



June 29, 2006

WALTER O'TORMEY
VICE PRESIDENT, ENGINEERING

SUBJECT: *Technology Acquisition Management Process Guide – Phase 2, Development* (Product Number CA-WP-06-001)

This white paper provides the results of our review of the draft *Technology Acquisition Management (TAM) Process Guide – Phase 2, Development*, dated March 2006 (Project Number 06YR002CA000). The U.S. Postal Service Office of Inspector General (OIG) Engineering team and Supply Management and Facilities team performed the review in accordance with the *Value Proposition Agreement*, dated October 6, 2005.

In a report entitled *Technology Acquisition Management* (Report Number DA-AR-04-003, dated September 24, 2004), the OIG recommended that Engineering develop written policies and procedures to better manage acquisitions. In response, Engineering further developed, standardized, and documented its internal procedures to address program management activities such as conditional acceptance criteria. Engineering sought the OIG's assistance in the development efforts, and together we formed a Value Proposition Agreement to develop the *TAM Process Guide*. The objective of the agreement is to promote acquisition practices that maximize benefits for the U.S. Postal Service.

During this review, we determined whether the draft guide for Phase 2, Development, corresponded to acquisition management procedures prescribed by the National Aeronautics and Space Administration (NASA), the Department of Defense (DOD), and Carnegie Mellon University, Software Engineering Institute (CMU/SEI). We also determined whether the draft guide addressed internal controls prescribed by the Government Accountability Office and prior OIG report recommendations. Finally, we met regularly with TAM executives and the process development team to provide feedback on draft versions of the guide. We issued a white paper entitled *Technology Acquisition Management Process Manual – Phase 1, Proof of Concept* (Product Number DA-WP-06-001, dated March 28, 2006), which summarized the review of the proof of concept phase. We will continue implementing the Value Proposition Agreement and expect to issue an additional white paper documenting our review of the draft guide for Phase 3, Production Deployment, and Phase 4, Maintenance.

In general, the procedures documented for the draft guide for Phase 2, Development, were consistent with acquisition management procedures prescribed by NASA, DOD,

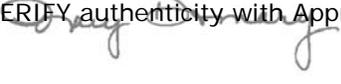
and CMU/SEI, and addressed internal controls and recommendations made in prior OIG reports. Based on our benchmarking, we determined that the draft *TAM Process Guide* incorporated key best practices such as:

- Establishing a technical evaluation team.
- Determining technical evaluation factors to be included in the solicitation package.
- Evaluating proposals based on the technical evaluation factors.
- Recommending contractor selection based on the evaluation results.
- Awarding the contract based on the solicitation package.

The results of our detailed analysis are presented in the appendix. We have no recommendations at this time, but agree that the TAM process development team's continued coordination with Postal Service Supply Management and Finance personnel should help ensure the guide is consistent with their policies and procedures. In addition, we suggest that Engineering seek review and comments on the *TAM Process Guide* from key stakeholders, to include the vice presidents of Supply Management and Finance, prior to final publication of the guide.

Engineering continues to make noteworthy progress in developing the *TAM Process Guide*. During the review, Engineering was highly responsive to our comments and suggestions. We will review the complete *TAM Process Guide* before its publication to ensure that agreed-upon improvements are incorporated.

Management reviewed a discussion draft of this white paper and provided feedback, which we have taken into account in this white paper; therefore, no response is necessary. 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 and Facilities; Miguel Castillo, director, Engineering; or me at (703) 248-2300.

E-Signed by Mary Demory 
VERIFY authenticity with Approve!


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Attachment

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APPENDIX. OIG ANALYSIS

I.	Benchmarking with Department of Defense (DOD)	Document Reference	Included in Draft Technology Acquisition Management (TAM) Process Guide	Draft TAM Process Guide Reference	Follow-up Actions
a.	Program manager shall prepare and the milestone decision authority shall approve an acquisition strategy to guide activity in system development and demonstration.	DOD Instruction (DODI) 5000.2, Section 3.7.2.3	Yes	Sections 2.5 and 3.2.1	None
b.	Each program or increment will have an acquisition program baseline establishing program goals, thresholds and objectives.	DODI 5000.2, Section 3.7.2.5	Yes	Sections 2.5 and 3.2.1	None
II.	Benchmarking with National Aeronautics and Space Administration (NASA)	Document Reference	Included in Draft TAM Process Guide	Draft TAM Process Guide Reference	Follow-up Actions
a.	Program manager shall ensure that all acquisition efforts and other transactions are implemented in accordance with Federal law and regulations, and the NASA Supplement to the Federal Acquisition Regulation, NASA directives, and the program plan.	NASA Procedure Requirements (NPR) 7120, Section 2.4.2.2.d.1	Yes	Sections 3.1 and 3.2.3	None
b.	The project manager shall assist the contracting officer in the solicitation and award of contracts, and in the development of a plan to ensure appropriate surveillance, monitoring, and reporting of activities related to contracts and non-procurement instruments.	NPR 7120, Section 3.4.6.2.c.2	Yes	Sections 3.2.1 and 3.5.1	None
c.	If systems being acquired contain software, the project manager shall ensure compliance with the software contract requirements in NPR 7150.2, NASA Software Engineering Requirements.	NPR 7120, Section 3.4.6.2.c.3	Yes	Section 3.2.1	None

