



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Professional Services Contract Rates

Audit Report

Report Number
SM-AR-15-001

November 10, 2014

CONTRACT

Agreement made this _____, day of _____, 20____,
between _____
(hereinafter called "First Party"), residing at:

and _____
(hereinafter called "Second Party"), residing at:

WITNESSETH THAT,

WHEREAS, both parties wish the integrity
the Work to be maintained:

1. DESCRIPTION OF WORK. Lorem ipsum dolor sit
elementum pretium. Aenean nec enim ullamcorper libero semper
sed frugiat nisi adipiscing a. Quisque cursus porttitor metus vi

2. PRICE AND PAYMENT SCHEDULE. Integer
curtius nisi vel ultricies. Donec tristique tempus magna, vitae
nuncius laqueis. Ut quis varius ligula. Quisque tristique, nisi vel
est nisi turpis. Vestibulum vitae vulputate dolor. Cras sem
augue, a aliquam augue lacinia ac. Mauris quis nisi tempus

3. DATE OF DELIVERY: In no event shall the work be
delivered and not. Fames adipiscing velit lacus, a hendrerit justo
stibulum ante lacus. Donec porttitor justo id facilisis dui
Ut quis varius ligula. Quisque tristique, nisi vel
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4. WORK TRANSFER. Fames in nullam. Donec, sem porttitor justo
delivered and not. Fames adipiscing velit lacus, a hendrerit justo
stibulum ante lacus. Donec porttitor justo id facilisis dui
Ut quis varius ligula. Quisque tristique, nisi vel
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OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Highlights

The Postal Service awarded one supplier an independent accounting services contract at individual labor rates that exceeded the supplier's GSA rates by a marginal increase of █ percent for a senior manager to █ percent for a partner.

Background

The Commercial Products and Services Portfolio is one of five purchasing areas within the U.S. Postal Service's Supply Management organization. It manages contracts for professional services, including financial, accounting, and consulting services.

The U.S. General Services Administration (GSA) is the federal government's purchasing agent. It administers the GSA Schedules Program that provides contracts for procuring supplies and services directly from commercial suppliers, and was designed to provide discount resources to all federal agencies worldwide. GSA rates for services include labor descriptions and the contracted labor rates. The Postal Service is eligible, but not required, to use the GSA Schedules Program for contracting.

Our objective was to compare the Postal Service's labor rates for financial, accounting, and professional consulting services with federal government rates for comparable services. We reviewed nine contract purchases, valued at about \$133 million, and compared labor rates to comparable GSA rates.

What The OIG Found

The Postal Service's contract labor rates for eight of the nine financial, accounting, and professional consulting services contract purchases we reviewed were generally equal to or below comparable GSA rates. However, the Postal Service

awarded one supplier an independent accounting services contract at individual labor rates that exceeded the supplier's GSA rates by a marginal increase of █ percent for a senior manager to █ percent for a partner. The individual supplier's rates also exceeded the average of three comparable suppliers' GSA rates by █ to █ percent.

Contracting officials were aware of the GSA rates but considered them incomparable because the supplier is required to provide an opinion on the Postal Service's internal controls over financial reporting, which is not required for other federal agencies. Officials stated because of this requirement, the supplier's resources for this contract required more training and higher pay than resources working on other federal contracts. We compared training requirements for public accounting firms for private and government auditing and determined they both require an average of 40 hours of continuing professional education annually.

Officials also cited a 2006 study that stated auditing fees for government agencies would increase if they obtained an audit opinion of their internal controls. Our analysis of that study showed the cost increases were mainly attributed to an increase in hours needed to conduct additional testing, not an increase in hourly rates. Also, based on a Corporate Executive Board study on 2014 audit fee trends, the average audit rates for public companies were about \$50 less per hour than the rates the Postal Service paid.

Further, contracting officials received indications that other suppliers could have potentially performed the same services at a cheaper rate. However, management preferred not to compete the contract to avoid interrupting service. Specifically, it had concerns with changing auditors while implementing network operations changes, such as revising the business mail acceptance process and plant consolidations.

