



Office of Inspector General | United States Postal Service

## Audit Report

# Oversight of the U.S. Postal Service's Uniform Program

Report Number SM-AR-19-007 | September 19, 2019



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# Highlights

## Objective

Each year over 301,000 U.S. Postal Service employees participate in the Uniform Program. As part of the program, eligible employees, such as letter carriers, window clerks, and postal police officers, are issued a Uniform Allowance Purchase Card (UAPC) to purchase approved uniform items from licensed vendors. In calendar years (CY) 2016 to 2018, there were an average of 196 licensed vendors as part of the program.

Our objective was to evaluate the effectiveness of management controls over the Postal Service's Uniform Program. Our scope included UAPC transactions for CY 2016 through 2018, which included 1.1 million transactions and \$235.7 million in purchases.

## What the OIG Found

Management controls over the Uniform Program were not effective in ensuring compliance with program requirements. Specifically, we identified:

- 2,039 UAPC purchases from 73 non-licensed vendors during our scope period.
- 439 non-uniform items such as flashlights, knives, and batteries bought with UAPCs at approved vendors.
- 702,758 transactions (63 percent) with missing or vague item descriptions such as "product or invoice" preventing the Postal Service from being able to identify the items purchased.
- 73 of 588 (12 percent) license agreements could not be located for all vendors who processed transactions during our scope period.
- 100 percent of the license agreements provided were not signed by the Postal Service, only having the vendor signature.

Further, we placed uniform orders at five online and two in-store licensed vendors and were able to purchase two window clerk shirts with the official Postal Service emblem — one online and one from an in-store vendor — without verification of

employee identification. Referrals to our Office of Investigations were made, as appropriate.

These noncompliance issues occurred because management controls did not include a review process of sales reports or invoices to identify (1) purchases from non-licensed vendors, (2) purchases of unauthorized uniform items, or (3) transaction with inappropriate item descriptions; nor did management validate license agreements were signed by both parties or centrally located.

As a result, we estimated an average of \$133,178 in annual questioned costs for unapproved transactions and fees paid to Citibank to cover program management costs; and an average of \$6,283 in revenue loss for administrative and annual licensing fees not collected from the non-licensed vendors.

## What the OIG Recommended

We recommended management:

- Implement a periodic reconciliation process of Citibank vendor sales transactions to the approved vendors list to identify transactions at non-licensed vendors.
- Implement a review process to ensure vendors adhere to quarterly report submission requirements.
- Implement a periodic validation process of vendor quarterly reports and vendor sales invoices to ensure accuracy and compliance.
- Implement a process to validate vendor compliance in selling uniform items to approved Postal Service employees or require vendors to include employee names and form of payment on quarterly sales reports to identify ineligible purchases.
- Identify a centralized location, physical or electronic, to store all license agreements accessible by the Uniform Program office.

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

September 19, 2019

**MEMORANDUM FOR:** DOUGLAS A. TULINO  
VICE PRESIDENT, LABOR RELATIONS

E-Signed by Charles Turley  
VERIFY authenticity with eSign Desktop

**FROM:** Charles L. Turley  
Deputy Assistant Inspector General  
for Supply Management and Human Resources

**SUBJECT:** Audit Report – Oversight of the U.S. Postal Service’s Uniform  
Program (Report Number SM-AR-19-007)

This report presents the results of our audit of the Oversight of the U.S. Postal Service’s Uniform Program (Project Number 19SMG005SM000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Lori Lau Dillard, Director, Supply Management and Facilities, or me at 703-248-2100.

Attachment

cc: Postmaster General  
Corporate Audit Response Management

# Results

## Introduction/Objective

This report presents the results of our self-initiated audit of the oversight of the U.S. Postal Service's Uniform Program (Project Number 19SMG005SM000). Our objective was to evaluate the effectiveness of management controls over the Postal Service's Uniform Program, specifically, the controls in place to ensure compliance with policies and procedures related to use of the Uniform Allowance Purchase Card (UAPC) to purchase approved uniform items from authorized vendors.

