



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

**Postal Service Purchasing
Policies' Impact on Defective
Pricing Fraud Cases**

Management Advisory

September 18, 2013

Report Number SM-MA-13-006



OFFICE OF
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GENERAL**
UNITED STATES POSTAL SERVICE

HIGHLIGHTS

September 18, 2013

Postal Service Purchasing Policies' Impact on Defective Pricing Fraud Cases

Report Number SM-MA-13-006

BACKGROUND:

Defective pricing fraud occurs when a supplier knowingly submits false cost or pricing data in response to a contract solicitation. The U.S. Postal Service's purchasing policies include a defective pricing contract clause stating that prices will be reduced if the supplier submits inaccurate cost or pricing data. However, unlike most federal agencies, the Postal Service is not mandated by Congress to require suppliers to certify the accuracy and completeness of their cost or pricing data.

On May 19, 2005, the Postal Service replaced the *Purchasing Manual*, which had the effect of law, with the *Supplying Principles and Practices*, which are nonbinding guidelines intended for internal use. Because the guidelines are nonbinding, the Christian Doctrine only applies to the Postal Service for laws that it is required by law to follow. The Christian Doctrine states that a mandatory clause involving important public policy will be read into a government contract by operation of law even if the clause is left out of the contract. Our objective was to assess the impact of the Postal Service's purchasing policies on prosecuting defective pricing fraud cases.

WHAT THE OIG FOUND:

Postal Service purchasing policies have negatively impacted the prosecution of defective pricing cases. Specifically, we

found that U.S. Attorney's offices did not criminally prosecute suppliers for submitting defective cost or pricing data in contracting actions valued at about \$36 million and OIG special agents did not pursue litigation for a supplier with an average annual spend of \$122 million.

This occurred because the Postal Service does not require suppliers to certify cost or pricing data for accuracy and because the Christian Doctrine does not apply to the Postal Service's defective pricing policies and clauses. Therefore, U.S. Attorney's offices have a harder time proving fraud when defective data are knowingly submitted by a supplier even when defective pricing clauses are in the contracts. Postal Service personnel stated that requiring certification would increase costs to suppliers that would be passed on to the Postal Service; however, lack of such requirement de-emphasizes the importance of data accuracy to suppliers. As a result, the Postal Service is at increased risk of awarding contracts based on inaccurate cost or pricing data.

WHAT THE OIG RECOMMENDED:

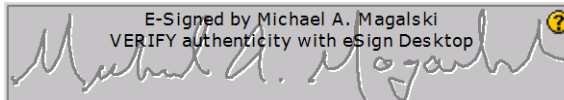
We recommended management require suppliers to certify cost or pricing data when submitted to the Postal Service.

[Link to review the entire report](#)



September 18, 2013

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

E-Signed by Michael A. Magalski
VERIFY authenticity with eSign Desktop


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

SUBJECT: Management Advisory – Postal Service Purchasing Policies'
Impact on Defective Pricing Fraud Cases
(Report Number SM-MA-13-006)

This report presents the results of our review of the U.S. Postal Service Purchasing Policies' Impact on Defective Pricing Fraud Cases (Project Number 12YG043CA000).

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

Attachment

cc: Corporate Audit and Response Management

TABLE OF CONTENTS

Introduction	1
Conclusion	1
Purchasing Policies' Impact on Defective Pricing Fraud Cases	1
Recommendation	3
Management's Comments	3
Evaluation of Management's Comments.....	4
Appendix A: Additional Information	6
Background	6
Objective, Scope, and Methodology	6
Prior Audit Coverage	7
Appendix B: Management's Comments	8

Introduction

This report presents the results of our review of U.S. Postal Service Purchasing Policies' Impact on Defective Pricing Fraud Cases (Project Number 12YG043CA000). Our objective was to assess the impact of the policies on prosecuting defective pricing fraud cases. This was a self-initiated audit and addresses financial risk. See [Appendix A](#) for additional information about this review.

