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STATEMENT OF  
JAMES G. MITCHELL  
ASSOCIATE DIRECTOR  
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BEFORE THE  
SUBCOMMITTEE ON GOVERNMENT INFORMATION,  
JUSTICE AND AGRICULTURE  
COMMITTEE ON GOVERNMENT OPERATIONS  
HOUSE OF REPRESENTATIVES  
ON THE  
UNITED STATES POSTAL SERVICE'S  
NEIGHBORHOOD DELIVERY AND COLLECTION BOX PROGRAM

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Mr. Chairman and Members of the Subcommittee:

We are pleased to appear before you to discuss information we developed last fall for your Subcommittee concerning the Postal Service's Neighborhood Delivery and Collection Box Program, commonly referred to as the cluster box program. The information we developed was limited to two specific concerns, namely, whether an allegation that the Postal Service was not following its established procedure of procuring cluster boxes in lots of 100 or less could be substantiated and whether there were problems with the quality of cluster boxes being procured. We did not evaluate the merits of the cluster box program or review the Postal Service's overall management of the program.

BACKGROUND

The Postal Service conducted an experimental program for providing centralized delivery of mail during 1967 to 1975. During this period the Service began purchasing and installing cluster boxes for the delivery of mail at approved locations throughout new communities or in established communities which requested them. This program was temporarily suspended by the Postal Reorganization Act Amendments of 1976 which placed a moratorium on the centralized delivery of mail to cluster boxes in new housing developments.

The Service subsequently reinstated and formalized the program in March 1981 by publication of a final rule in the Federal Register. The rule, which modified the Domestic Mail Manual, (1) authorized procurement of cluster boxes when the

Service determined that central delivery would improve the efficiency of mail delivery and (2) limited the size of each procurement of cluster boxes to 100 units or less and decentralized procurement authority to local levels in an attempt to preserve competition within the industry.

In March 1981, the Service estimated that the program would require a maximum of 90,000 units during fiscal years 1981, 1982, and 1983 with installation not to exceed 20,000 units annually during the first 2 years. However, the demand for cluster boxes grew faster than originally estimated, particularly in the Service's Southern and Western Regions. According to the Service, total purchases for a 1-year period, from April 1982 to April 1983 amounted to about 131,000 units at an estimated cost of \$23 million.

#### ALLEGED VIOLATION OF PROCUREMENT PROCEDURES

Regarding the allegation that the Postal Service was not following its established procedure of procuring cluster boxes in lots of 100 or less, we found that the Service's Dallas Procurement Office had deviated from the established procedure.

In March 1983, a manufacturer wrote the Service stating that there were significant deviations from the procedure adopted in 1981 which limited the size of local procurements of cluster boxes to 100 units. The manufacturer noted that local Service procurement offices had solicited quotes from approved manufacturers in large lots (anywhere from 500 to 9,000 units) and then prepared purchase orders in 100-unit quantities for the firm quoting the lowest unit price. The manufacturer also

alleged that the Dallas Procurement Services Office, in the Service's Southern Region, made a telephone solicitation for a price quotation for 9,000 units.

Documentation in the Dallas Procurement Services Office confirmed that a solicitation was made in February 1983 for a total quantity of 9,000 units. Subsequently, 90 purchase orders for lots of 100 units each were prepared on the same day and submitted to the manufacturer quoting the lowest price for the 9,000 units. In addition, an official in the Dallas Office told us that his Office had not requested quotes for cluster boxes in writing. All such requests for quotes were made verbally over the telephone.

As a consequence of the manufacturer's March 1983 complaint, Service headquarters sent a memorandum on April 1, 1983, to all the Procurement Divisions in all the Service regions emphasizing that purchase orders for cluster boxes must be awarded to approved vendors in quantities not to exceed 100 units. The memorandum also specified that orders were not to be quoted in quantities of more than 100 units.

The general manager of the Procurement Division in the Southern Region notified the five Procurement Services Offices in that region that they all had apparently violated Service policy on the procurement of cluster boxes. He stated that all offices were obligated to abide by the policy published in the Federal Register in 1981 limiting procurement to lots of 100 units or less and were to take the necessary steps to prevent future violations.

We were told by the Dallas Procurement Services Office manager that a recent requirement for 3,000 units was being handled by requesting quotes for prices on quantities of 100 units and issuing purchase orders, in quantities of 100 per day on successive days, to the approved vendor quoting the lowest price for 100 units.

Based on our understanding of the cluster box procurement policy as provided in the Federal Register in March 1981, and in the implementing procedures announced in August 1981 and April 1983, requesting quotes for lots not exceeding 100 units and then buying multiple lots from one source would appear to comply with that established policy. However, neither the policy nor its implementing procedures limit the total number of units that may ultimately be purchased from one source. We believe the policy is not violated as long as the procurement is divided into separate quotes and purchases not exceeding 100 units.

PROBLEMS WITH THE QUALITY OF  
CLUSTER BOXES BEING PROCURED

During our inquiry last fall, we obtained information from the Service which showed that the quality of cluster boxes then being procured was inadequate.

Cluster boxes are purchased only from vendors on a list of approved sources. To be approved, prospective vendor boxes must meet performance specifications outlined in Postal Service Publication 18. Manufacturers must submit samples of their boxes to the Service to be tested against the specifications. Manufacturers whose boxes meet specifications are given approved source status.

According to the information we obtained from Service records and through various interviews with Service officials, the early stages of the cluster box procurement program were considered satisfactory. However, as additional manufacturers were approved, problems began. The Service began to receive complaints from the field about poor quality cluster boxes. Examples gathered by the Service in early 1983 indicated the boxes had been poorly painted, had sharp or rough edges, had lock problems, and/or had damaged or poorly constructed doors which could be easily pried open.

According to an August 1983 memorandum, the Service recognized that a quality assurance program for cluster boxes was necessary. The Service established such a program and initiated an inspection program at manufacturers' plants prior to the shipment of cluster boxes. In addition, all complaints regarding quality assurance issues, changes in manufacturing of approved boxes, and initial approvals of boxes were being channeled through the Service's Quality Assurance Branch for review and necessary action. The Service also directed that a warranty of supplies clause be included in all future cluster box solicitations making manufacturers responsible for any defects in their products.

The August 1983 memorandum also noted that current Service specifications fail to address essential issues of product quality, durability, and uniformity, and that the Service intends, during the inspection phase of the program, to document areas where current specifications need to be improved.

The Assistant Postmaster General, Procurement and Supply, has recommended that the Delivery Services Department consider a revision to Service specifications "to prevent further deterioration of quality and what may become a long term maintenance and customer relations nightmare" for the Postal Service.

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Mr. Chairman, this concludes my prepared statement. We will be happy to respond to any questions you or other members of the Subcommittee may have.

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