Management also stated remaining with the same supplier would result in price reductions of up to [redacted] percent for the first [redacted] of the contract, and that switching suppliers could cost as much as [redacted] percent more during the first year of transition. A new supplier is likely to need additional time to become familiar with the Postal Service's operations and using the Postal Service's estimate, we calculated the additional cost of switching to another supplier for the first year would be about

[redacted] However, the Postal Service would recoup those costs during the second year of the contract.

By not competing the contract, the Postal Service may have entered into a contract without obtaining fair and reasonable pricing. We determined if the Postal Service had awarded the contract using the current supplier's GSA rates, it could have saved about \$2.8 million annually.

What The OIG Recommended

We recommended management compete the independent accounting services contract before exercising the option to renew the contract to ensure the Postal Service obtains fair and reasonable pricing.

Estimated Contract Costs Using Average GSA Rates



Select a Contract Category Below to Reveal the Value.

Add: [redacted]

Source: Current Postal Service supplier contracted labor rates and GSA Authorized Federal Schedule Supply Lists.

We calculated the potential cost of switching to another supplier by using an average of three major accounting firms' GSA rates. We estimated the additional cost for the first year would be [redacted] more than the first year's cost of the current contract. However, the new contract would recoup those costs through the estimated savings of [redacted] in its second year.

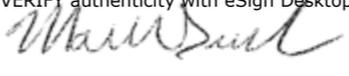
Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

November 10, 2014

MEMORANDUM FOR: SUSAN BROWNELL
VICE PRESIDENT, SUPPLY MANAGEMENT

E-Signed by Mark Duda
VERIFY authenticity with eSign Desktop


FROM: Mark W. Duda
Assistant Inspector General for Audit

SUBJECT: Audit Report – Professional Services Contract Rates
(Report Number SM-AR-15-001)

This report presents the results of our self-initiated audit of the U.S. Postal Service's Professional Services Contract Rates (Project Number 14YG001SM001).

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

Attachment

cc: Corporate Audit and Response Management

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Findings

The individual supplier rates exceeded the average of three comparable suppliers' GSA rates by █ to █ percent.

Introduction

This report presents the results of our self-initiated audit of the U.S. Postal Service's Professional Services Contract Rates (Project Number 14YG001SM001). Our objective was to compare the Postal Service's labor rates for financial, accounting, and professional consulting services with federal government rates for comparable services. We reviewed nine contract purchases valued at about \$133 million, and compared their individual labor rates to comparable U.S. General Services Administration (GSA) rates. See [Appendix A](#) for additional information.

The Postal Service's Supply Management Commercial Products and Services Portfolio manages contracts for financial, accounting, and professional consulting services. The GSA is the federal government's purchasing agent. The GSA Schedules Program provides long-term contracts for procuring supplies and services directly from commercial suppliers and was designed to provide discount resources to federal agencies. Currently, agencies can access over 12 million commercial supplies and services using the GSA Schedules Program. Under this program, a contract holder can sell to any government agency with just one source instead of having separate contracts. The Postal Service is eligible, but not required, to use the GSA Schedules Program for contracting.

Conclusion

The Postal Service's contract labor rates for eight of the nine financial, accounting, and professional consulting services contract purchases we reviewed were generally equal to or below comparable GSA rates. However, the Postal Service awarded one supplier an independent accounting services contract at individual labor rates that exceeded the supplier's GSA rates by a marginal increase of █ percent for a senior manager to █ percent for a partner. The individual supplier rates also exceeded the average of three comparable suppliers' GSA rates by █ to █ percent. This occurred because contracting officials did not compete the contract. The Postal Service preferred to remain with the same supplier to avoid interrupting service. Additionally, contracting officials claimed the rate differences were likely attributable to work the supplier performed for the Postal Service, which it did not perform for other government agencies – even though other suppliers could have potentially performed the same services at a cheaper rate.

By not competing the contract, the Postal Service may have entered into a contract without obtaining fair and reasonable pricing. Using the supplier's GSA rates, we estimated the Postal Service could have saved about \$2.8 million annually.

Accounting Service Contract

The Postal Service contracted with a supplier for independent accounting services at rates exceeding the supplier's comparable GSA rates for all labor categories.¹ These services included assessing the effectiveness of internal controls and auditing the financial statements. The rate differences ranged from [REDACTED] to [REDACTED] ([REDACTED] to [REDACTED] percent). See Table 1.