APPENDIX. OIG ANALYSIS (Continued)

d.	The project manager shall ensure that NASA personnel follow agency guidance in procuring spare parts per NASA NPR 5900.1, NASA Spare Parts Acquisition.	NPR 7120, Section 3.4.6.2.f.3	Yes	Section 3.2.1 and page 152 - Summary of Major Activities	None
e.	The portfolio manager shall initiate solicitation and receipt of proposals through the issuance of a Broad Agency Announcement following the process established in the approved Portfolio Process Plan. Prospective principal investigators participate in portfolio formulation by preparing and submitting proposals in response to a solicitation.	NPR 7120, Section 4.2.2.a	Yes	Section 3.2.3	None
f.	Using peer review processes in NPR 1080.1, Science Management, the portfolio manager shall evaluate proposals based on criteria in the solicitation.	NPR 7120, Section 4.2.2.b	Yes	Sections 3.4 and 3.4.1	None
g.	The portfolio manager shall recommend proposals for selection.	NPR 7120, Section 4.2.2.c	Yes	Sections 3.4 and 3.4.1	None
h.	The portfolio manager shall review findings from peer review and other factors and recommend selections for approval by the selection official.	NPR 7120, Section 4.2.2.c.1	Yes	Sections 3.4 and 3.4.1	None
i.	The portfolio manager shall include the rationale for selection or nonselection of each proposal evaluated.	NPR 7120, Section 4.2.2.c.2	Yes	Section 3.5	None
j.	Complete an acquisition plan.	NPR 7120, Section 3.2.1.2.h	Yes. Established with the DAR in Phase 1 and should be used to guide Phase 2 activities.	Sections 2.5 and 3.2.1	None
k.	Generate a procurement package for each acquisition action.	NPR 7120, Section 3.4.6.2.b	Yes	Section 3.1	None

APPENDIX. OIG ANALYSIS (Continued)

I.	Develop and execute contracts and nonprocurement instruments.	NPR 7120, Section 3.4.6.2.c	Yes	Sections 3.4 and 3.4.1	None
III.	Benchmarking with Carnegie Mellon University, Software Engineering Institute	Document Reference	Included in Draft TAM Process Guide	Draft TAM Process Guide Reference	Follow-up Actions
a.	The solicitation process is defined for prospective suppliers.	Capability Maturity Model Integration (CMMI) - Acquisition Module (AM) Version 1.1, page 25	Yes	Section 3.1	None
b.	Suppliers are selected based on the solicitation package.	CMMI-AM, Version 1.1, page 26	Yes	Sections 3.4 and 3.5	None
c.	Contracts are issued based on the needs of the acquisition and the suppliers' proposed approaches.	CMMI-AM, Version 1.1, page 27	Yes	Sections 3.4 and 3.5	None
IV.	Internal Control Considerations	Document Reference	Included in Draft TAM Process Guide	Draft TAM Process Guide Reference	Follow-up Actions
a.	Activity-level objectives flow from and are linked with the agency's entity-wide objectives and strategic plans and include measurement criteria.	General Accounting Office ¹ (GAO) <i>Internal Control Management and Evaluation Tool</i> , pages 24 and 25	Yes	Sections 2.5, 3.1, 3.2.1, 3.2.3 and 3.5.1	None
b.	Controls are designed to ensure that only valid transactions and other events are initiated and entered into, in accordance with management's decisions and directives.	<i>GAO Internal Control Management and Evaluation Tool</i> , page 41	Yes	Sections 3.1, 3.2.3, 3.4 and 3.5	None
c.	Key duties and responsibilities are divided or segregated among different people to reduce the risk of error, waste, or fraud.	<i>GAO Internal Control Management and Evaluation Tool</i> , page 40, Item 7	Yes	Sections 3.4 and 3.5	None

¹ Now known as the Government Accountability Office.

