand if the contract will meet the customers' needs. In other cases, the agency will not make use of their own contract mandatory and customers choose not to use it.

The data suggests an upward trend toward the use of agency-run multiple award contracts. FedSources reported that between fiscal 2005 and 2007, the volume of GWAC business dropped nearly 30 percent, while spending on agency-run multiple-award contracts rose more than 40 percent. The GSA schedule is down, from 17 percent of spending in the IT market in 2005 to 14 percent in 2007.

One industry executive interviewed stated that the trend toward agencies using their own ordering vehicles was due to the fact that an agency-run multiple award contract can be written more broadly than a GWAC. As pointed out, GWACs were created solely to procure IT goods and services. He is seeing agency-run vehicles that are for both IT and non-IT mission support needs. For instance, Navy's SeaPort-e is used to acquire both systems engineering and systems support. Traditionally, GWACS were popular because contracting officers believed that GWACs would relieve them of the cost and effort of managing their own contracts. GAO reported that agencies frequently awarded GWAC task orders without

adequate competition and then failed to manage the performance of the work, frittering away whatever savings were realized by using the GWAC. The DOD IG has documented case after case in which defense agencies took a laissez faire approach to task orders, relying too much on the GWAC contract office to provide oversight.

The newer GWACS are offering customized services and compliance oversight. For instance, NASA's SEWP provides reports and tracking and trains customer agency buyers to ensure they use SEWP and its tools properly. In addition, the request-for-quotes tool builds in competition. In seconds, the tool's search feature can pick out product and service options fitting the customer's needs from a list of thousands and then even suggest additional vendors who offer products services that may be similar to those selected by user. NASA claims that SEWP has been successful in part because it rapidly evolves, responding to customer needs for new technology to meet their missions. SEWP has a "technology refreshment" process that allows prime contractors to add new products or subcontractors offering advances in technology. Technology refreshment can be done on a daily basis, according to SEWP's Website. GSA has designed technology refreshment into its new Alliant GWAC.

Agencies that manage GWACs are working hard to refashion their contracts to be more competitive, promising customer agencies wider choice, faster and easier service, and better compliance with procurement rules.

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According to GSA, BPAs are very popular right now. EPA validated this, stating that they have been using BPAs to procure many of their IT buys. According to EPA, it is easier and faster to establish a BPA. The BPA labor rates are based on the company's IT Schedule. Thus, there is a belief that labor rates are fair and reasonable having already gone through the rigors to get on the Schedule. Further discounts are requested when orders are placed against the BPA. The downside to a BPA established from the GSA Schedule is that order contract types are limited to either fixed price or time-and-material.

a) *Factors Influencing an Agency's Use of a Single Award IDIQ*

Both agency and industry representatives identified the nature of the work involved as a factor for making a single award indefinite quantity contract. Single awards make sense when tasks to be ordered are so integrally related that only a single contractor can reasonably perform the work or only one contractor is capable of providing performance because the supplies/services are so unique or highly specialized. These reasons are recognized in the Office of Federal Procurement Policy's (OFPP) Best Practices for Multiple Award Task and Delivery Order Contracting (1999). Four additional factors for use of single awards identified in the OFPP guidance included:

- More favorable terms and conditions, including pricing, can be secured under a single award
- The cost of administration of multiple contracts outweighs any potential benefits
- The estimated contract value is less than the simplified acquisition threshold

- Multiple awards are not in the best interest of the government.

These additional considerations will likely be revised to be consistent with the enhanced competition requirements for task and delivery order contracts in Section 843 of the Fiscal Year 2008 National Defense Authorization Act (Pub. L. No. 110-181). Interestingly, the new legislative language is a complete reversal from the OFPP guidance from a decade ago—in 1999 a single award could be made if...in 2008 a multiple award is required unless...

More specifically, Section 843 provides that no task or delivery order contract in an amount estimated to exceed \$100 million (including all options) may be awarded to a single source unless the head of the agency determines in writing that—

- The task or delivery orders expected under the contract are so integrally related that only a single source can reasonably perform the work;
- The contract provides only for firm-fixed price task or delivery orders;
- Only one source is qualified and capable of performing the work at a reasonable price to the Government; or
- It is necessary in the public interest to award the contract to a single source due to exceptional circumstances.