The rate differences ranged from

[REDACTED] 0 to [REDACTED] [REDACTED] to [REDACTED] percent).

Table 1. Postal Service Contracted Rates Compared to GSA Rates

Labor Category	Contracted Postal Service Rates	Supplier's GSA Rates	Difference	Percentage Difference
Technology Security Risk Services (TSRS) ² Partner	[REDACTED]	\$505	[REDACTED]	[REDACTED]
Partner	[REDACTED]	\$336	[REDACTED]	[REDACTED]
Senior Manager 10+ Years	[REDACTED]	\$336	[REDACTED]	[REDACTED]
TSRS Senior Manager	[REDACTED]	\$393	[REDACTED]	[REDACTED]
Senior Manager	[REDACTED]	\$269	[REDACTED]	[REDACTED]
TSRS Manager	[REDACTED]	\$300	[REDACTED]	[REDACTED]
Manager	[REDACTED]	\$202	[REDACTED]	[REDACTED]
TSRS Senior	[REDACTED]	\$217	[REDACTED]	[REDACTED]
Senior	[REDACTED]	\$151	[REDACTED]	[REDACTED]
TSRS Staff	[REDACTED]	\$147	[REDACTED]	[REDACTED]
Staff	[REDACTED]	\$116	[REDACTED]	[REDACTED]

Source: Postal Service supplier contracted labor rates and GSA Authorized Federal Schedule Supply List.

The supplier's contract rates with the Postal Service were also higher than the average of three comparable accounting firms' GSA Schedule rates for all labor categories.³ See [Table 2](#) for a comparison of the supplier's contracted rates with the GSA rates for the three other accounting firms.

¹ Labor categories include experience, minimum training, level of qualification, and certifications.

² TSRS provides information technology internal control audit services.

³ Supplier rates contracted with the Postal Service for 2014. GSA rates correspond to most recent available rates for each accounting firm.

Contracting officials were aware of the available GSA rates when they analyzed the supplier's prices but believed the GSA rates alone were not an adequate comparison.

Table 2. Postal Service Contract Rates Compared to Other Accounting Firms' GSA Rates

Labor Category	Contracted Postal Service Rates	Firm 1 GSA Rates	Firm 2 GSA Rates	Firm 3 GSA Rates	Average of Three Firms' GSA Rates	Difference in Postal Service Rate and Average GSA Rate	Percentage Difference Using Average Rate
Partner	████	\$320	\$207	\$342	\$290	████	████
TSRS Partner	████	\$318	\$254	\$385	\$319	████	████
Senior Manager 10+ Years	████	\$294	\$196	\$291	\$260	████	████
Senior Manager	████	\$263	\$185	\$262	\$237	████	████
TSRS Senior Manager	████	\$270	\$236	\$299	\$268	████	████
Manager	████	\$193	\$170	\$224	\$196	████	████
TSRS Manager	████	\$227	\$217	\$254	\$233	████	████
Senior	████	\$129	\$142	\$158	\$143	████	████
TSRS Senior	████	\$185	\$180	\$195	\$187	████	████
Staff	████	\$90	\$112	\$107	\$103	████	████
TSRS Staff	████	\$137	\$142	\$131	\$137	████	████

Source: Current Postal Service supplier contracted labor rates and GSA Authorized Federal Schedule Supply Lists.

Contracting officials were aware of the available GSA rates when they analyzed the supplier's prices but believed the GSA rates alone were not an adequate comparison. The Postal Service's contract included additional testing of internal controls, required by the Postal Accountability and Enhancement Act of 2006⁴, which is not required for other federal agencies. Officials cited a 2006 study in their award recommendation that stated auditing fees for government agencies would increase if they obtained an audit opinion of their internal controls. According to the study, 24 agencies estimated their financial statement costs would increase by 51 percent due to obtaining an internal control opinion. The study noted that additional work was needed to render such an opinion, but the extent of additional testing necessary was subject to auditor judgment. The study did not mention increasing labor rates due to the additional work.

Contracting officials stated the supplier considered the Postal Service to be a commercial client due to its SOX compliance requirements and that resources for commercial clients require more education and training than resources for other federal agencies; therefore, commercial clients are charged higher prices. Contracting officials did not validate the supplier's claim. We compared training requirements for public accounting firms for private and government auditing and determined they both require an average of 40 hours of continuing professional education annually.