Defective pricing fraud occurs when a supplier knowingly submits false cost or pricing data when responding to a contract solicitation. The Postal Service's purchasing policies include a defective pricing contract clause stating that prices will be reduced if the supplier submits inaccurate cost or pricing data. However, unlike most federal agencies, the Postal Service is not mandated by Congress to require suppliers to certify the accuracy and completeness of their cost or pricing data.

Deregulation of the Postal Service's purchasing policies on May 19, 2005, had various impacts. To operate more like the private sector, the Postal Service replaced the *Purchasing Manual*, which had the effect of law, with the *Supplying Principles and Practices* (SP&Ps), which are nonbinding guidelines intended for internal use. Additionally, since the guidelines are nonbinding, the Christian Doctrine only applies to the Postal Service for laws that it is required to follow.¹ The Christian Doctrine states that a mandatory clause involving important public policy will be read into a government contract by operation of law even if the clause is left out of the contract document.

Conclusion

Postal Service purchasing policies have negatively impacted the prosecution of defective pricing cases. Specifically, we found that U.S. Attorney's offices did not criminally prosecute suppliers for submitting defective cost or pricing data in contracting actions valued at about \$36 million, and U.S. Postal Service Office of Inspector General (OIG) special agents did not further investigate a supplier with an average annual spend of \$122 million.

Purchasing Policies' Impact on Defective Pricing Fraud Cases

Examples of the Postal Service's current purchasing policies and procedures negatively impacting the ability to ensure prosecution of defective pricing cases include:

- In an investigative case related to a \$31 million Postal Service contract for mail verification equipment, the U.S. Attorney's Office did not prosecute the case criminally, citing the contract did not obligate the contractor to present updated cost

¹An example of a law that the Postal Service is required to follow is the Service Contract Act of 1965. It requires contractors and subcontractors performing services on prime contracts in excess of \$2,500 to pay service employees in various classes no less than the wage rates and fringe benefits found prevailing in the locality, or the rates (including prospective increases) contained in a predecessor contractor's collective bargaining agreement.

or pricing data during the negotiations. Ultimately, this case was prosecuted civilly; however, the U.S. Attorney's Office expressed concern about the lack of certification that normally exists in a government contract. The Postal Service subsequently received \$1.5 million from the supplier to settle the case.

- In another investigative case opened February 20, 2008, and related to a proposal from an architect and engineering firm valued at \$5 million, the U.S. attorney declined to pursue both criminal and civil prosecution because it appeared the company acted with no intent to harm. The U.S. attorney concluded that the officers of the company appeared to not understand the Postal Service's policies on pricing overhead rates.
- In another investigative case, a supplier who received an average of about \$122 million annually² for software, equipment, and services was investigated for potential cost overcharging of subcontract costs for automation systems contracts. However, the U.S. attorney raised concerns that no regulation or certification requirements existed in Postal Service policies for the supplier. The U.S. attorney felt the lack of regulations created a burden on prosecutors to prove whether suppliers knew of the obligation and intended to violate the contract terms. Also, the U.S. attorney felt that depending only on the contract provisions allowed the defendants to argue that they simply did not understand the contract provisions or did not realize they were part of the requirements. The Postal Service and the supplier agreed to an administrative settlement of \$5 million. The case was closed on September 21, 2006, and was not prosecuted criminally or civilly.

The U.S. attorney's reluctance to pursue prosecuting defective pricing cases was caused by the following issues:

- The Postal Service does not require suppliers to certify and submit cost or pricing data that are accurate, complete, and current. Therefore, there is reduced assurance that suppliers understand cost or pricing submission requirements.
- The SP&Ps are considered guidance and are not regulated by law. As a result, the Christian Doctrine does not apply to the Postal Service's defective pricing policies and clauses. Therefore, the Postal Service cannot hold suppliers responsible for defective pricing clauses left out of the contract.

