



Highlights of [GAO-06-190](#), a report to the Chairman, Committee on Homeland Security and Governmental Affairs, U.S. Senate

U.S. POSTAL SERVICE

Purchasing Changes Seem Promising, but Ombudsman Revisions and Continued Oversight Are Needed

Why GAO Did This Study

Purchasing makes up a significant portion of annual expenses for the U.S. Postal Service (USPS). USPS has recently made significant changes to its purchasing regulations which, according to USPS, will result in a more businesslike purchasing process. Some stakeholders, including smaller suppliers who stated they rely on USPS for the majority of their business, have raised concerns about these changes. GAO was asked to (1) describe these changes, stakeholder views, and USPS's rationale for the changes and (2) assess how these changes reflect the principles of postal reform and practices of leading organizations and identify areas, if any, for continued oversight.

What GAO Recommends

To address inconsistencies in USPS's ombudsman, GAO is recommending that the Postmaster General revisit the intended purpose for its ombudsman, consult with experts to determine other options, and make the necessary changes in its regulations and guidance to conform with leading principles and practices. GAO provided a draft of this report to USPS for its review and comment. USPS generally agreed with our findings and recommendations and stated that it will reassess its ombudsman's role and reporting relationship.

www.gao.gov/cgi-bin/getrpt?GAO-06-190.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Katherine Siggerud at (202) 512-2834 or siggerudk@gao.gov.

What GAO Found

USPS has recently taken actions to streamline its purchasing regulations. The three main changes are (1) revoking and superseding its former purchasing regulations, handbooks, circulars, manuals, and guidelines and replacing them with streamlined regulations and interim internal guidance; (2) establishing new provisions for entering into business relationships with suppliers, including the process for declining to accept or consider proposals; and (3) creating a new process for resolving disputes, disagreements, or arguments between USPS and suppliers/potential suppliers, including the establishment of an ombudsman. Some postal stakeholders stated these were positive changes, while others raised concerns about the need or justification for such major changes; potential limitations on suppliers' ability to appeal USPS decisions; and how USPS officials would be held accountable for the fairness of purchasing decisions and its results (i.e., ability to achieve cost savings) given this additional flexibility and discretion. USPS stated these changes would result in a more flexible, efficient, businesslike purchasing system.

GAO assessed USPS's new postal purchasing regulations and draft internal guidance against key principles of postal reform—flexibility, efficiency, accountability, and social responsibility—and the purchasing practices of leading organizations. GAO found that USPS's changes are generally consistent with these principles and practices of leading organizations, except for USPS's new ombudsman position (see table below).

How USPS's Changes Reflect Key Principles and Leading Practices

Reflect	Do Not Reflect
<ul style="list-style-type: none"> <i>Flexibility:</i> Provides more flexibility when updating its policies and procedures to respond to changes in market condition. <i>Efficiency:</i> Emphasizes efficiency, including leveraging its buying power. <i>Social responsibility:</i> Promotes the use of a diverse supplier base and ethical behavior. <i>Accountability:</i> Plans to establish goals and methods for measurement. 	<ul style="list-style-type: none"> <i>Ombudsman:</i> Its role, structure, and decision-making authority are not consistent with leading ombudsman practices of independence and impartiality. Inconsistencies include the reporting relationship (reports to head of USPS purchasing organization) and decision-making authority (issues binding decisions rather than recommendations).

Source: GAO.

In addition to the ombudsman inconsistencies, concerns remain about how USPS's purchasing changes will be implemented. These concerns relate to the delayed issuance of USPS's final guidance, the potential impact on suppliers and USPS's ability to track and monitor its performance, and USPS's ability to achieve efficiencies under these new flexibilities while ensuring the fair and consistent treatment of suppliers. These inconsistencies and concerns will require continued oversight.