⁴ The Postal Service was required to comply with Section 404 of the Sarbanes-Oxley Act (SOX).

Management also preferred not competing the accounting service contract and presented its justifications for remaining with the same supplier to the Postal Service Board of Governors' Audit and Finance Committee for approval. These justifications included concerns that switching the supplier would impair audit quality. Specifically, the Postal Service's complex legacy information technology systems and network operation changes, such as revising the business mail acceptance process and plant consolidations, would complicate a change in auditors. Postal Service employees would need to train the new auditors. Postal Service management also stated by remaining with the same auditor, they would obtain price reductions of up to █ percent for the first █ of the contract compared to the final year of the previous contract's cost. The Audit and Finance Committee approved management's recommendation to award the contract noncompetitively to the existing supplier to avoid interruption in annual audits and quarterly reviews.

The supplier has served as the Postal Service's independent auditor or principal accounting firm since the 1970's. Contracting officials competed the previous accounting service contract in 2002 and awarded the current noncompetitive contract in March 2014 with the option to renew it, annually, starting in 2016. The competition advocate, who provides independent advice to contracting officers (CO) on all proposed noncompetitive purchases over \$1 million, advised the CO to develop a plan to compete the contract by fiscal year 2016.⁵

Contracting officials further stated awarding the contract to another supplier would be disruptive and costly, with start-up costs that could be as much as █ percent more during the first year of switching suppliers. We agree there would be a learning curve for another supplier to become familiar with the Postal Service's operations. We calculated the potential cost of switching to another supplier by using an average of three major accounting firms' GSA rates. We estimated the additional cost for the first year would be █ more than the first year's cost of the current contract. However, the new contract would recoup those costs through the estimated savings of █ in its second year. See Table 3 for the details of our estimate.⁶

Table 3. Estimated Costs Using Average GSA Rates

Contract	Value
Annual Costs Using Average GSA Rates	\$7,307,330
Add: █ Percent Annual Costs for Start-Up Costs	█
Total First Year Estimated Cost Using Average GSA Rates	█
Less: First Year Cost of Current Supplier's Contract	\$10,749,996 ⁷
Estimated Increase for First Year	█
Second Year Cost of Current Supplier's Contract	\$10,999,996
Less: Annual Costs Using Average GSA Rate	7,307,330
Estimated Savings in Second Year Using Average GSA Rates	█ ⁸

Source: Current Postal Service supplier contracted labor rates and GSA Authorized Federal Schedule Supply Lists.

⁵ The Postal Service is not required to implement recommendations provided by the competition advocate.

⁶ Using the average GSA rates for three accounting firms, we added a █ percent increase to the cost in the first year and compared that to the current supplier contract.

⁷ Supplier's current contract includes voluntary reductions of █ and █ in years 1 and 2 of the contract.

⁸ We calculated this savings by subtracting the annual average costs of three major accounting firm's GSA rates from the Postal Service's current supplier's second year cost contract costs.

Contracting Officials did not use information provided by four large accounting firms that were willing to provide the needed accounting services up to 20 percent below their GSA rates.

Contracting officials assessed the reasonableness of the supplier's proposed prices by benchmarking the Postal Service's audit fees as a percentage of revenue against its two major competitors.⁹ This information showed audit costs and the percentage of revenue to be similar. Contracting officials acknowledged that the Postal Service did not have the same cost drivers as its competitors, including international operations and being a taxable public entity. They stated the Postal Service's decentralized network, including contract postal units and consignment locations, offset these differences. We determined both major competitors also have decentralized networks. One of the two competitors currently has about 4,800 franchised locations, 1,900 operating facilities, and 1,500 customer centers servicing over 220 countries and territories worldwide.

Contracting officials also obtained estimates from four large accounting firms that were willing to provide the needed accounting services at or below their GSA rates. One firm stated it could go up to 20 percent below its GSA rates. Contracting officials, however, did not use this information when conducting their price analysis because they did not plan to compete the contract and the information the accounting firms provided was unofficial.