Additionally, an attorney with the OIG Office of General Counsel stated that U.S. attorneys expressed concern that many contracts have no document to show a supplier acknowledges and understands the requirements of the contract. The attorney also stated that, in some cases, U.S. attorneys requested that investigators find independent evidence of intent by producing witness emails or statements. Poring through emails or statements for an understanding of the requirements to infer understanding or intent to violate the terms would not have been necessary if certification was part of the process.

² This is the average spend for the supplier for fiscal years (FYs) 2009 through 2012.

Further, four OIG special agents who investigate defective pricing cases stated that certification of cost and pricing data would greatly improve the likelihood of a prosecutor accepting a case. The agents also stated that certification would be an additional tool that would facilitate prosecuting fraud cases.

Postal Service personnel stated that adding a certification requirement would increase costs to suppliers that would be passed on to the Postal Service; however, lack of such requirement de-emphasizes the importance of data accuracy to suppliers. Having the Postal Service require suppliers to certify cost or pricing data would have at least two benefits:

- Certification would relieve the government of the burden of proving fraud when a supplier knowingly submits defective data. The burden of proof in criminal cases is beyond a reasonable doubt — a hefty burden. Certification would eliminate the need to prove intent as the signature on the certificate is the proof of intent.
- Certification would provide more immediate assurance to the contracting officer that the supplier is providing accurate, complete, and current data during negotiations.

Recommendation

We recommend the vice president, Supply Management:

1. Require suppliers to certify that cost or pricing data are accurate, complete, and current.

Management's Comments

Management disagreed with the finding and recommendation that the Postal Service should require suppliers to certify that cost or pricing data are accurate, complete, and current as a standard practice. Management stated that the Postal Service's interests are fully protected under existing practices and imposing a certification requirement on suppliers may create disadvantages that outweigh any benefits. Management stated that the disadvantages include increased costs and time to award a contract and a negative impact on their ability to do business with a broad base of suppliers. Management also stated that the Postal Service uses alternatives, such as competition and commercial price analysis, to obtaining cost or pricing data to ensure that prices negotiated with suppliers are fair and reasonable.

Management stated that professional and academic literature recognizes that cost and pricing data certification significantly increases the supplier's risk of doing business with the government and the increased risks drives up contract costs. They quoted a 1994 study conducted by Coopers & Lybrand on behalf of the U.S. Department of Defense (DoD) that determined the government paid an average 18 percent premium for goods

and services as a result of the Truth in Negotiations Act³ and other federal contracting and procurement requirements.

However, management agreed to study the matter further and provide guidance in the SP&Ps describing the conditions under which contracting officers should consider requiring a supplier to furnish a certification and to enhance the SP&Ps and related provisions and clauses to ensure suppliers fully understand submission requirements for cost or pricing data by March 2014. See [Appendix B](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG does not consider management's proposed alternative course of action to be responsive to the recommendation and believes it will not resolve the issues identified in the report. Our report provides examples of the lack of certification of cost or pricing data negatively impacting the prosecution of defective pricing cases; therefore, we do not agree with management that the Postal Service's interests are fully protected under existing practices. Their proposed actions to study the matter further and provide guidance in the SP&Ps describing the conditions under which contracting officers should consider requiring a supplier to furnish a certification do not ensure that the Postal Service's interest will be protected since the SP&Ps are nonbinding guidelines. Instead of issuing guidance, management should require certification.

We agree with management that other tools, such as competition and commercial price analysis, can be used to fairly price contracts. However, in situations where the contracting officer is reduced to relying on the supplier's submission of cost or pricing data to price a contract, having the supplier provide certification that the data are accurate, complete, and current would provide increased assurance to the contracting officer that the Postal Service is receiving a fair price. For example, the SP&Ps state that cost or pricing data must be obtained before awarding a noncompetitive contract or modification whenever price analysis is insufficient to determine reasonableness of price⁴. Obtaining certification in those situations would benefit the contracting officer. The *Federal Acquisition Regulation* (FAR) requires suppliers to certify cost or pricing data when the contracting officer determines the submission is required.