The agency head must notify Congress within 30 days after making the determination in the public interest to make a single source award. On September 17, 2008, the Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council issued an interim rule with request for comments that essentially mirrored Section 843 of the Act and revised three provisions of the Federal Acquisition Regulation (FAR 16.503 – 16.505) to incorporate the Act's enhanced competition requirements.¹ Although the Postal Service does not follow the FAR, these new rules are useful for recognizing when a single award might be appropriate.

Another factor influencing an agency's decision to choose a single award indefinite quantity contract is the ability to obtain continuity and synergy across applications and platforms. In the single award environment the contractor can take on this role and is also more vested in the overall program success. In

¹ See 73 Fed. Reg. 54008 (Sept. 17, 2008).

the multiple-award environment, it is up to the government to create the necessary synergy.

Industry also suggested that a single award indefinite quantity contract had the advantage of enabling more open communication between the government and contractor without fear of violating the FAR restrictions on communications after

release of a solicitation (or task order request). Industry thought the ability to have freer communication regarding the requirements of a particular task order were advantageous so as to (1) better judge whether or how they could satisfy the requirements with a more accurate projection of the cost and (2) offer suggestions for improvements to the requirements so that the government could get a better overall solution.

Although it is clearly more burdensome to compete task orders, neither government nor industry raised this as a reason for favoring a single indefinite quantity award over a multiple award. In fact, industry stated that it was fully equipped to respond to competitively solicited task orders.

b) Factors Influencing an Agency's Use of a Multiple Award IDIQ

Overwhelmingly, both government and industry believe that a competitive environment at the task order level results in better pricing along with better quality services being provided.

In implementing the enhanced competition provisions of Section 843 of the 2008 NDA, the FAR Federal Register notice stated that competition of orders leads to improved contractor performance, stimulation of technological solutions, and reduction of costs over time. The tenets of this provision strike at the core of enhancing competition and ensuring competition continues to exist even after award of the initial contract vehicles. This message is resonating with agencies, which are awarding multiple award contracts

as a general practice.

Agencies also asserted a strong view that, even more important than price, competition at the task order ensures you get the "A" team and keep the top performers on the contract. Industry admitted that in a non-competitive task order environment, companies are more prone to place junior staff or trade out staff, especially when the task is for maintenance of a system, involves a repetitive task, or for government staff augmentation. Industry stated that how an agency sets up the contract is indicative of what type of team it gets. For instance, a task order that is structured as performance-based generally results in better quality staffing and delivery of services.

2. Technical and Price Evaluation of Task Orders

At the task order level, technical and price evaluations are conducted in much the same manner as any procurement. Generally two separate evaluations are conducted to determine the winner of the task order: a technical evaluation and a price evaluation. To

ensure unbiased evaluations, neither the technical evaluation panel nor the price evaluation panel is permitted access to the other panel's portion of the vendor proposals.

One agency described the role and functions of the technical evaluation panel (TEP) to include:

- Technical Evaluation Board (TEB) scores the technical proposal
- Contracting officer/contracting specialist evaluates the cost proposal
- TEB uses the TEP as a guide
- Includes rules of behavior (security, independent evaluation followed by consensus, etc.)
- Includes evaluation factors, sub factors, criteria—adjectives, points, colors or etc.
- TEP usually includes score sheets as an aid to evaluation
- TEP mirrors Sections L (Instructions) and M (Evaluation Criteria) of the solicitation
- Detail and documentation—strengths, weaknesses, risks or other elements as called out in the TEP—is crucial
- Generally uses Best Value award
- Composition of board depends on requirements
- In single bids, the decision still needs to be well documented
- Major decisions are reviewed by the Contract Review Panel, and recommendations of the acquisition project manager and general counsel carry much weight

Agencies use a variety of methods in evaluating whether a proposed price is fair and reasonable, these include—

- Independent government cost estimate
- Past buying history
- Comparing pricing from public pricing sources, such as the GSA IT Schedule

Agencies stated that they viewed competition of the task order in-and-of-itself as a strong mechanism to ensure contractors propose fair and reasonable pricing.