The scope of the audit included UAPC transactions for calendar years (CY) 2016 through 2018, which included 1.1 million transactions and \$235.7 million in purchases (see Table 1).

**Table 1. UAPC Transactions CYs 2016 through 2018**

Calendar Year	Number of Transactions	Value
2016	383,203	\$76,843,170
2017	369,860	78,746,436
2018	375,813	80,105,718
<b>Total</b>	<b>1,128,876</b>	<b>\$235,695,324</b>

Source: U.S. Postal Service Office of Inspector General (OIG) analysis of Citibank transactions.

## Background

Each year over 301,000 Postal Service employees participate in the Uniform Program. As part of the program, eligible employees,<sup>1</sup> such as letter carriers, window clerks, and postal police officers, are issued UAPCs to purchase approved uniform items from licensed vendors. UAPC purchases were made at 214 vendors in CY 2016, 193 in CY 2017, and 181 in CY 2018.

<sup>1</sup> Designated career employees are eligible for a uniform allowance. Non-career employees (except city carrier assistants, Postal Support Employees, and Sales/Service and Distribution associates) are not eligible for a uniform allowance. Uniforms for non-career employees selected to receive uniform items are paid for using funds that are provided to each local office (SmartPay purchase card or IMPAC card),

<sup>2</sup> *Employee and Labor Relations Manual* (ELM Issue 46), Section 930, Work Clothes and Uniform, March 2019.



The UAPC is a declining-balance credit card issued by Citibank, loaded with an annual allowance that corresponds to an employee's job type. Per the program's policy,<sup>2</sup> the allowance may only be used to purchase authorized uniform items from licensed vendors with the UAPC. Uniform allowances take effect on the earliest date an employee must wear the uniform following completion of their 90-day probationary period, known to postal employees as their anniversary date. On the anniversary date, employees lose unused prior year allotments and the current year allotment is added to their UAPC.

## Finding #1: Purchases Made at Non-Licensed Vendors

Postal Service employees made UAPC purchases at non-licensed vendors. Specifically, in CYs 2016 through 2018, there were 2,039 of 1,128,876 UAPC transactions purchased at 73 non-licensed vendors (see Table 2).

*“Postal Service employees made UAPC purchases at non-licensed vendors.”*

**Table 2. Transactions at Non-licensed Vendors**

CY	Total Transactions	Transactions at Non-licensed Vendors	Non-licensed Vendors	Transaction Value	Uncollected Administrative Fee	Uncollected License Fee	Program Management Cost Paid to Citibank
2016	383,203	190	36	\$23,300	\$629	\$5,400	\$583
2017	369,860	266	14	\$38,727	\$1,046	\$2,100	\$968
2018	375,813	1,583	23	\$221,133	\$5,971	\$3,450	\$5,528
<b>Totals</b>	<b>1,128,876</b>	<b>2,039</b>	<b>73</b>	<b>\$283,160</b>	<b>\$7,646</b>	<b>\$10,950</b>	<b>\$7,079</b>

Source: OIG analysis of Citibank transactions.

Per policy, under the Uniform Program, employees must purchase approved items from Postal Service licensed vendors. A licensed vendor must have a current licensing agreement, pay an annual fee, and pay an administrative fee per transaction.

Purchases made at non-licensed vendors were not identified because current management controls do not include a reconciliation process of Citibank vendor sales reports, which indicate where sale transactions were made, to an approved licensed vendors list.

As a result, in CYs 2017 and 2018, UAPC purchases made through 37 non-licensed vendors resulted in questioned costs<sup>3</sup> of \$259,860 for unapproved transactions and \$6,496 for the 2.5 percent fees the Postal Service paid to Citibank to cover program management costs. Additionally, there was revenue

loss<sup>4</sup> of \$7,017 for the 2.7 percent UAPC administrative fees and \$5,550 for annual licensing fees the Postal Service did not collect.

### Recommendation #1

We recommend the **Vice President, Labor Relations**, implement a periodic reconciliation process of Citibank’s vendor sales transactions to the approved licensed vendor list to identify transactions at non-licensed vendors.