Management cited an article and studies concluding that there is an increased cost to the supplier for having to comply with government statutes and regulations. However, our research shows that there is no conclusive evidence of the increased costs, and the studies do not quantify the benefits of statutes and regulations to the federal agencies.

³A public law enacted for the purpose of providing for full and fair disclosure by contractors in the conduct of negotiations with the government. The most significant provision included in TINA is the requirement that contractors submit certified cost and pricing data for larger contracts.

⁴*Supplying Practice*, step 2-34.6, Cost Analysis.

Specifically, with regard to the Coopers & Lybrand study referenced by management, the RAND National Defense Research Institute stated in a technical report⁵ that:

The numbers in the Coopers & Lybrand study are often referred to as “actual data,” whereas in fact they are semi-quantitative estimates based on limited data and a unique methodology. This methodology, though consistently applied, is ultimately subjective in its assessment of the cost consequences of specific statutes and regulations. Although the study concludes with a number (18 percent), it is derived from expert opinion and theoretical analyses, rather than actual (demonstrated) impacts on a program.

The Coopers & Lybrand project team evaluated only the direct costs (e.g., labor) of compliance with DoD regulations at the contractor level. The study concluded that significant savings were potentially achievable through reductions in DoD regulations and oversight without examining the benefits that are associated with the oversight process and without examining the actual cost of implementing reform. The study also did not address costs (or benefits) at the government program office level.

Management indicated that certification would place an additional cost burden on their suppliers but did not provide additional information supporting this claim. The certification should not place an additional cost burden on Postal Service suppliers as they are already expected to provide accurate, complete, and current data. However, it would document the supplier’s understanding of the requirement and relieve the government of the burden of proving fraud when the supplier knowingly submits defective data.

Also, many Postal Service suppliers do business with the federal government and are expected to comply with the requirements of the FAR to provide certified cost or pricing data, when requested by a contracting officer. For example, 41 of the Postal Service’s FY 2012 100 Top Spend suppliers have contracts with the federal government. These suppliers had a total spend of about \$6 billion of the \$13 billion contract spend with the Postal Service in FY 2012.

We view the disagreement to the recommendation as unresolved and plan to pursue it through the formal audit resolution process.

⁵*Measuring the Statutory and Regulatory Constraints on DoD Acquisition: Research Design for an Empirical Study*, copyright 2006.

Appendix A: Additional Information

Background

Deregulation of Postal Service purchasing policies on May 19, 2005, led to management replacing the *Purchasing Manual* with the SP&Ps. The deregulation was recommended by the President's Commission on the United States Postal Service.

While the *Purchasing Manual* had the force and effect of law, the SP&Ps are not binding regulations for the Postal Service. They are intended for internal use only, to assist Postal Service personnel in obtaining best value⁶ and efficiently conducting its supply chain functions. Further, prior to deregulation, the Christian Doctrine applied to the Postal Service; however, after deregulation the Christian Doctrine no longer applied to the Postal Service.

The SP&Ps include a defective pricing contract clause stating that prices will be reduced if the supplier submits inaccurate cost or pricing data. Defective pricing fraud occurs when a supplier knowingly submits false cost or pricing data for contract pricing consideration. However, unlike most federal agencies, the Postal Service is not mandated by Congress to require suppliers to certify that cost and pricing data are accurate, complete, and current; and right now the SP&Ps do not require suppliers to provide the certification. However, the Postal Service required suppliers to certify cost and pricing data in the 1975 version of the *Purchasing Manual*; but, according to a Postal Service official, it was no longer a requirement as of 1987.