In the case of a complex procurement, agencies stated that they perform a cost realism analysis in addition to the price reasonableness analysis. As recognized in the FAR, the intent of the cost realism analysis is to determine whether the estimated proposed price/cost elements are realistic for the work to be performed; reflect a clear understanding of the requirements; and are consistent with the approach described in the contractor's technical proposal.

3. Ordering procedures

Agencies follow the ordering procedures governed by FAR 16.505. All contract holders of a multiple award contract are provided a fair opportunity to be considered for each task order award. And, a task order may be awarded without competition in the following four exceptions pursuant to FAR 16.505(2):

- Urgency;
- Only one contractor can provide services;
- Logical follow-on work; or
- Satisfy contractor's minimum guarantee

In practice, some agencies use the above exceptions to avoid competition. A 2006 DOD IG report on DOD's use of NASA's GWAC (the precursor to the current NASA SEWP), found that multiple award contractors were not given a fair opportunity to be considered for award in accordance with FAR 16.505.² The report also cited improper use of the logical follow-on exception. Here, rather than competing an entire requirement and obtaining full competition among the task holders, only a small portion of the requirement would be competed with the remaining requirement being procured sole source as a logical follow-on. The report found that because contracting officials consistently failed to provide fair opportunity or solicited only one vendor, the officials did not always obtain the best price. Failure to provide fair opportunity to the SEWP multiple-award contractors prevented the government from fully achieving the savings available from price competition.

Agencies identified the following practices for both streamlining and improving the ordering process—

- Provide flexibility to vary the process to take into account:
 - The nature of the requirements
 - The size and complexity of the requirement
 - Time constraints
- Follow a uniform and consistent approach for soliciting, evaluating, negotiating

² Department of Defense office of Inspector General: FY 2005 DoD Purchases Made Through the National Aeronautics and Space Administration (D-2007-023) (Nov. 13, 2006).

and awarding all task orders (including templates for SOWs)

- Ensure that requirements are as specific and clearly defined as possible
- Keep RFQ submission requirement to the necessary minimum
- Limit non-price factors to those few that are meaningful discriminators among competing offers
- Use oral proposals in lieu of or in addition to requesting written proposals when making a task order award
- Issue advance notice of the task order or draft SOWs
- Award task orders, when possible, based on initial technical and cost proposal submissions

Section 843 emphasizes the importance of following certain specified procedures in the competitive placement of task or delivery orders with an expected value in excess of \$5 million (including options) placed against multiple award contracts. All awardees must be given a fair opportunity to be considered for each order and procedures require, at a minimum—

- A notice of the order with a clear statement of requirements,
- A reasonable response period,
- Disclosure of the significant evaluation factors and sub factors, and
- Where award is made on a best value basis, a statement documenting the basis for award and the relative importance of quality and price or cost factors

Commentators to the FAR Interim rule implementing Section 843 stated that, while not taking exception to these enhanced competition requirements, there is a concern whether the new “mini-CICA process” would decrease efficiency and increase transition costs.

The **Alliant GWAC Ordering Guide**³ identified two approaches for streamlined/Multi-Phased order competitions: (1) OPT IN/OPT OUT and (2) White Paper, as follows.

1. OPT IN/OPT OUT Approach

Phase One

³ GSA Alliant GWAC Ordering Guide (April 22, 2009).