We obtained a study of trends in 2014 hourly integrated audit fees.¹⁰ The data showed an average audit rate of \$198 an hour and a rate of \$194 an hour for companies with annual revenue greater than \$20 billion. Postal Service is currently receiving an average audit rate of [REDACTED] an hour, which will rise to [REDACTED] an hour if all option years are exercised through 2020.

Because contracting officials did not compete the contract, the Postal Service may have entered into a contract without obtaining fair and reasonable pricing. If the Postal Service had awarded the contract using its current supplier's most recent GSA schedule, it could have saved \$5,653,390¹¹ over the first 2 years of the contract, or about \$2.8 million annually.

⁹ United Parcel Service (USPS) and FedEx.

¹⁰ *Corporate Executive Board (CEB) 2014 Trends in Audit Fees*, dated March 27, 2014.

¹¹ We calculated this amount by taking the difference between the supplier's labor rates included in Postal Service's current independent accounting service contract and the supplier's most recent GSA schedule for each labor category. We multiplied these differences by the current contract labor hours for fiscal years 2014 and 2015.

Recommendation

We recommend management compete the independent accounting services contract before exercising the option to renew the contract to ensure the Postal Service obtains fair and reasonable pricing.

We recommend the vice president, Supply Management:

1. Compete the independent accounting services contract before exercising the option to renew the existing contract in fiscal year 2016, to ensure the Postal Service obtains fair and reasonable pricing.

Management's Comments

Management disagreed with the finding and monetary impact but did not indicate whether they agreed or disagreed with our recommendation. While management stated they will consider competing the independent accounting services contract, they did not explicitly indicate their intended action to compete the contract.

Management stated the U.S. Postal Service Office of Inspector General's (OIG's) report suggests that fair and reasonable prices can only be obtained through competition. Also, they stated that they used appropriate price analysis techniques to determine that the contract price was fair and reasonable. Further, management stated they took critical considerations such as risk of audit failure; the complexities of the Postal Service's accounting, legal and operational environment; switching costs; and other factors in their decision to award the contract.

Regarding the monetary impact, management stated that the OIG's assumption that competing suppliers would be able to perform using the same number of hours as the incumbent supplier was unrealistic. They stated the learning curve for switching to a new supplier would be 3 years, rather than the 1 year assumption used in our analysis.

See [Appendix B](#) for management's comments, in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments unresponsive to the recommendation and intends to work with management through the audit resolution process. The Postal Service's response provides no explanation as to why the independent accounting services contract cannot be competed. Rather, the response provides the rationale as to why they have chosen to stay with the current contractor through a non-competitively priced contract. We did not recommend replacing the current contractor. Our recommendation suggests that the Postal Service might receive better value for independent accounting services than what they are currently receiving – whether from the current supplier or a new supplier.

The Postal Service *Supplying Principles and Practices* state best value is generally achieved through competition because competition helps drive cost savings, enhance service or product quality, and promote innovative solutions. In addition, competition promotes fairness and openness that leads to increased public trust in the Postal Service brand. The Postal Service last competed the independent accounting services contract over a decade ago, and the same audit firm has been in place since the 1970's. Further, the incumbent supplier's hours have increased over 130 percent over the past 8 years, and hourly rates have increased over 64 percent on average over the same period. By competing the contract, the Postal Service could have further assurance they are receiving fair and reasonable prices.

Regarding price analysis, management claimed they used appropriate price analysis techniques to determine that the awarded contract was fair and reasonable; however, key factors, such as the willingness of other firms to price their services at or below their GSA rates, which was lower than the current contract rates, was excluded from the price analysis. In addition, according to the CEB study, the 2014 average audit rate for companies with revenues greater than \$20 billion was \$194, which is 28 percent lower than the Postal Service's current average rate.

Using the Postal Service own estimates, we concluded the Postal Service would recoup the cost of switching auditors during the second year of a new contract. While the Postal Service used a ■ percent cost increase in their justification for not competing the contract, the CEB study found 43 percent of survey respondents estimated the increase in audit fees from switching audit firms to be between 5 and 15 percent, while only 22 percent expected an increase of more than 15 percent. Further, accounting firms may have reduced learning curves if they also conduct audits for other government or private sector entities with similar accounting complexities as the Postal Service, such as estimating pension and retiree health care liabilities, a significant part of the Postal Service's financial statements.

