



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

May 16, 2008

The Honorable Brian D. Miller
Inspector General
General Services Administration
1800 F Street, N.W.
Room 5340
Washington, D.C. 20405

Dear Mr. Miller:

We have completed our investigation into the allegations you forwarded to us regarding claims of intimidation in the 2006 Sun Microsystems (Sun) contract negotiations. During the investigation, several matters came to our attention that we feel warrant further comment.

In its Strategic Plan, the General Services Administration (GSA) proclaims itself "the premier acquisition agency for the Federal government", whose "responsibility is to provide the greatest value to Federal customer agencies and cost-savings for the American taxpayer." This is not mere puffery: federal regulations mandate that GSA and its contracting officers have a fiduciary responsibility to the taxpayers and to customer agencies to take full advantage of the Federal Government's leverage in the market in order to obtain the best prices.

Given this responsibility, GSA should be the model for federal contracting practices. However, our investigation disclosed that much of the Federal Acquisition Service (FAS) was dysfunctional during the period of our review: the contracting officers were grossly overextended, the management structure had virtually collapsed, and GSA leadership appeared to be signaling its employees to favor the commercial interests of certain large vendors. Former Administrator Doan met with the top 10 vendors in GSA's schedule program soon after her confirmation, and immediately embraced their complaint that the GSA Inspector General was an impediment to good business. According to published reports, at least four of these complaining vendors were subsequently charged with making false claims in federal contracts. It appears that Doan uncritically applied

the vendors' perspective to the Sun contract negotiations, despite strong evidence that Sun had long been engaged in a pattern of misconduct.

In the ongoing Sun Multiple Award Schedule (MAS) contract negotiations, two very experienced contracting officers had independently concluded - before each was replaced by GSA managers - that Sun was not meeting its contractual obligations or negotiating in good faith. These conclusions appear to have been confirmed by the False Claims Act suit filed by the Department of Justice against Sun and other companies in April 2007. In the complaint, the government alleged that "the information that Sun provided to the GSA in connection with the negotiation of its two MAS Contracts ... was knowingly inaccurate and incomplete and misled the GSA contracting officials during negotiations... [which] led to Agencies of the United States Government paying significantly higher prices for hardware and software, as well as hardware and software maintenance...."

Thus, it seems clear that the GSA Office of Inspector General's (OIG) robust oversight of the Sun contract negotiation process can only be viewed in the context of the work force and supervisory void that existed at GSA when FAS Commissioner James Williams and Doan joined the agency in 2006. Sun, it appears, was yielding nothing to GSA contracting officers while using its lobbying partners to try to shape Doan's views about the contract negotiations.

A primary objective of the investigation was to address the basis for Doan's claims about OIG intimidation in the Sun contract negotiations. In her March 23, 2008, interview, Doan told the Postal Service OIG agents that she first learned in October 2006 that OIG auditors allegedly intimidated an unidentified contracting officer in connection with an unnamed GSA contract. Doan stated that she asked the OIG to look into the allegation, which, despite the absence of any specific information, she considered "very serious." When the OIG reported back to her with their preliminary results approximately one month later, Doan said she concluded that their investigation was inadequate and insisted that they investigate the matter further. Doan's claim that she did not learn that the intimidation allegation and the subsequent OIG investigation involved Michael Butterfield or the Sun contract negotiations until early 2007 is inconsistent with the evidence.

Commissioner Williams told us that he informed Doan of the intimidation allegations about Butterfield and Sun during a briefing in late August 2006, at the same time he told her about the impasse in contract negotiations with Sun and the OIG's referral of allegations about Sun to the United States Attorney's Office. Emails and witness statements corroborate Commissioner Williams' version of events.

It also appears that Doan has continued to rely almost exclusively on Sun's executives and consultants to provide her with information about alleged OIG intimidation of contracting officers. At the conclusion of Doan's March interview with the Postal Service OIG, she personally handed the agents a typewritten "list of persons with relevant information on the subject of intimidation, harassment and retaliation within and/or by the GSA OIG". The list had seven names. Five of those named were current and former GSA OIG employees involved in a personnel dispute that was referred to the President's Council on Integrity and Efficiency. The remaining two names were Larry Allen, a Sun consultant and executive with the Coalition for Government Procurement, and Scott McNealy, Sun's Chairman.

Enclosed is a copy of the final version of the report of investigation. Should you have any questions concerning this investigation, please contact me at 703- 248-2300.

Sincerely,

David Williams

David C. Williams
Inspector General

Enclosure