- Develop a preliminary RFQ or RFP that includes salient characteristics of the specific requirement (e.g. work synopsis, security clearance needs, specialized information, certifications required, deliverables, response requirements, etc.) and discloses the general basis on which selections will be made
 - Instruct contractors to inform the OCO of their affirmative interest in the competition by the date shown in the preliminary RFQ or RFP, or they will not be included in phase two (stating that a non-response in the affirmative will constitute an opt-out.)
 - Establish a response deadline that makes sense for phase one (a few will typically suffice – Alliant industry partners have an affirmative duty to vigorously monitor Alliant fair opportunity channels.)
 - Transmit the preliminary RFQ/RFP to the entire list of awardees to determine their interest in the competition, permitting them to opt-in or opt-out of phase two. We recommend using any electronic system that affords fair opportunity to the pool (e.g., GSA's e-Buy or GSA IT Solutions Shop utilizing the Alliant pick list to all).
- Maintain a record of the preliminary RFQ/RFP transmittal and responses in the Order file to document use of fair opportunity procedures.
- The OCO should include all Alliant contractors that have indicated interest (opted in) for further consideration in phase two.

Phase Two

Ensure that all Alliant prime contractors who opted-in during Phase One receive a copy of the full RFQ/RFP in Phase Two. Historically, this process reduces the number of proposals by targeting those industry partners who have researched their current capabilities and availability, and provides useful acquisition planning/logistical/milestone information.

2. White Paper Approach

Phase One

A SOO/SOW/PWS [statement of objectives/statement of work/performance work statement] is sent to the pool explaining that a multiphased approach will be used. The Government will request a white paper response limited to 7 pages (page limitation is discretionary) which includes price (e.g., NTE, rough estimate) and non price considerations (e.g. degree of understanding of the problem/s, realism of the proposed technical approach, innovativeness of conceptual approach, risk factors, past performance). Based on the white paper responses the government will determine which contractors are most likely to submit the highest value solutions and include them in the second phase.

Phase Two

Contractors offering the highest value solutions will then submit proposals. The Government evaluates the proposals and makes award.

DHS's EAGLE⁴ identifies two optional approaches to conduct EAGLE Task Order competitions: the traditional ordering process and the multiphased fair opportunity process.

1. Traditional Ordering Process

When utilizing the traditional process, all prime contractors within the designated functional category will be provided the opportunity to submit full technical and cost proposals. Therefore, if the TO request is complex and requires extensive technical and cost proposals from each contractor, the Government would need to allocate the proper resources and schedule to evaluate each of these proposals according to the Evaluation Plan. The following key steps are to be followed for the traditional ordering process:

- A SOO/SOW/PWS is sent with a "Request for Traditional Technical and Cost Proposal" to all prime contractors within the designated functional category. The request should typically place a limit of no more than 15 pages on the technical proposal, subject to adjustment at the discretion of the TO CO based on the size, scope and complexity of the TO. The request may also include an oral presentation requirement if it is determined to be beneficial to the evaluation. A complete cost proposal must be submitted, with no page restrictions. The amount of time allowed for the traditional response is typically eight days, which may be adjusted based on the scope/complexity of the requirement and the needs of the customer.
- Technical and cost evaluations are conducted by the Government evaluation teams designated according to the written Evaluation Plan.
- Negotiations take place (if needed).
- A TO is awarded to the successful offeror.

2. Multiphased Ordering Process

While it is anticipated that the traditional ordering process will be used for the majority of requirements under EAGLE, a multiphased approach is available for use when appropriate. This approach may be used in conducting fair opportunity competitions under either a small business set-aside or an unrestricted basis. It consists of a Phase 1 request for a brief technical proposal and cost estimate, followed by a down-select and request for full technical and cost proposals from the remaining competitors. The multiphased process provides three major benefits. First, it allows the Government to focus the TO selection on the most qualified contractors. Second, it saves the Government significant time and expenditures associated with evaluating a potentially large number of proposals. Third, it saves less qualified candidates significant time and expenditures in bid and proposal costs. The following key steps are followed for the multiphase process:

- A SOO/SOW/PWS is sent with a request for a multiphased proposal to all prime contractors within the designated FC. The request could be for a written proposal, oral proposal, or both. If the Phase 1 request includes a written

⁴ Enterprise Acquisition Gateway for Leading-Edge Solutions (EAGLE) Ordering Guide (Sept. 2008).

proposal, the request would typically place a limit of no more than seven pages for the response, which encompasses the proposed technical and management approach, as well as past performance information. Within the seven pages, the offeror should also include a preliminary estimate or not-to-exceed (NTE) estimate for cost. The amount of time allowed for the Phase 1 response is typically five days, which may be adjusted based on the scope/complexity of the requirement and the needs of the customer. The request may also include an oral presentation requirement if it is determined to be beneficial to the evaluation.