The OIG considers the recommendation significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. The recommendation should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed. Additionally, we plan to pursue the issues associated with the implementation of corrective actions to the recommendation through the formal audit resolution process.

Appendices

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Appendix A: Additional Information

Background

The Commercial Products and Services Portfolio is one of five purchasing areas within the Postal Service's Supply Management organization. It manages contracts for professional services, including financial, accounting, and consulting services.

GSA is the federal government's purchasing agent. It administers the GSA Schedules Program that provides contracts for procuring supplies and services directly from commercial suppliers and was designed to provide discount resources to all federal agencies worldwide. Currently, agencies can access over 12 million commercial supplies and services using the GSA Schedules Program. Under this program, a contract holder can sell to any government agency with just one source instead of having separate contracts with each agency. The Postal Service is eligible, but not required, to use GSA rates for contracting.

Objective, Scope, and Methodology

Our objective was to compare the Postal Service's labor rates for financial, accounting, and professional consulting services with federal government rates for comparable services.

To accomplish our objective we:

- Obtained a universe of 27 active professional consulting service contracts as of January 14, 2014.
- Identified seven of the 27 professional consulting service contracts, valued at \$55,988,495, with comparable GSA and individual labor rates in the Postal Service's contract documentation.
- Judgmentally selected two financial and accounting services contracts, valued at \$76,931,366, with comparable GSA and available individual labor rates in the Postal Service's contract documentation.
- Obtained and analyzed contract documentation for the nine contracts valued at \$132,919,861.
- Analyzed the labor rates for the nine contracts to determine whether Postal Service rates were comparable to GSA rates.
- Interviewed contracting officials to determine the process of establishing labor rates.
- Contacted GSA officials to obtain details for GSA rates.

We conducted this performance audit from January through November 2014, 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on August 6, 2014, and included their comments where appropriate.

We assessed the reliability of Postal Service data by comparing contract file documents to Enterprise Data Warehouse (EDW) data.¹² We determined that the data were sufficiently reliable for the purposes of this report.

¹² EDW is the Postal Service's primary database of financial and operational information.

Prior Audit Coverage

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

Appendix B: Management's Comments

SUSAN M. BROWNELL
VICE PRESIDENT, SUPPLY MANAGEMENT



October 27, 2014

LORI LAU DILLARD

SUBJECT: Professional Services Contract Rates (Report Number SM-AR-14-DRAFT)

Thank you for providing the United States Postal Service (USPS) with the opportunity to review and comment on the recommendations contained in the draft audit report, Professional Services Contract Rates (Report Number SM-AR-14-DRAFT). Management will consider your recommendation but we are not in agreement with the findings nor the monetary impact associated with the draft report and will address these separately below.

The OIG report suggests that fair and reasonable prices can only be obtained through competition. In making the determination that the awarded contract price for audit services was fair and reasonable, the USPS used appropriate price analysis techniques to determine the price for the contract was indeed fair and reasonable. In addition to the pricing, the USPS took into account critical considerations such as risk of audit failure, the complexities of the USPS accounting, legal, and operational environment, switching costs and other factors, and made a sound and rational business decision in the award of this contract.

We disagree with the OIG's calculation of monetary impact (questioned costs) totaling \$5,653,390. The OIG performed an analysis using an unrealistic assumption that competing suppliers would be able to perform using the same number of hours as our incumbent supplier. The OIG's analysis included a one-year learning curve when we estimate the learning curve to be more in line with three years resulting in significantly higher switching costs.

Recommendation 1: We recommend the vice president, Supply Management compete the independent accounting services contract before exercising the option to renew the existing contract in fiscal year 2016, to ensure the Postal Service obtains fair and reasonable pricing.

Management Response/Action Plan: The USPS will consider competing the independent financial statements audit services contract, in accordance with our policy, in coordination with the key internal stakeholders.

Target Completion Date: June 2015

Responsible Official: Manager, Commercial Products and Services Portfolio, Supply Management

If you have any questions about this report, please contact Susan Witt at (202) 268-4833.

A handwritten signature in cursive script that reads "Susan M. Brownell".

cc: Corporate Audit and Response Management

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