



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

**Unauthorized Overtime Usage in
Field Operations**

Audit Report

March 30, 2012

Report Number HR-AR-12-003



IMPACT ON:

The U. S. Postal Service's labor costs.

WHY THE OIG DID THE AUDIT:

Given the Postal Service's financial condition, it is critical to manage workhours. Our objective was to assess the Postal Service's management controls and oversight to prevent unauthorized overtime.

WHAT THE OIG FOUND:

The Postal Service has established procedures to monitor and control unauthorized overtime. However, managers and supervisors did not always follow the prescribed procedures, as we identified issues relating to Postal Service (PS) Form 1017-B, Unauthorized Overtime Record; PS Form 3996, Carrier – Auxiliary Control; Time and Attendance Collection System (TACS) updates; and controls over time cards. As a result, we identified 7.5 million unauthorized overtime workhours in fiscal year (FY) 2010 and 10.6 million in FY 2011, at a combined cost of \$717.5 million to the Postal Service.

WHAT THE OIG RECOMMENDED:

We recommended the chief operating officer and executive vice president instruct the vice presidents, Area Operations, to issue supplemental guidance reinforcing the importance of completing PS Forms 1017-B, reviewing PS Forms 3996, and taking action to

either approve or disapprove carrier overtime requests before carriers leave for their routes, and following badge control and clock ring procedures to ensure employees are unable to perform unauthorized work. Also, have supervisors review required TACS reports, provide periodic refresher training to managers and supervisors on monitoring unauthorized overtime, hold managers and supervisors accountable for not addressing unauthorized overtime, and establish and implement proactive monitoring processes including periodic reminders and a system of accountability to minimize unauthorized overtime

WHAT MANAGEMENT SAID:

Management agreed with the findings and recommendations and plan to implement corrective actions by September 30, 2012. Management also agreed with the monetary impact of \$717.5 million reported.

AUDITORS' COMMENTS:

Management's comments were responsive and we believe the corrective actions should resolve the issues identified in the report.

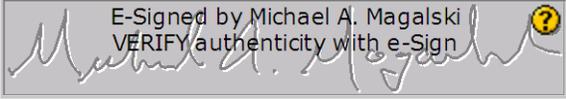
[Link to review the entire report](#)



March 30, 2012

MEMORANDUM FOR: MEGAN J. BRENNAN
CHIEF OPERATING OFFICER AND EXECUTIVE VICE
PRESIDENT

E-Signed by Michael A. Magalski
VERIFY authenticity with e-Sign

A rectangular box containing a handwritten signature in cursive, "Michael A. Magalski", with a yellow question mark icon in the top right corner.

FROM: Michael A. Magalski
Deputy Assistant Inspector General
for Support Operations

SUBJECT: Audit Report – Unauthorized Overtime Usage in Field
Operations (Report Number HR-AR-12-003)

This report presents the results of our audit of Unauthorized Overtime Usage in Field Operations (Project Number 11YG042HR000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Andrea Deadwyler, director, Human Resources and Security, or me at 703-248-2100.

Attachments

cc: Vice Presidents, Area Operations
Dean J. Granholm
Tim O'Reilly
David E. Williams
Deborah Giannoni-Jackson
Corporate Audit and Response Management

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Introduction

This report presents the results of our audit of unauthorized overtime usage in field operations (Project Number 11YG042HR000). Our objective was to assess Postal Service management controls and oversight to prevent unauthorized overtime.¹ This audit was self-initiated and addresses financial and operational risks. See [Appendix A](#) for additional information about this audit.

The U.S. Postal Service ended fiscal year (FY) 2011 with a net loss of \$5.1 billion,² bringing its 5-year net loss to \$25 billion. Also, mail volume in FY 2011 declined another 3 billion pieces to 168 billion, dropping total mail volume to levels not seen since 1992. As a result, it is critical for the Postal Service to efficiently and effectively manage employee workhours and ensure employees are not performing unauthorized work.

Postal Service field operations employees worked approximately 1.2 billion and 1.1 billion hours in FYs 2010 and 2011, respectively. Overtime workhours accounted for approximately 6.6 percent of total workhours in FY 2010 and 7.4 percent in FY 2011, and many of these overtime hours were not authorized by managers or supervisors.