- Technical evaluations and evaluations of the preliminary cost estimate/NTE are conducted by the Government evaluation teams designated according to the written Evaluation Plan.
- Based on the evaluations, a down-select could occur which identifies the contractors that would be most qualified to compete for the TO. The down-select process could identify one or more prime contractors that are the most qualified.
- Only the qualified offeror(s) that are identified in the down select process will be invited to submit a Phase 2 Traditional Technical and Cost Proposal.
- Technical and cost evaluations are conducted by the Government evaluation teams designated according to the Evaluation Plan.
- Negotiations would take place (if needed).
- A TO is awarded to the successful offeror.

B. Summary of Industry Internal IT Buying Practices

The large government contractors interviewed appear to have a common approach to their internal buying practices for IT buys that are similar to those established in the Federal Acquisition Regulation (FAR).

1. Competition standard

Competition is required on all buys with the caveat that purchases under certain dollar thresholds (threshold is typically \$5,000 but can be higher with justification) can be made with a purchase card (PCARD). The PCARD is similar to the government's purchase card (used for micro-purchases or those valued at \$3,000 or less). Some firms have developed electronic catalog systems and master contracts to streamline the competition process.

2. Assessing Technical Qualifications of Competing Firms

The Request for Information (RFI) is a general practice used to narrow the competition pool. Some firms also use firms like Gartner to provide analysis of the top performers for the needed buy along with their rating. The RFI process will narrow the competition pool to a more reasonable number. Although no protest provisions exist, companies keep detailed documentation as to the award decision. Most efforts are firm fixed price; while some are time-and-materials based.

The technical qualifications of competing firms are assessed as follows:

- Technical team develops statement of work and specifications and uses a weighted analysis of non price factors
- Technical team evaluates proposals (The technical team is precluded from seeing the price)
- Buyer considers price and results of technical evaluation and makes award

3. Determining Price Reasonableness

Prices are determined to be fair and reasonable in much the same manner as the government. The firms interviewed identified the following tools—

- Price comparisons
- Review buy history
- Look at the prices listed on the GSA IT Schedule.

4. Best Practices

Industry identified various best practices for enabling better efficiencies for internal IT buys—

- Maintain clear channels of communication among all interested parties
- Standardize requirements forms so that the submission of requirements data is complete (use clearly defined fields for data gathering). This will minimize the back-and-forth between the customer and contract units.
- Use uniform policies and guidelines for ordering
- Utilize electronic ordering catalogs to streamline the process
- Rate vendors performance and use past performance when selecting vendors
- Provide timely guidance on deadlines so procurements can be planned appropriately

IV. Summary of Best Practices

A. Factors in Choosing Single Award Indefinite Quantity Contract

Even though multiple task order indefinite quantity contracts are preferred, there are certain circumstances when a single award indefinite quantity contract might be appropriate.

Factors in Choosing Single Award Indefinite Quantity Contract

- The task or delivery orders expected under the contract are so integrally related that only a single source can reasonably perform the work
- Only one source is qualified and capable of performing the work at a reasonable price to the Government
- The contract provides only for firm-fixed price task or delivery orders using unit prices that were competed in the award of the basic instrument
- It is necessary in the public interest to award the contract to a single source due to exceptional circumstances
- More favorable terms and conditions, including pricing, can be secured under a single award⁵
- The cost of administration of multiple contracts outweighs any potential benefits to be derived from competition
- The estimated contract value is less than the simplified acquisition threshold