<sup>3</sup> A questioned cost because of missing or incomplete documentation, or failure to follow required procedures, but does not necessarily indicate actual loss was incurred by the Postal Service.

<sup>4</sup> Amount Postal Service is (or was) entitled to receive but was underpaid or not realized because policies, procedures, agreements, requirements, or good business practices were lacking or not followed. May be recoverable or unrecoverable. May apply to historical events or a future period (in the sense perceived future losses may be prevented by the implementation of a recommendation).

## Finding # 2: Non-uniform Transactions

Approved vendors accepted the UAPC for non-uniform items such as flashlights, knives, and batteries. In CYs 2016 to 2018, there were 439 UAPC purchases of items not on the approved uniform items list in Postal Service policy and/or license agreements. Additionally, there were 536,455 transactions (48 percent) that were missing item descriptions, and 166,303 transactions (15 percent) with vague descriptions such as “product or invoice” preventing the Postal Service from identifying the items purchased.

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*“Approved vendors accepted the UAPC for non-uniform items such as flashlights, knives, and batteries.”*

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The sale of unauthorized items occurred because management controls do not include a review process of the Citibank sales transactions report, which contains information related to items purchased with UAPCs, nor did management request sales invoices from vendors to validate items for determining compliance.

In CY 2019, management implemented two new procedures to increase visibility over uniform vendor activities. First, management added a new requirement in the CY 2019 uniform licensing agreement<sup>5</sup> for vendors to submit sales information quarterly to the Uniform Program office. However, per management, not all CY 2019 vendors have complied with the reporting requirement for two quarters, ending March 31 and June 30, 2019. Second, management conducted site visits at 55 vendor locations from March to July 2019 to observe if only approved uniform items were available for purchase.

<sup>5</sup> Uniform vendors must enter into a new agreement with the Postal Service annually.

When UAPC sales information is not reviewed, there is an increased risk of unauthorized purchases or misuse of the uniform allowance not being identified timely or at all.

### Recommendation #2

We recommend the **Vice President, Labor Relations**, implement a review process to ensure vendors adhere to quarterly report submission requirements, and determine appropriate actions, to include termination of agreement, for noncompliance.

### Recommendation #3

We recommend the **Vice President, Labor Relations**, implement a periodic validation process of vendor quarterly reports and vendor sales invoices to ensure accuracy and compliance.

## Finding # 3: Unauthorized Sales to a Non-Postal Service Employee

Two licensed vendors sold uniform items to a non-Postal Service employee without verification of eligibility and the UAPC. Specifically, the audit team placed uniform orders at five online and two in-store licensed vendors and was able to purchase two window clerk shirts with the official Postal Service emblem — one online and one from an in-store licensed vendor — without verification of employee identification. However, four online vendors refused to complete the sale without a UAPC or letter of authorization from a supervisor, and one in-store vendor required the audit team to complete the sale order form.

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*“Two licensed vendors sold uniform items to a non-Postal Service employee without verification of eligibility and the UAPC.”*

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Per the license agreements, Uniform Program vendors must: (1) check Postal Service identification before selling a uniform item, (2) have a current licensing agreement, and (3) only sell to Postal Service employees (selling uniform items to the public is prohibited). A valid UAPC must be presented during purchase as proof of eligibility for sales made in person, over the phone, or via internet.

Selling uniforms to non-Postal Service employees is against policy and presents a potential security risk at Postal Service facilities and/or safety risk for customers. Referrals to our Office of Investigations were made, as appropriate.

#### Recommendation #4

We recommend the **Vice President, Labor Relations**, implement a process to validate vendor compliance in selling uniform items to approved Postal Service employees, or require vendors to include employee names and form of payment on quarterly sales reports to identify ineligible purchases.

### Finding # 4: Document Retention/File Maintenance

Management did not consistently manage the Uniform Program license agreements in accordance with Postal Service policy.<sup>6</sup> Specifically:

- Management could not provide 73 of the 588 (12 percent) license agreements requested for all vendors who processed transactions in CYs 2016 to 2018.
- None of the license agreements reviewed were signed by the Postal Service for the same period. The agreements were only signed by the vendors.