Under the Fair Labor Standards Act (FLSA), as amended, the time during which an employee performs work may be compensable working time even if the employer did not request it. FLSA regulations require management to control what work is performed and prevent employees from performing unauthorized work.³

Conclusion

The Postal Service has established procedures to assist supervisors with monitoring and controlling unauthorized overtime; however, at the 12 locations⁴ we visited during our audit, managers and supervisors did not always follow the prescribed procedures. Specifically, they did not always complete and maintain Postal Service (PS) Forms 1017-B, Unauthorized Overtime Record, for employees who incurred unauthorized overtime; provide carriers with feedback when they submitted PS Form 3996, Carrier – Auxiliary Control, to request assistance or overtime; update the Time and Attendance Collection System (TACS) to reflect authorized overtime; and control employees' access to time cards.

We identified 7.5 million unauthorized overtime workhours in FY 2010 and 10.6 million in FY 2011, at a combined cost of \$717.5 million to the Postal Service (\$294.4 million in FY 2010 and \$423.1 million in FY 2011). Based on our interviews with managers and

¹ Overtime that an employee works without authorization.

² The \$5.1 billion loss does not include \$5.5 billion in deferred retiree health benefits prefunding.

³ 29 Code of Federal Regulations (CFR) §778.316 and §785.10-13.

⁴ Chicago, Northern Virginia, Dulles, Harrisburg, Lehigh Valley, and Santa Clarita Processing and Distribution Centers (P&DCs); the Alexandria Memorial Annex; the Ft. Dearborn and Wicker Park Stations; and the Allentown, Van Nuys, and Thousand Oaks Post Offices.

supervisors, we found that some of the unauthorized overtime workhours recorded in the TACS may have been informally authorized by management. However, management did not track, and we were unable to segregate, informally authorized overtime from the unauthorized overtime workhours recorded in TACS. As a result, we classified the entire amount recorded in TACS as unsupported questioned costs.⁵

Lastly, we identified controls in the Central Pennsylvania District that should be considered best practices throughout the Postal Service. These best practices include active daily monitoring of unauthorized overtime by supervisors and active oversight by managers and the district TACS office.

Procedures to Monitor and Control Unauthorized Overtime Were Not Followed

PS Form 1017-B, Unauthorized Overtime Record

At the 12 locations we visited, we found that supervisors did not always:

1. Complete or maintain PS Forms 1017-B to track employees' unauthorized overtime usage.
2. Record all employees' unauthorized overtime occurrences.
3. Hold discussions with employees to determine the causes of unauthorized overtime occurrences.
4. Pursue corrective actions to address repeated unauthorized overtime occurrences, when appropriate.

We requested PS Forms 1017-B for 20 employees at each location we visited. The supervisors at eight locations⁶ were able to provide 74 of the 240 (31 percent) requested forms. Also, the forms they provided were not always complete. For example, supervisors at the [REDACTED] Post Office provided PS Forms 1017-B for only five of the 20 employees. In addition, the total unauthorized overtime recorded on the forms was 13.27 hours, compared to the 7,380.57 hours recorded in TACS. Only two of the five forms indicated that supervisors held discussions with employees regarding unauthorized overtime occurrences. At the remaining four locations,⁷ officials did not complete the forms as required. Supervisors at the [REDACTED] P&DC prepared the forms for us after we requested them. See Table 1 for the detailed information regarding PS Forms 1017-B provided by location.

⁵Costs that the U.S. Postal Service Office of Inspector General (OIG) questions because of missing or incomplete documentation or failure to follow required procedures.

⁶ Dulles and Lehigh Valley P&DCs; the Alexandria Memorial Annex; the Ft. Dearborn and Wicker Park Stations; and the Allentown, Van Nuys, and Thousand Oaks Post Offices.

⁷ Chicago, Northern Virginia, Harrisburg, and Santa Clarita P&DCs.

