

September 30, 1998

A. KEITH STRANGE  
VICE PRESIDENT, PURCHASING AND MATERIALS

**Subject:** Local Requisition of Cleaning Services

This Management Advisory Report highlights the results of our review of the United States Postal Service (USPS) policies for purchasing local cleaning services and offers suggestions for improvement.

This review was initiated as a result of an allegation of impropriety concerning cleaning services contracts within USPS facilities.

---

### **Objective, Scope and Methodology**

The objective of our review was to assess USPS policies for purchasing local cleaning services and identify areas for improvement. In conducting our review, we interviewed appropriate personnel<sup>1</sup> and reviewed USPS policies.<sup>2</sup> Our review was conducted between April and August 1998, using the President's Council on Integrity and Efficiency Quality Standards for Inspections.

---

### **Results in Brief**

Opportunities exist to improve the USPS policy for procuring local cleaning services. Specifically, policies for cleaning service contracts under \$10,000 could be modified to include contract terms that are documented and enforceable. Although USPS personnel are not required to establish a written agreement for all cleaning service contracts, we believe that an unwritten agreement presents potential for abuse, by both USPS employees and contractors.

---

<sup>1</sup> HQ Purchasing Policies Specialists

<sup>2</sup> USPS Administrative Support Manual 11 (ASM11, March 1996), Purchasing Manual, Procurement Manual Publication 41, Contracting for Cleaning Services Handbook AS-707D, and Housekeeping Postal Facilities Maintenance Series Handbook MS-47.

Without a basic contractual document, controls are not present to preclude easy fabrication of contractual terms. Thus there is less deterrent effect on individuals inappropriately negotiating fees not related to services provided.

---

**Background**

Current USPS policies<sup>3</sup> do not require written agreements for local cleaning services contracts. Specifically, under local buying authority<sup>4</sup>, no written agreement is required for contracts under \$10,000 for self-employed individuals and under \$2,500 for companies.<sup>5</sup>

---

**Observations**

Opportunities exist for improvement in the USPS policy for procuring local cleaning services. Although, USPS personnel are not required to establish a written agreement for all cleaning service contracts, we believe that an unwritten agreement presents potential for abuse, by both USPS employees and contractors. The USPS Mid-Atlantic Area supports over 1,100 active cleaning contracts.

Category	Contract	Percent
\$1 - \$2,500	300	25
\$2,501 - \$10,000	840	70
<i>Total</i>	1,140	95

**Note:** Approximately 97 percent of the contract cleaners were self-employed individuals. Also, approximately 31 percent of the cleaning contracts were terminated during the first year of performance.<sup>6</sup>

---

<sup>3</sup> According to USPS Administrative Support Manual 11 (ASM11, March 1996), contracting authority and methods are provided in Publication 41, the Procurement Manual (PM) superseded by the current Purchasing Manual). The PM applies, in part, to all USPS purchasing activities, with the exception of purchases made using the local buying authority (ASM 511.22, 711.11). Where the PM and Handbook AS-707D vary, the Handbook will govern (Handbook AS-707D, section 120).

<sup>4</sup> Local buying authority is the authority to buy and pay for day-to-day operational needs, but may not be used to obtain cleaning services, which requires the use of structured contracts, unless the hire is a self-employed contract cleaner and the value of the services provided are less than \$10,000 per year (ASM713.1(4);ASM 714).

<sup>5</sup> According to USPS Purchasing specialist, no written agreement is required in these situations; however, local Purchasing and Materials Service Centers can supplement USPS Headquarters regulations, and require documentation in these instances. Prior to 1993, or thereabouts, all custodial contracts were procured through the use of “structured contracts” under the requirements of Publication 41 (see fnnt 3 citations, supra). During 1994, a determination was made by USPS Headquarters, under the Cleaning Services Simplification Initiative spearheaded by PMG Runyon, that even a one page cleaning agreement would not be required.

<sup>6</sup> Figures reflect the Greensboro test project, Cleaning Services Test Initiative, 1994.

For the 1,100 cleaning service contracts, individual contractors were the primary source for cleaning services. Furthermore, the majority of cleaning service contracts were longer than one year in length. Due to the continuation of most cleaning service contracts, any questionable arrangements have the potential to continue indefinitely. Thus, without a basic contractual document, controls are not present to preclude easy fabrication of contractual terms.

In addition, not identifying who will actually perform the cleaning services can lead to a serious breach of security, as cleaning service personnel usually have access to the entire Postal Service facility.