⁵ Office of Federal Procurement Policy's 1999 Best Practices for Multiple Award Task and Delivery Order Contracting provided an illustration of circumstances when more favorable terms and conditions, including pricing, could be obtained if single awards were made. Examples include the award of certain kinds of fixed-price construction contracts and Simplified Acquisition of Base Engineer Requirements contracts. These types of contracts typically include government-established unit prices for specific line items needed to complete the requirements of the delivery order. Award determinations are made by selecting the mix of line items to be used for a project and multiplying the mix of line items by the coefficient bid by the offeror. The contractor's coefficient is based on cost elements such as overhead, profit, minimum design costs, G&A expenses, bond premiums, and gross receipt taxes. These contracts have much of their pricing determined by pre-award competition. It is possible that the use of multiple awards for these contracts could result in higher overall prices to the government because offerors might be inclined to raise their bidding coefficients to account for the fact that potential delivery orders would be spread out among several firms, which means that the companies would have fewer tasks over which to spread their overhead.

B. Factors in Choosing A Multiple Award Indefinite Quantity Contract

The factors common in choosing a multiple award indefinite quantity contract are set forth in the following table.

In addition to the above factors, there is a presumption in favor of continuing competition at the task order level in multiple award contracts.⁶

Factors in Choosing A Multiple Award Indefinite Quantity Contract

- More than one source is qualified and capable of performing the work
- Improved pricing and technical performance can be obtained in a competitive environment
- Multiple awards provide access to a greater breadth of technical capabilities and backup capacity
- Optimal pricing is best obtained at the time task orders are issued
- The number of task orders issued against a multiple award contract in a given year are manageable
- Sufficient program resources are available to conduct technical evaluations to determine award of task orders, and the cost savings and technical improvements leveraged through competition outweigh the additional administrative costs associated with awarding and managing task orders with multiple contractors

C. Best Practice: The Project Management Office

One agency focused on the important role of the Project Management Office in improving the acquisition process.

Role: Project Management Office

- Provides tools and processes for the project team to do their jobs
- Assists with employee professional development
- Emphasizes that repeatable processes are good for the organization: cost savings, increase efficiency, informal communications, and manages change

D.

⁶ See generally Yukins, "Are IDIQs Inefficient? Sharing Lessons With European Framework Contracting, Public Contract Law J. Vol 37, No.3 (Spring 2008) regarding the parallel rise of IDIQ contracts in Europe and the United States.

Best Practices for Streamlining Ordering Techniques

The below table was developed through research and interviews with various government agencies and industry.

Best Practices for Streamlining Ordering Techniques

- Provide flexibility to vary the process to take into account:
 - The nature of the requirements
 - The size and complexity of the requirement
 - Time constraints
- Follow a uniform and consistent approach for soliciting, evaluating, negotiating and awarding all task orders (including templates for SOWs)
- Ensure that requirements are as specific and clearly defined as possible
- Promote performance-based work statements
- Use due diligence to afford contractors an opportunity to become knowledgeable about the requirements
- Keep RFQ submission requirements to the necessary minimum
- Provide timely guidance on deadlines so procurements can be planned appropriately
- Standardize requirements forms so that the submission of requirements data is complete (use clearly defined fields for data gathering). This will minimize the back-and-forth between the customer and contract units.
- Limit non-price factors to those few that are meaningful discriminators among competing offers
- Use oral proposals in lieu of or in addition to requesting written proposals when making a task order award
- Issue advance notice of the task order or draft SOWs
- Award task orders, when possible, based on initial technical and cost proposal submissions
- Provide a notice of the order with a clear statement of requirements
- Allow a reasonable response period
- Disclose significant evaluation factors and sub factors
- Where award is made on a best value basis, a statement documenting the basis for award and the relative importance of quality and price or cost factors
- If written technical proposals are required, use page limitations
- Make a reasonable number of awards, which ensures competition but keeps the ordering process from being overly burdensome
- Convene periodic meetings with awardees to discuss administrative matters, future requirements, and needed improvements in the ordering process.
- Conduct interim assessments to provide essential feedback to contractors on their performance. Interim assessments give contractors experiencing problems the opportunity to correct problems before they jeopardize contract completion.