Table 1. PS Forms 1017-B Provided by Location

Facility	Number of PS Forms 1017-B Requested	Number of PS Forms 1017-B Provided	Percentage of PS Forms 1017-B Provided
1. Northern Virginia P&DC	20	0	0%
2. Dulles P&DC	20	6	30%
3. Alexandria Memorial Annex	20	5	25%
4. Harrisburg P&DC	20	0	0%
5. Lehigh Valley P&DC	20	6	30%
6. Allentown Post Office	20	15	75%
7. Chicago P&DC	20	0	0%
8. Ft. Dearborn Station	20	7	35%
9. Wicker Park Station	20	15	75%
10. Santa Clarita P&DC	20	0	0%
11. Van Nuys Post Office	20	5	25%
12. Thousand Oaks Post Office	20	15	75%
Total	240	74	31%

Source: OIG

Supervisors at offices we visited stated that completing PS Forms 1017-B was not a priority and mail processing and delivery duties took precedence. In addition, some supervisors were not knowledgeable of the procedures for monitoring and controlling unauthorized overtime. For example, several supervisors were not using the Unauthorized Overtime Reports to monitor unauthorized overtime. Two supervisors⁸ we interviewed were not familiar with PS Form 1017-B.

PS Form 1017-B serves as a cumulative record of unauthorized overtime. Managers and supervisors are required to complete a PS Form 1017-B the first time a non-exempt employee incurs unauthorized overtime. They are also required to document subsequent occurrences on the form and take appropriate corrective action to address repeated occurrences, when appropriate. Because supervisors did not properly document unauthorized overtime, they cannot effectively manage overtime hours.

PS Form 3996, Carrier – Auxiliary Control

Supervisors at the [redacted] and [redacted] did not always provide carriers with feedback when they submitted PS Forms 3996 to request assistance or overtime. Carriers assumed their overtime requests had been approved and incurred the requested overtime. At the [redacted] Post Office, supervisors did not require

⁸ One certified supervisor at the [redacted] P&DC and one 204B supervisor at the [redacted] P&DC.

carriers to update PS Forms 3996 to reflect additional overtime incurred to complete their routes. In addition, supervisors at the [REDACTED] Post Office only used PS Form 3996 when they were short carriers and needed to split routes and assign additional work to carriers.

In our interviews with personnel at these locations, we found that delivery management did not emphasize the use of PS Forms 3996 as a tool to help manage daily operations. Several supervisors at the sites we visited stated that reviewing PS Forms 3996 was not a priority. Mail delivery issues such as addressing carrier absenteeism, walking the floor to assess the workload, and ensuring route coverage for mail delivery, took precedence. A supervisor at the [REDACTED] Post Office stated they were not aware of the requirement to review PS Forms 3996 when carriers returned from their routes to assess time authorized by the supervisors compared to the time worked by the carriers. In addition, supervisors at the [REDACTED] Post Office thought they only needed to use the form when they gave additional work to carriers to cover unmanned routes.

A senior Postal Service official stated that carriers receiving Flats Sequencing System mail may only spend an hour in the office before leaving for their street duties. This limits the supervisor's ability to address the carriers' workload and properly address PS Forms 3996. Typically in the first hour local management is performing other duties such as splitting vacant routes, supervising the distribution of non-machinable mail and reject mail, opening the retail windows, coordinating parcel pick-ups, staffing the box section, and assuring accountable mail is processed and ready for the carrier's leave time. These competing tasks often take away from the quality efforts needed to properly assess and address carrier workload and assignments.

Carriers must complete a PS Form 3996 to request overtime or auxiliary assistance on their routes for days when they estimate the route will exceed 8 hours because of workload and volume. Carriers are required to show the reason for requesting assistance or overtime on the form. In addition, PS Form 3996 has a section for management to approve or disapprove carriers' requests. Management must approve or disapprove carriers' requests and inform carriers of the decision before they leave for their routes. Furthermore, supervisors are required to review PS Forms 3996 as they relate to time authorized and time used after the carriers return from their routes, and maintain copies in a designated place for use when reviewing carriers' time cards. Because supervisors did not review carriers' requested and used overtime, the Postal Service may have incurred unnecessary overtime costs.