Objective, Scope, and Methodology

Our objective was to assess the impact of the Postal Service's purchasing policies on prosecuting defective pricing fraud cases. To accomplish our objective, we:

- Met with Supply Management officials to get their view on the positive and negative aspects associated with deregulation of the Postal Service's purchasing policies.
- Compared the Postal Service's purchasing policies for defective pricing to the FAR.
- Interviewed OIG offices of General Counsel and Investigations representatives to obtain information concerning the impact of deregulation on prosecuted fraud cases.
- Gained an understanding of the process Postal Service contracting personnel use to create contracts.

⁶The outcome that provides the optimal combination of elements such as lowest total cost of ownership, technology, innovation and efficiency, assurance of supply, and quality relative to the Postal Service's needs.

We conducted this review from September 2012 through September 2013, in accordance with the Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation*. We discussed our observations and conclusions with management on July 23, 2013, and included their comments where appropriate.

Prior Audit Coverage

The OIG did not identify any prior audits or reviews related to the objective of this audit during the past 3 years.

Appendix B: Management's Comments

SUSAN M. BROWNELL
VICE PRESIDENT, SUPPLY MANAGEMENT



September 6, 2013

JUDITH LEONHARDT

SUBJECT: Response to Draft Audit Report – Postal Service Purchasing Policies' Impact
On Defective Pricing Fraud Cases (Report Number SM-MA-13-DRAFT)

Thank you for providing the Postal Service with the opportunity to review and comment on this subject draft report. As an initial point of clarification, and to put our response in context, the primary reason that Postal Service contracts do not require a certification is because the Truth in Negotiations Act (TINA), which established the requirement for obtaining certified cost or pricing data for federal agencies, does not apply to the Postal Service, based on the exemption provided by the Postal Reorganization Act (PRA).¹ At § 410(a), the PRA provides that "no Federal law dealing with public or Federal contracts . . . shall apply to the exercise of the powers of the Postal Service." A few exceptions to this exemption are listed in § 410(b), but TINA is not among them. The PRA exemption recognizes that the Postal Service was intended to operate as a business and not as a traditional government bureaucracy. The Postal Service formally dropped the cost and pricing certification requirement in 1987, at a time when the Postal Service was facing intensifying competition from companies that were not constrained by federal contracting laws.

Management's response is provided in full below.

OIG Audit Recommendations:

We recommend the vice president, Supply Management:

1. Require suppliers to certify that cost or pricing data are accurate, complete, and current.

Management Response: Management disagrees with the recommendation that the Postal Service should require suppliers to certify that cost or pricing data are accurate, complete and current as a standard practice. In our view, the Postal Service's interests are protected under existing practices and requiring a separate certification is not necessary to obtain an appropriate price adjustment based on defective cost or pricing data. Moreover, the negative impacts of making the OIG recommended change outweigh the benefits. A mandatory certification requirement would likely increase costs, prolong the purchasing process for contract awards and modifications, and negatively impact our ability to do business with a broad base of suppliers in the future.

¹ Codified at 10 U.S.C. § 2306a (applicable to defense agencies) and 41 U.S.C. § 3506 (applicable to civilian agencies), TINA was first enacted in 1962 (P.L. 87-653, September 10, 1962). The Postal Reorganization Act was signed into law August 12, 1970.

Over the last several years, we have expended considerable effort to simplify and standardize the procurement processes in order to ensure that we can effectively and efficiently purchase goods and services at the best value while also ensuring that the best interests of the Postal Service are protected. The dynamic environment of our business dictates that our procurement process must be agile and responsive to meet the evolving needs of our customers. Also, with significant financial pressures facing the Postal Service, changing policies that unnecessarily build additional costs into our purchases is not prudent.

Notwithstanding the above, there may be limited circumstances where it is in the Postal Service's best interest to obtain a certification; therefore, we will study the matter further and provide guidance in our Supplying Principles and Practices (SP&Ps) describing the conditions under which Contracting Officers should consider requiring a supplier to furnish a certification. Further, we will enhance our SP&Ps and related provisions and clauses to ensure that our suppliers fully understand our submission requirements for cost or pricing data.