License agreements are not stored in a central location; therefore, not all agreements could be easily located or provided as requested. Additionally, as there is no review process to ensure license agreements are signed by both parties, none of the agreements were signed by the Postal Service for CYs 2016 to 2018. Management stated in CY 2019, a process has been implemented to require both the Postal Service and the vendor sign the licensing agreements. On August 27, 2019, management provided all signed CY 2019 agreements to

support their assertion. Since corrective action has been implemented, we are not making a recommendation regarding signed license agreements.

When license agreements cannot be located, the Postal Service is not adhering to document retention practices and cannot support a valid vendor agreement is in place. Additionally, having fully executed license agreements is a good contract business practice intended to safeguard both parties involved.

#### Recommendation #5

We recommend the **Vice President, Labor Relations**, identify a centralized location, physical or electronic, to store all license agreements accessible by the Uniform Program office.

### Management's Comments

Management agreed with recommendations 1, 2, 3, and 5; however, they disagreed with recommendation 4.

Regarding recommendation 1, management stated they will implement a periodic review to reconcile Citibank's vendor sales transactions to the approved licensed vendor list to identify unauthorized transactions. Management plans to implement this review process by November 30, 2019.

Regarding recommendation 2, management stated they will follow up with vendors and take appropriate action to ensure they adhere to quarterly reporting requirements. Management plans to implement this action by April 30, 2020.

Regarding recommendation 3, management stated they will review vendors' quarterly reports at the close of each quarter to ensure accuracy and compliance. Management plans to implement this review process by January 31, 2020.

Regarding recommendation 4, management stated they have begun to assess vendor compliance by conducting site visits. Management further indicated that it would be impractical to perform a manual review of transactions each quarter to determine whether or not vendors are selling to non-Postal Service employees. Instead, they will issue periodic communication to vendors regarding

<sup>6</sup> Handbook AS-353, *Guide to Privacy, the Freedom of Information Act, and Records Management*, Chapter 6, Records Management, February 2019.



responsibilities to sell approved uniform items to Postal Service employees based on their position and craft per license agreements. Management did not provide a timeline on when they will issue the communications.

Regarding recommendation 5, management stated they have established a centralized physical filing system and are working to ensure all license agreements are maintained electronically. Management plans to complete this action by December 31, 2019.

See [Appendix B](#) for management's comments in their entirety.

## Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations in the report. Actions planned to address recommendations

1, 2, 3, and 5 should address the issues identified. We consider management's comments on recommendation 4 as partially responsive. Management's plan to monitor compliance by issuing periodic communication to vendors regarding their responsibilities per license agreements meets the intent of our recommendation; therefore, we will keep this recommendation open until we receive supporting documentation of the periodic communication to vendors.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

# Appendices

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# Appendix A: Additional Information

## Scope and Methodology

We reviewed UAPC transactions for CY 2016 through 2018, which included 1.1 million transactions and \$235.7 million in purchases from uniform vendors, to evaluate the effectiveness of management controls over the Postal Service's Uniform Program.

To accomplish the objective, we performed the following:

- Reviewed Citibank UAPC transactions for CY 2016 through 2018.
- Reviewed copies of all vendor licensed agreements from Labor Relations to review and evaluate the terms and conditions.
- Reviewed policies and procedures to gain an understanding of program requirements and internal controls.
- Interviewed Labor Relations personnel and responsible officials to understand what controls are in place to monitor and oversee UAPC transactions.
- Reviewed license and administrative fee documents to determine if the Postal Service is receiving required fees.

We conducted this performance audit from March through September 2019, in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on August 27, 2019, and included their comments where appropriate.

We assessed the reliability of Citibank data for CYs 2016 to 2018 by comparing it to Labor Relations Systems, Human Resources Shared Services Center, and St. Louis Accounting Service Center reports; source documents; and interviews with Postal Service personnel involved in the Uniform Program. We determined that the data were sufficiently reliable for the purposes of this report.