[Updating TACS to Reflect Approved Overtime](#)

At nine of the 12 facilities we visited, supervisors informally granted employees authorization to work overtime; however, they did not always update TACS to reflect the approval. Specifically, unauthorized overtime ranged from 15 percent to as much as 98 percent of the total overtime in TACS, for these nine locations. See Table 2.

Table 2. Unauthorized Overtime Workhours as a Percentage of Total Overtime Workhours

Facility	FY 2010			FY 2011		
	Total Overtime	Unauthorized Overtime	Unauthorized Overtime as a Percentage of Total Overtime	Total Overtime	Unauthorized Overtime	Unauthorized Overtime as a Percentage of Total Overtime
Northern Virginia P&DC	129,766	33,308	26%	178,006	51,860	29%
Dulles P&DC	151,126	26,045	17%	133,337	20,231	15%
Alexandria Memorial Annex	25,176	18,049	72%	21,843	21,337	98%
Chicago P&DC	227,936	74,588	33%	156,238	32,186	21%
Ft. Dearborn Post Office	58,369	40,956	70%	70,741	42,715	60%
Wicker Park Post Office	34,852	30,890	89%	33,424	21,501	64%
Santa Clarita P&DC	122,923	80,939	66%	91,436	61,175	67%
Van Nuys Post Office	28,088	17,077	61%	28,996	12,472	43%
Thousand Oaks Post Office	21,247	18,561	87%	29,700	24,058	81%

Source: eFlash and TACS

This condition occurred because supervisors did not always coordinate between tours to confirm that overtime hours were authorized and actually worked. In addition, several supervisors stated that their workload has increased significantly over recent years and updating TACS was not a priority. Further, several supervisors did not review the TACS Overtime Alert and Unauthorized Overtime Reports daily to ensure the accuracy of timekeeping data, as required. Also, postmasters and installation heads did not hold supervisors accountable for significant unauthorized overtime usage in their respective areas.

Supervisors are required to generate and review TACS reports (including the Overtime Alert and Unauthorized Overtime Reports) daily to ensure the accuracy of timekeeping data. The postmaster or installation head should monitor supervisors' use of these reports.⁹ If supervisors do not update TACS with the correct information, there is an

⁹ Field Finance Training: Timekeeping, Participant's Guide.

increased risk that overtime information contained in TACS that is used to plan operations may not be reliable.

Control Over Time Cards

Management secured time cards at the [REDACTED] P&DC and the [REDACTED] and [REDACTED] Post Offices. However, we found that supervisors at the remaining nine sites did not control employees' access to time cards. For example, we identified several employees at the [REDACTED], and [REDACTED] P&DCs who did not keep their time cards in the racks, as required. They took them home after their tours ended.

Supervisors at several locations¹⁰ stated they do not lock the time card racks because employees have staggered tours and workhours and locking the time card racks would create operational disruptions. Managers at the [REDACTED] P&DC and the [REDACTED] Station stated that the lockable time card racks were not locked at the time of our visit because they had been damaged several times and subsequently repaired. The senior operations manager at the [REDACTED] P&DC stated that the facility was developing a plan of action for time card control that would address this issue at minimal expense. The [REDACTED] Station manager submitted a request to the Facilities Service Office to move the time card rack to a different location and repair the rack door. Management at the [REDACTED] P&DC was in the process of installing lockable doors for the time card racks, but the process was not completed at the time of our visit.

Postal Service policy states that supervisors are responsible for controlling employee access to time cards. They are required to take all necessary action to restrict employees' access to the time cards before their scheduled tour begins and make certain employees clock-in and out according to their assigned schedules.¹¹ Time cards should be placed in the designated rack for the assigned work area and must be secured from unauthorized access when not in active use. Employees should never retain time cards after clocking in or out, unless given specific authorization from the supervisor to do so.¹²

These conditions created opportunities for employees to receive overtime without prior approval, clock-in for work before their scheduled tour began, and clock-out after their tour ended. For example, we identified two employees at the [REDACTED] P&DC who worked at their own discretion. One employee stated he sometimes worked on his scheduled day off without checking to see whether he was authorized to work overtime. Another employee stated that she normally worked after her tour ended to complete her assignment. These employees assumed their actions were acceptable because their supervisors never addressed the issue with them.