The Postal Service's interests are fully protected under existing practices

The Postal Service uses several tools to ensure that prices negotiated with suppliers are fair and reasonable, and to maximize opportunities for savings. Competition -- which is the greatest protection against defective pricing -- is the most frequently used method for awarding contracts within the Postal Service. The Postal Service also conducts price analysis to assess fairness and reasonableness of proposal prices. Also, for commercial-type products and services, we protect the Postal Service's interests by enforcing various standard clauses, such as Clause 2-48, which provides, among other things, that "prices for the goods and services . . . must be the equal to or lower than those offered the most favorable customer for similar quantities under comparable terms and conditions," and that "pricing data must be available for review by the Postal Service throughout the term of the contract."

With regard to defective pricing, the Postal Service has an existing contract clause (Clause 5-1: *Price Reduction for Defective Cost or Pricing Data (March 2006)*) that requires suppliers to furnish complete, accurate and current cost or pricing data as of the date of final agreement on price. The clause provides a contract mechanism to recover overpayments for defective pricing.

In addition to the contractual provisions described above, the Postal Service has various other administrative and legal remedies for defective pricing. For example, suppliers who furnish fraudulent or defective data to the Postal Service are subject to suspension and debarment under 39 C.F.R. § 601.113. Furthermore, under § 601.105, the Postal Service may decline to accept or consider proposals from a supplier that exhibits unacceptable conduct or business practices that do not meet reasonable business expectations or does not provide a high level of confidence about the entity's current or future business relations. Suppliers that furnish defective cost or pricing data can also be held liable for damages under the civil False Claims Act, 31 U.S.C. §§ 3729-3732, as well as the Contract Disputes Act, 41 U.S.C. § 7103(c). They may also be subject to criminal prosecution under 18 U.S.C. § 287 (the criminal False Claims Act) as well as 18 U.S.C. §§ 1001 and 1002 (criminalizing false statements submitted to the government). All of these remedies are available to the Postal Service under existing law, without the imposition of a certification requirement.

Although we believe the interests of the Postal Service are fully protected by our current practices, we do note that the OIG's draft report highlighted that our suppliers may not understand the Postal Service's contract clause requiring the submission of complete, accurate and current cost or pricing data. Based on this feedback, we will enhance our SP&Ps, so our suppliers fully understand our submission requirements for cost or pricing data. Also, as noted above, since under certain circumstances it may be in the best interests of the Postal Service to obtain a certification, we will study the matter further and provide guidance in our SP&P's describing the conditions under which Contracting Officers should consider requiring a supplier to furnish one.

Imposing a certification requirement on our suppliers may create disadvantages that outweigh any potential benefits

Our research indicates that a certification requirement could materially increase costs and time to award, and for this additional reason we believe having flexibility in the use of a certification requirement for submission of cost and pricing data in postal contracts better serves the interests of the Postal Service. Professional and academic literature recognizes that cost and pricing certification significantly increases the supplier's risk of doing business with the government, and that the increased risk drives up contract costs. "Critics of TINA have long contended that it imposes an unreasonable administrative burden on contractors, and unfairly exposes them to indeterminate liability that usually does not arise until years after a contract has been awarded. These burdens and risks, they assert, translate into higher costs for contracts, which [are] passed along to the government."²

The Federal Acquisition Regulation (FAR), in its regulations implementing TINA, clearly acknowledges and warns contracting officials that certified cost data should only be requested to the "extent necessary for the contracting officer to establish fair and reasonable price, but not more data than is necessary" to establish the fairness and reasonableness of prices, with the following instructions to contracting officers set forth at FAR 15.402 (Pricing Policy):

Obtain the type and quantity of data necessary to establish a fair and reasonable price, but not more data than is necessary. Requesting unnecessary data can lead to increased proposal preparation costs, generally extend acquisition lead time, and consume additional contractor and Government resources. Use techniques such as, but not limited to, price analysis, cost analysis, and/or cost realism analysis to establish a fair and reasonable price. If a fair and reasonable price cannot be established by the contracting officer from the analyses of the data obtained or submitted to date, the contracting officer shall require the submission of additional data sufficient for the contracting officer to support the determination.

