



089469 Chief Distribution Section  
OAPS

UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D C 20548

GENERAL GOVERNMENT  
DIVISION

JAN 9 1975

Mr. Robert H. McCutcheon  
Assistant Postmaster General  
Procurement and Supply Department  
U. S. Postal Service

Dear Mr. McCutcheon:

The General Accounting Office has completed a survey of the procurement of supplies, services, and supportive equipment in the Central Region of the U. S. Postal Service. The purpose of this letter is to apprise you of our findings.

The quality of procurement operations varied considerably between the locations we visited. Causes for this appeared to be

- lack of trained procurement personnel,
- use of personal judgment instead of following established procurement procedures, and
- lack of monitoring by Postal Service management.

Specific problems disclosed by our survey were

- numerous commercial purchases of small dollar items that could have been obtained from established governmental sources at considerable savings.
- frequent sole-source procurement for commercial purchases over \$250 although the Postal Contracting Manual requires that competition be obtained for such purchases.

The details of our observations are set forth below

SAVINGS AVAILABLE THROUGH INCREASED  
USE OF ESTABLISHED GOVERNMENTAL SOURCES

The Postal Service is purchasing numerous small dollar items from commercial sources although Federal and Postal Service procurement policies and regulations provide that established governmental sources should receive first procurement consideration. Examples of common

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items purchased commercially that are available from established governmental sources include pens, staples, ink, glue, typewriter ribbons, and floor cleaner.

We believe the savings to the Postal Service through increased use of established governmental sources could be significant. To illustrate, one activity was purchasing pens commercially for \$2.50 per dozen while the General Services Administration (GSA) price is \$.96 per dozen for a similar pen. This same activity purchased typewriter ribbons locally for \$1.92 each whereas GSA's price was \$.25 each.

#### INCREASED COMPETITION IN COMMERCIAL PURCHASES NEEDED TO ASSURE REASONABLE COSTS

The Postal Contracting Manual states, "All purchasing, whether by formal advertising or by negotiation, shall be on a competitive basis to the maximum practicable extent." Additionally, Congress, on numerous occasions, has expressed its preference for the competitive mode of contracting as providing the greatest assurance that the best possible price is obtained. The Postal Service, in carrying out the intent of Congress, requires market solicitations for transactions exceeding \$250. Despite this requirement about 50 percent of commercial purchases over \$250 reviewed by us were made without competition.

At one post office we found 11 contracts exceeding \$250 for building materials and construction-type work awarded without competition, although there are numerous building material suppliers and construction companies in the area. The individual responsible for these purchases told us he watched for sales in newspapers and relied on personal judgment to assure obtaining a reasonable price. This method (1) provides insufficient assurance that fair and reasonable prices are obtained, (2) is a poor substitute for open competition, and (3) is in conflict with the Postal Service's procurement policy stated above.

#### AGENCY ACTIONS

Our observations were discussed with Regional postal officials who agreed that procurement could be improved. These officials advised us that steps were recently taken to restrict post offices to a limit of \$250 per transaction and to prohibit the purchase of capital items. Transactions in excess of \$250 and capital items will be purchased at District offices and Regional officials plan to visit these offices to monitor procurement operations. These actions should help to minimize the deficiencies noted during our review.

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We are bringing this matter to your attention because the situations disclosed by our survey may be occurring in other Postal regions.

We would appreciate being advised of any further actions taken or planned in connection with our observations and will be glad to discuss them in greater detail with you or your staff if you desire.

Sincerely yours,

*W. J. Anderson*

*for*

John Landicho  
Associate Director