¹⁰ [REDACTED] and the [REDACTED] Post Office.

¹¹ Handbook F-21, *Time and Attendance*, Section 133.63.

¹² Handbook F-21, Section 142.24.

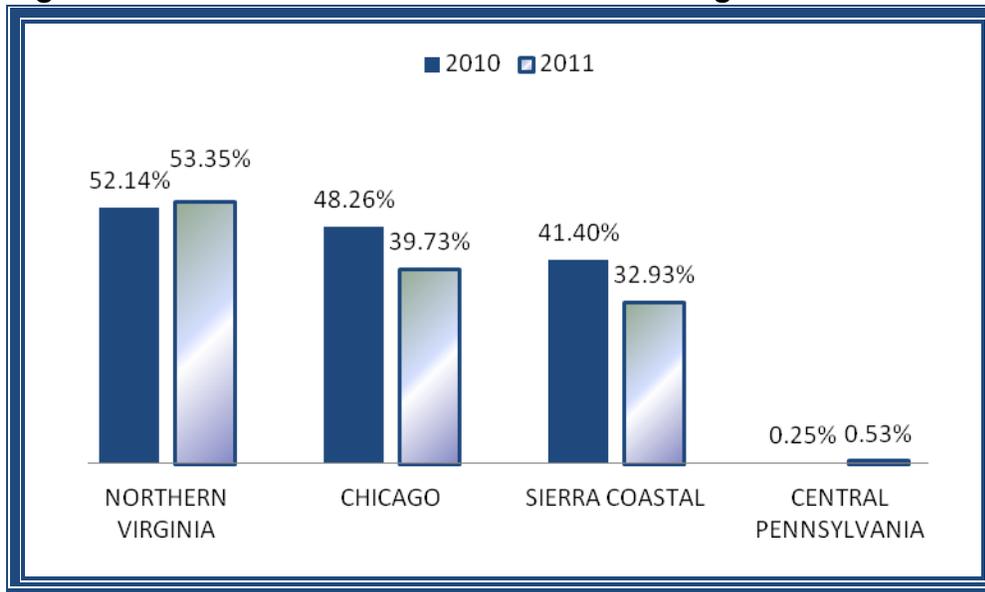
Implementing Best Practices

Although we identified issues relating to PS Form 1017-B and controls over time cards in the Central Pennsylvania District, we noted monitoring controls that were worthy of consideration as best practices throughout the Postal Service. Central Pennsylvania District management requires supervisors at all plants, stations, branches, and associate offices in the district to generate an Unauthorized Overtime Report for each tour daily. Supervisors are required to review this report and approve authorized overtime in TACS. If the overtime is not authorized, supervisors are required to document the occurrence on a PS Form 1017-B.

In addition, the district TACS office is proactive in monitoring unauthorized overtime. For example:

- Every Saturday TACS clerks remind offices to review unauthorized overtime.
- Every Sunday TACS clerks send e-mail notifications or place calls to plants and offices that are open and still have unauthorized overtime. They notify the field of the number of occurrences and of individual TACS files of employees with unauthorized overtime. Closed offices also receive e-mails on Sunday so they can take action first thing Monday morning.
- Every Monday:
 - TACS clerks send e-mail notifications or place calls to all sites that have unauthorized overtime.
 - Between 1 p.m. and 2 p.m., the manager, Financial Programs Compliance (MFPC), generates and reviews the district-wide report for unauthorized overtime. The MFPC contacts all sites with unauthorized overtime that have not indicated their intent to report the overtime as unauthorized.
 - At 3 p.m., the MFPC once again generates and reviews the district-wide unauthorized overtime report. Sites are then notified of unauthorized overtime by e-mail with notification going to the plant manager or Postal Operations Office manager.

These monitoring and oversight practices contributed to minimal unauthorized overtime usage in the Central Pennsylvania District. In addition, the district had less than 1 percent of unauthorized overtime as a percentage of total overtime in FYs 2010 and 2011, compared to over 30 percent for the other districts we visited (see Figure 1).