Additionally, in 1994, the Department of Defense (DOD) commissioned Coopers & Lybrand/TASC (Coopers) to conduct a study to measure the impact of government statutes and regulations on the cost of doing business with the government (over the cost of conducting commercial business exclusively in the private sector).³ Coopers used an activity-based costing methodology to evaluate and rank 120 regulatory cost drivers. Although Coopers estimated the increased cost to the government for goods and services ranged between 5 percent and 200 percent (depending on the procurement situation), they determined that the government paid an average 18 percent premium for goods and services. The top 10 cost drivers accounted for nearly half or 8.5 percent of the total premium. TINA earned the #2 rank among all cost drivers. However, when combined with Cost Accounting Standards (also not applicable to the Postal Service) as well as accounting and finance, material management (forecasting), contracting and purchasing requirements, the premium totaled 7.3 percent. The Coopers study was reinforced by Rand in 2001⁴. As evidence that the certification requirement continues to be of a concern, recently (April 24, 2013) the Procurement Round Table formally requested that the DOD update the Coopers study.⁵

As the Postal Service evolves its business, we anticipate the increasing need to enter into contracts with a broader base of suppliers. We want to attract top commercial suppliers, including those who may be small, minority or woman-owned businesses, to propose on our business

² Stephen W. Allen, TINA Turns 40, Contract Management, Sept. 2002.

http://www.ncmahq.org/files/Articles/0223B_09_02_p32.pdf

³ Coopers & Lybrand and TASC. 1994. "The DOD Regulatory Cost Premium: A Quantitative Assessment."

<http://www.dtic.mil/cgi-bin/GetTRDoc?Location=U2&doc=GetTRDoc.pdf&AD=ADA295799>

⁴ Rand 2001 Chapter 2 entitled, "DoD Regulatory and Oversight Compliance Cost Premium."

http://www.rand.org/content/dam/rand/pubs/monograph_reports/2009/MR1329.pdf,

⁵ Procurement Roundtable. <http://www.procurementroundtable.org/documents/PRTLletter-4-24-2013.pdf>

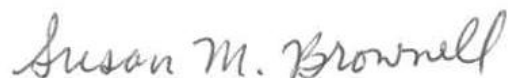
opportunities. Additional certification requirements could have a chilling effect on suppliers and cause them to decide not to participate in Postal contracts. This would unduly limit the Postal Service's options in the future. Unlike the agencies that are subject to TINA, we are operating in a competitive environment. Each regulatory burden placed on the Postal Service puts us at a disadvantage against our competitors.

The recommendation that the Postal Service adopt certification requirements like those that apply to most other government agencies, would require the Postal Service to take a step backward in its efforts to make the Postal Service an attractive business partner for private sector companies that have not traditionally been government contractors. When the Postal Service adopts policies that increase the risk of doing business with us, the inevitable result is higher costs, less flexibility, and a shrinking pool of suppliers willing and able to work with us. Therefore, we must be discerning when implementing our policies taking into account all aspects of our business needs while ensuring appropriate protections are in place.

Target Implementation Date: We will study the matter further and provide guidance in our SP&Ps describing the conditions under which Contracting Officers should consider requiring a supplier to furnish a certification. Further, we will enhance our SP&Ps and related provisions and clauses to ensure that our suppliers fully understand our submission requirements for cost or pricing data by March 2014.

Responsible Manager: Supply Management Infrastructure.

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



cc: Joseph Corbett
Tom Marshall
Trent Ensley
Paul McGinn
Robert D'Orso
Susan Witt
Corporate Audit and Response Management