V. Recommendations

Recommendation 1: Use competition as a basic tool, but permit an exception in certain circumstances by observing the following best practices:

- Provide flexibility to vary the process to take into account:
 - The nature of the requirement
 - The size and complexity of the requirement
 - Time constraints
- Make a reasonable number of awards, which ensures competition but keeps the ordering process from being overly burdensome.
- Define limited circumstances for not competing task/delivery orders and clearly describe the exceptions in appropriate language in the solicitation.⁷

Recommendation 2: Enhance acquisition planning both at the program level and at the individual task order level by observing the following best practices:

- Standardize requirements forms so that the submission of requirements data is complete (use clearly defined fields for data gathering). This will minimize the back-and-forth between the customer and contract units.
- Ensure that requirements are as specific and clearly defined as possible.
- Promote performance-based work statements and approaches.
- Provide timely guidance on deadlines so procurements can be planned appropriately.

⁷ For example, several agencies provide the following language in the solicitation:

Each Contractor under a multiple award contract shall be provided a fair opportunity to compete for each task order, unless an exception applies.

Exceptions to Fair Opportunity

Conditions for exception to the fair opportunity requirement for Task Order issuance under the ID/IQ contract include:

- (1) The agency need for the supplies or services is so urgent that providing a fair opportunity would result in unacceptable delays.
- (2) Only one awardee is capable of providing the supplies or services required at the level of quality required because the supplies or services ordered are unique or highly specialized.
- (3) The order must be issued on a sole-source basis in the interest of economy and efficiency because it is a logical follow-on to an order already issued under the contract, provided that all awardees were given a fair opportunity to be considered for the original order.
- (4) It is necessary to place an order to satisfy a minimum guarantee.

As a standard operating practice, the Postal Service should develop a principal acquisition plan for each multiple award quantity contract with an individual acquisition plan for each major task order. The acquisition plans at the task order level can be of more limited scope, covering the acquisition from purchase request or advance notice of need through order placement. Although the Postal Service does not follow the FAR, FAR Part 7 provides the elements of a standard acquisition plan that can be adapted for the Postal Service's needs. Acquisition plans for the basic multiple award contracts as well as individual task orders should address the feasibility of using performance-based acquisition (PBA) approaches.⁸

Recommendation 3: Foster communication between the agency and multiple awardees by observing the following best practices:

- Use due diligence processes to afford contractors an opportunity to become knowledgeable about the requirements
- Convene periodic meetings with awardees to discuss administrative matters, future requirements, and needed improvements in the ordering process.
- Conduct interim assessments to provide essential feedback to contractors on their performance. Interim assessments give contractors experiencing problems the opportunity to correct problems before they jeopardize contract completion.
- Issue advance notice of the task order or draft SOWs to allow sufficient time to prepare for competitions.

Recommendation 4: Develop streamlined ordering guidelines and evaluation processes that include use of the following best practices:

- Follow a uniform and consistent approach for soliciting, evaluating, negotiating and awarding all task orders (including templates for SOWs).
- Keep RFQ submission requirements to the necessary minimum.
- Use oral proposals in lieu of or in addition to requesting written proposals when making a task order award.
- Award task orders, when possible, based on initial technical and cost proposal submissions.
- If written technical proposals are required, use page limitations.

⁸ Pursuant to FAR 37.601, performance-based contracts for services shall include:

- a performance work statement (PWS)
- measurable performance standards
- method of assessing contractor performance against performance standards
- performance incentives where appropriate

- Limit non-price factors to those few that are meaningful discriminators among competing offers.
- Allow a reasonable response period.
- Disclose all significant evaluation factors and sub factors.
- Where award is made on a best value basis, clearly document the basis for award and the relative importance of quality and price or cost factors.

The USPS should develop an ordering guide for the PPP program that describes each of these best practices and includes appropriate templates and samples.