## Prior Audit Coverage

The OIG did not identify any prior audits or reviews related to the objective of this audit within the last five years.

# Appendix B: Management's Comments

DOUG A. TULINO  
VICE PRESIDENT, LABOR RELATIONS



September 12, 2019

LAZERICK POLAND  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Oversight of the U.S. Postal Service's Uniform Program (Report Number SM-AR-19-DRAFT)

This is in response to the above referenced audit report dated August 28, 2019. The OIG's objective was to evaluate the effectiveness of management controls over the Postal Service's Uniform Program. The scope period included a review of UAPC transactions for Calendar Years (CY) 2016 through 2018.

The following are the responses to the OIG recommendations:

**Recommendation #1:** We recommend the Vice President, Labor Relations, implement a periodic reconciliation process of Citibank's vendor sales transactions to the approved licensed vendor list to identify transactions at non-licensed vendors.

**Management Response/Action Plan:**

Management agrees with the recommendation. The Uniform Program Administrator will implement a periodic review to reconcile Citibank's vendor sales transactions with the approved licensed vendors listing to identify unauthorized transactions.

**Target Implementation Date:** November 30, 2019

**Responsible Official:**

Marina Dejo-Nicholson  
Manager, Labor Relations Systems

**Recommendation #2:** We recommend the Vice President, Labor Relations, implement a review process to ensure vendors adhere to quarterly report submission requirements, and determine appropriate actions, to include termination of agreement, for noncompliance.

**Management Response/Action Plan:**

Management agrees with the recommendation. Appropriate actions and follow-up will be taken to ensure vendors adhere to the quarterly report requirements.

**Target Implementation Date:** April 30, 2020

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**Responsible Official:**

Marina Dejo-Nicholson  
Manager, Labor Relations Systems

**Recommendation #3:** We recommend the Vice President, Labor Relations, implement a periodic validation process of vendor quarterly reports and vendor sales invoices to ensure accuracy and compliance.

**Management Response/Action Plan:**

Management agrees with the recommendation. Management will review the vendor quarterly reports submissions at the close of each quarter to ensure accuracy and compliance.

**Target Implementation Date:** January 31, 2020

**Responsible Official:**

Marina Dejo-Nicholson  
Manager, Labor Relations Systems

**Recommendation #4:** We recommend the Vice President, Labor Relations, implement a process to validate vendor compliance in selling uniform items to approved Postal Service employees, or require vendors to include employee names and form of payment on quarterly sales reports to identify ineligible purchases.

**Management Response/Action Plan:**

Management disagrees with the recommendation. In CY19, management has taken proactive steps to assess vendor compliance by conducting site visits. However, it is not possible to "police" vendors for the purpose of determining whether or not they are selling to non-postal employees.

Regarding requiring vendors to include employee names and form of payment on quarterly sales reports to identify ineligible purchases: The average number of transactions in a given year is approximately 400,000. Again, it would be impractical to expect the Uniform Program office to perform a manual review of tens of thousands of transactions each quarter.

Rather, management will issue a periodic communication to vendors regarding their responsibilities to sell approved uniform items only to postal employees only based on their position, craft and employee type in line with license agreements.

**Target Implementation Date:** N/A

**Responsible Official:**

Marina Dejo-Nicholson  
Manager, Labor Relations Systems

**Recommendation #5:** We recommend the Vice President, Labor Relations, identify a centralized location, physical or electronic, to store all license agreements accessible by the Uniform Program office.

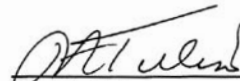
**Management Response/Action Plan:**

Management agrees with the recommendation. The Uniform Program office has established a centralized physical filing system and is working to ensure all license agreements are maintained electronically.

**Target Implementation Date:** December 31, 2019

**Responsible Official:**

Marina Dejo-Nicholson  
Manager, Labor Relations Systems



Doug A. Tulino  
Vice President, Labor Relations

cc: Sally K. Haring  
Manager, Corporate Audit Response Management



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