



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

CIVIL DIVISION

600051

AUG 18 1971

Dear Mr. Hargrove:

In fiscal year 1971, the General Accounting Office initiated a survey of the policies, procedures, and practices for awarding and administering contracts throughout the Post Office Department. This survey was undertaken because of the significant dollar amounts of the Department's annual contractual obligations--more than \$1.3 billion in fiscal year 1970--and because our prior reviews of various Department activities had identified questionable contracting practices and the wide dispersal of authority and responsibility for awarding and administering contracts among a number of Department organizations.

AGC 00052

As examples of identified questionable contracting practices, in our review of air taxi mail service we found that the Department had (1) inappropriately used emergency contracts for such service, (2) awarded contracts without obtaining formal competitive bids and without adequate assurance that bidders were qualified, and (3) granted questionable contract rate increases. At the Postal Service Management Institute we found (1) extensive use of sole source procurement contracts without adequate justifications for such contracts and (2) the award of a large number of contracts and contract modifications before a determination was made that funds were available to pay for them. In reviewing the Postal Source Data System, we noted, among other things, that detailed system specifications had not been prepared and site surveys had not been made to determine equipment needs prior to awarding the multi-million dollar contract to acquire the system.

The purpose of this letter is to notify you that we are suspending our survey because of recent actions taken in connection with the reorganization of the Post Office Department into the new United States Postal Service. These actions include the centralization, within one headquarters Department, of all procurement responsibility for the Postal Service, except for mail transportation contracts, and the preparation of a Postal Contracting Manual setting forth for the first time Service-wide contracting policies and procedures. On the basis of the information thus far made available to us regarding these actions, it appears that significant efforts are being made to establish an improved organizational structure and a uniform set of policies and procedures for the contractual activities to be undertaken by the new Postal Service and that, therefore, it would be inappropriate for us to continue our current survey.

715-284-092466

If, after the Postal Service has had an opportunity to gain contractual experience under the new organizational structure and the new policies and procedures, we decide to resume our survey of contract award and administration procedures, we will notify you accordingly.

We would appreciate being furnished copies of the new Postal Contracting Manual and of the functional statements for each organizational unit within the new Administration Department as soon as they become available.

We appreciate the cooperation extended our representatives during our survey.

A copy of this letter is being sent to the Deputy Postmaster General's office.

Sincerely yours,



Max A. Neuwirth
Associate Director

The Honorable James W. Hargrove
Senior Assistant Postmaster General for Support
United States Postal Service

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