APPENDIX. OIG ANALYSIS (Continued)

V.	Lessons Learned from Past Audit Reports	Document Reference	Included in Draft TAM Process Guide	Draft TAM Process Guide Reference	Follow-up Actions
a.	Ensure that an individual Decision Analysis Report be prepared for each equipment program, or create separate finance numbers for multiple program Decision Analysis Reports.	Recommendation 1. <i>Automated Seamless Dispatch Program</i> (USPS-OIG Report Number DA-AR-02-010, dated September 18, 2002)	Yes. This recommendation applies to Engineering's Equipment Requirements and Economic Analysis (EREA) Group and Finance's Capital and Program Evaluation (CAPE) Group. The draft TAM guide gives details of the Decision Analysis Report process.	Section 2.5	None
b.	Ensure that Decision Analysis Reports include a single unified plan for related projects and equipment necessary to support a network.	Recommendation 2. <i>USPS-OIG Report Number DA-AR-02-010</i> , dated September 18, 2002	Yes. This recommendation applies to Engineering's EREA Group and Finance's CAPE Group. The draft TAM guide gives details of the Decision Analysis Report process.	Section 2.5	None
c.	Ensure that contracting officers adequately seek competition in the award of contracts whenever possible.	Recommendation 2. <i>Contracting Practices for the Procurement of Mail Transport Equipment Services</i> (USPS-OIG Report Number CA-AR-01-001, dated February 27, 2001)	Yes. This recommendation applies to Supply Management. The draft TAM guide gives details regarding the requirement for a noncompetitive justification, when appropriate.	Section 3.2.1	None
d.	Strengthen internal controls to enforce compliance with policies to prepare cost or price estimates, document rationale for best value determinations, and document negotiations.	Recommendation 1. <i>Undefinitized Contract Actions</i> (USPS-OIG Report Number CA-AR-02-004, dated August 22, 2002)	Yes. This recommendation applies to Supply Management. The draft TAM guide gives details of cost or price estimates, best value determinations, and documenting negotiations.	Sections 3.4 and 3.5	None

APPENDIX. OIG ANALYSIS (Continued)

e.	Require purchase teams to ensure that justifications provided in support of noncompetitive purchases are valid by: (a) Ensuring thorough market research is performed before using the noncompetitive purchasing process; (b) Ensuring Postal Service automation equipment engineers have the opportunity to assess the automation equipment before using the noncompetitive purchasing process and investing significant funds.	Recommendation 1. <i>Use of Noncompetitive Contracting Process for Tabbing Systems Purchases</i> (USPS-OIG Report Number CA-AR-02-005, dated September 30, 2002)	Yes. The draft TAM guide requires noncompetitive purchases to be justified and Engineering to be involved in the solicitation and award process.	Section 3.2.1	None
f.	Determine the prequalification evaluation criteria, methodology, and approach and identify it in the initial planning documents.	Recommendation 1. <i>Procurement Prequalification Process</i> (USPS-OIG Report Number CA-AR-98-003, dated September 30, 1998)	Yes. The draft TAM guide addresses identifying qualified bidders and determining technical and cost evaluation factors.	Section 3.2.1	None
g.	Establish an evaluation panel when evaluating potential suppliers.	Recommendation 4. USPS-OIG Report Number CA-AR-98-003, dated September 30, 1998	Yes. The draft TAM guide addresses the use of a technical evaluation team.	Section 3.2.1	None
h.	Standardize the evaluation process and ensure that all potential suppliers for a single procurement are evaluated consistently.	Recommendation 7. USPS-OIG Report Number CA-AR-98-003, dated September 30, 1998	Yes. The draft TAM guide discusses developing technical and cost evaluation factors and TAM and Supply Management evaluation of technical and cost proposals.	Sections 3.2.1 and 3.4	None
i.	Continue efforts to develop important contract documentation, to include: (1) justification for noncompetitive purchase; (2) negotiation documentation; and (3) cost analysis.	Recommendation 2. <i>Postal Service's Arrangement with a Preferred Provider Organization</i> (USPS-OIG Report Number HK-AR-03-001, dated March 31, 2003)	Yes. The draft TAM guide discusses justification for noncompetitive purchases, negotiation documentation, and cost analysis.	Sections 3.2.1 and 3.4	None
j.	Ensure Postal Service computer access control standards are included in future Statements of Work using computer applications.	Recommendation 2. <i>Robotics Containerization System Access Controls</i> (USPS-OIG Report Number DA-MA-01-001, dated March 8, 2001)	Yes. However, this is a Phase 1 activity and is addressed when TAM coordinates with stakeholders such as Software Process Management organization.	Section 2.6.1	None