APPENDIX D: MANAGEMENT'S COMMENTS

SUSAN M. BROWNELL
VICE PRESIDENT, SUPPLY MANAGEMENT



September 18, 2009

LUCINE WILLIS

SUBJECT: Draft Audit Report - Information Technology's Preferred Portfolio Partnering Program
(Report Number CA-AR-09-DRAFT)

Thank you for your time in performing this audit under our Value Proposition Agreement, and for the opportunity to review and comment on the subject draft audit report. We have reviewed the report and, in general, agree with the findings and recommendations. The benchmarking information provides added support for moving forward in our efforts to ensure that the Postal Service receives the best value and remains a viable entity. The following is our response to the recommendations contained in the report.

General Comment:

There is a factual item we would like to address that was overlooked in reviewing the draft report. In Appendix A, Background, the report stated that Electronic Data Systems Corporation was not paid in fiscal year 2008; but, in fact, was awarded approximately \$10 million in task orders.

Supply Management and the IT program office have been working together for the last year to review the PPP program and its associated objectives and processes. As the program progressed over the last 10 years, there were concerns whether the Postal Service was receiving the best value for IT enterprise wide system develop application services, and so, we began planning for award of multiple Indefinite Delivery Indefinite Quantity contracts under the new Enterprise Technology Service's (ETS) program. This award implements the best practices described in this report and not only enables the Postal Service to consolidate contracts, such as, the PPP program agreements, IT Service's and Support, and other contracts, but will streamline the process and reduce the cost of future services through reduced rates and best-in-class business solutions.

Recommendation Comments:

The OIG's report recommends that the Vice President, Supply Management; direct the IT Category Management Center Manager to:

Recommendation 1: Require documented justification from IT program office personnel when they are not going to follow contractor recommendations regarding the pricing of task order proposals.

Response: Management agrees with this recommendation. When third party contractor review is required, Supply Management in coordination with the IT program office will ensure that adequate justification is provided when it is determined that the third party contractor recommendations do

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not meet our business needs. A copy of this response and information regarding the need for their assistance in providing the justifications and documentation will be communicated to the IT program office by the IT Category Management Center Manager via email. Target Implementation Date: September 30, 2009.

Recommendation 2: Implement industry best practices by moving forward with the award of multiple indefinite delivery indefinite quantity contracts for IT services that, unless otherwise justified, will provide for competition at the task order level.

Response: This recommendation was completed in mid-August with an award of the Enterprise Technology Services (ETS) contracts to four suppliers. IT Technology Support and Supply Management will soon be hosting ETS presentations and training of the new tools and processes to IT Executives and Program Managers on how to use these suppliers for business customer initiatives. The recommendation to award multiple indefinite delivery indefinite quantity contracts was successfully completed and, therefore, we ask that the OIG consider this recommendation closed.

Recommendation 3: Establish and implement policies and procedures requiring documented justification when task orders are not competed.

Response: Management agrees and will ensure that communication regarding the requirement to provide a business case justification when task orders are not competed is included in our ETS Program Management Plan that is being co-developed by Supply Management and the IT program office. This plan will define the program's policies and procedures for use of the services. Target Implementation Date: January 2010.

Recommendation 4: Consider additional best practice recommendations documented in NGI-Solution's Report on *Best Practices for Pricing IT Service contracts/Task Orders*.

Response: Supply Management and the IT program office have reviewed the best practices recommendations in NGI-Solutions Report. We agree that all four of the best practice recommendations are of value and will be considered as we develop the ETS Program Management Plan that will define the processes for how the services will be used. Target Implementation Date: January 2010.

Recommendation 5: Emphasize the benefits, and encourage the use of DCAA audits of IT service providers' systems and proposals, as appropriate.

Response: We believe that the use of DCAA audits are an added value to Supply Management and using them will be considered on a task order by task order basis. In fact, we ask that the OIG consider drafting a communication to Supply Management that we may use to educate our staff on these types of services, what time allowances are needed for the process, and how to use the services. A website has been provided by Supply Management Infrastructure for this purpose; and therefore, we ask that this recommendation also be considered closed.

We do not believe that this report, up to Appendix B, contains any proprietary or business information and may be disclosed pursuant to the Freedom of Information Act. Appendix C is not in our purview to determine Freedom of Information Act disclosure. If you have any questions about this response, please contact Susan Witt at (202) 268-4833.



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