---

## Suggestions

We suggest that the Vice President, Purchasing and Materials, ensure that an appropriate contractual document is developed and used for local purchase authority for contract cleaning service. As a minimum, the document should include the following basic terms:

1. Parties to the contract
2. Scope of cleaning service, including the identities of individuals performing the cleaning services
3. Payment amounts and arrangements

---

## Management Comments

The Vice President, Purchasing and Materials, provided an interim response agreeing there was a need to review and revisit the policy permitting local postal management to enter into *handshake agreements* for cleaning services. He concluded that it was necessary for management to gather more information to allow for a balanced assessment of the situation before initiating any significant policy or procedural changes related to the local purchase of cleaning services. The Vice President stated that returning to a more formalized way of purchasing cleaning services may not be an option because it would cause a significant work load shift and significantly increase the cost of soliciting, awarding, and administering the purchase of cleaning services. Management's verbatim comments are included on *page 5* of this report.

---

## Evaluation of Management Comments

Management's comments are generally responsive to our suggestions. The current "handshake" policy of reducing the administrative burden associated with the purchase of cleaning services contracts has been a useful and important response to the prior time-consuming solicitation and award process. While recognizing the significant advantages associated with the "handshake" policy, the OIG recommends, not a return to the "old

way of purchasing”, but a minimal written record of the basic terms of an agreement. Such a basic document, which can be one page in length and which can be signed and administered by the local postmaster, allows for a written record to be referenced should the need arise to determine the original terms of an agreement.

The alleged impropriety may or may not have been an isolated incident. The importance of the alleged impropriety was not to determine whether the problem was widespread, but rather, that it showed a basic weakness in a system that may not allow for a reference to a document if no document is required. With a written document, the Postal Service is in a better position to make judgements regarding the nature of any transaction after the fact, and is thus protected. A basic written contract, administered at the local level, provides empowerment to the local postal officials while protecting the Postal Service, as well as the supplier, from potential variances in agreements.

If you have any questions, please contact [REDACTED], or me at (703) 248-2300.

Sylvia L. Owens  
Assistant Inspector General  
Revenue/Cost Containment

cc: [REDACTED]  
[REDACTED]

SEP 30 1998

SYLVIA L. OWENS

SUBJECT: Interim Response--Purchasing Cleaning Services Locally

This responds to your September 14, *Transmittal of Management Advisory Report--Local Requisition of Cleaning Services*. I appreciate the opportunity to respond to your concerns and agree that we should review and revisit the policy, whereby we permit local postal management (usually a Postmaster) to enter into *handshake agreements* for cleaning services.

As background information, the purchase of cleaning services for our smaller postal facilities has historically been a source of contention between the Postal Service and the National Association of Postmasters of the United States (NAPUS). Their main complaints were that the process used to purchase this service took too long and the perception that they had little input in the supplier selection process. Before the current local policy was adopted, nearly all cleaning service requirements, regardless of dollar value, were purchased using a time-consuming solicitation and award process that in some instances, resulted in no response whatsoever. Another important consideration, is that there is an extremely high turnover rate for contract cleaners. It was not uncommon to solicit the same cleaning contract, for the same post office, 3 or 4 times in a single year because of the high turnover rate.

Before the current *handshake* policy was adopted, several meetings took place to discuss the merits of a written local cleaning agreement document *vis-à-vis* a *handshake local* agreement. These discussions took place shortly after Marvin Runyon began his term as Postmaster General (PMG) and began emphasizing the importance of empowering local management to have more control of their day-to-day operational needs and requirements. Among other things, low dollar value contract cleaning requirements were identified as a prime candidate for improvement under PMG Runyon's call to empower local postal management. Present at these discussions were assigned counsel; the Manager, Field Customer Support; the Manager, Purchasing Policies and Programs, and several purchasing policies specialists. At the end of these meetings, it was decided that a *handshake* cleaning agreement would be sufficient and would provide the Postal Service the same protection as a written cleaning agreement, or said another way, a written cleaning agreement provided no more protection (to the supplier and the USPS) than the *handshake*. So, it was decided that we would not use a written document, but would rely on the Postmaster to enter into a local *handshake* cleaning agreement with a self-employed individual.

However, at this time it is our conclusion that it is very important that we take the time to gather more information so that we can make a balanced assessment of the situation before initiating any significant policy or procedural changes related to the local purchase of cleaning services. The limited feedback we have received about empowering local postal management to purchase their own cleaning services has been generally positive and I would not want to change that policy without hard data that supports a change. Most importantly, we need to determine if the alleged impropriety (mentioned in your memo) is an isolated incident or one that indicates a systemic problem. Once that is done, we can decide on a course of action.

-2-

Returning to the old way of purchasing this service is probably not an option because it would cause a significant work load shift, and significantly increase the cost of soliciting, awarding, and administering the purchase of cleaning services.

In closing, I am asking that you give us more specific details about the alleged impropriety referenced in your September 14 memorandum. Also, it would be helpful to know if you are aware of any other similar situations, and if so, how many? Once we have this information we will be able to better assess the extent of the problem and develop, if needed, an appropriate remedy.

Please direct any questions you may have to [REDACTED] or [REDACTED].

bcc: VP Reading File  
[REDACTED]  
[REDACTED]

Subject File  
P410:RAGlasner.svt:20260-6201:9/29/98:Cleaning Services