Figure 1: Unauthorized Overtime as a Percentage of Total Overtime

Source: eFlash and TACS

Recommendations

We recommend the chief operating officer and executive vice president instruct the vice presidents, Area Operations, to:

1. Issue supplemental guidance to supervisors and managers to emphasize the importance of:
 - Completing and maintaining Postal Service Forms 1017-B, Unauthorized Overtime Record, for employees who incur unauthorized overtime.
 - Approving and disapproving Postal Service Forms 3996, Carrier Auxiliary Control, before carriers leave for their routes and reviewing the forms to assess actual time used when they return.
 - Following badge control and clock ring procedures to help prevent unauthorized overtime.
2. Develop a consolidated report, or revise an existing report, to include the Time and Attendance Collection System and Unauthorized Overtime Reports and require supervisors to review the consolidated report to ensure the accuracy of the timekeeping data and improve monitoring of unauthorized overtime.
3. Provide periodic refresher training for supervisors to emphasize their responsibilities for time and attendance, including monitoring unauthorized overtime and using Postal Service Form 3996, Carrier Auxiliary Control, for managing delivery operations.

4. Develop and implement performance measures or other management controls to hold managers and supervisors accountable for failing to address unauthorized overtime.
5. Establish and implement proactive monitoring processes that include periodic reminders and a system of accountability, similar to the procedures that have been implemented in the Central Pennsylvania District to minimize unauthorized overtime.

Management's Comments

Management agreed with the findings, recommendations, and the monetary impact of \$717.5 million reported. Regarding recommendations 1 and 3, management stated they will develop a training webinar by September 30, 2012, specific to the use of PS Forms 1017-B and 3996, badge control procedures, and authorization of overtime. They will record the webinar event and use it in the future to ensure that managers exercise adequate control over employee overtime.

Regarding recommendations 2 and 4, management stated that they will collaborate with Finance and Payroll to set up thresholds for developing a review process for managers and/or their delegates to ensure that unauthorized overtime is appropriately applied and documented. Lastly, in response to recommendation 5, they will collaborate with Finance and the TAC's Office to implement the Central Pennsylvania District's unauthorized overtime procedures as a best practice. Management expects to implement corrective actions for recommendations 2, 4, and 5 by September 30, 2012. See [Appendix C](#) for management's comments, in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report.

The OIG considers all recommendations significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These 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.

Appendix A: Additional Information

Background

The FLSA establishes minimum wage, overtime pay, recordkeeping, and child labor standards affecting full-time and part-time workers in the private sector and in federal, state, and local governments. The Wage and Hour Division of the U.S. Department of Labor administers and enforces the FLSA with respect to private employment; state and local government employment; and federal employees of the Library of Congress, Postal Service, Postal Rate Commission,¹³ and the Tennessee Valley Authority. The FLSA is enforced by the U.S. Office of Personnel Management for employees of other Executive Branch agencies and by the U.S. Congress for covered employees of the Legislative Branch.¹⁴

FLSA regulations require management to control what work employees perform and prevent them from performing unauthorized work during compensable working time if the employer did not request it.

Postal Service employees in field operations worked approximately 1.2 billion and 1.1 billion hours in FYs 2010 and 2011, respectively. Overtime workhours accounted for approximately 6.6 percent of total workhours in FY 2010 and 7.4 percent in FY 2011 (see Table 3).

Table 3. Overtime Workhours as a Percentage of Total Workhours

Area	FY 2010			FY 2011		
	Overtime Workhours	Total Workhours	Overtime Workhours as a Percentage of Total Workhours	Overtime Workhours	Total Workhours	Overtime Workhours as a Percentage of Total Workhours
Capital Metro	8,449,260	121,866,425	6.9%	9,266,979	118,584,644	7.8%
Eastern	12,046,696	183,937,145	6.5%	13,047,364	178,873,170	7.3%
Great Lakes	10,390,947	148,784,721	7.0%	11,437,603	144,507,645	7.9%
Northeast	12,262,196	172,865,925	7.1%	14,314,457	170,876,308	8.4%
Pacific	6,648,406	125,129,210	5.3%	7,586,123	122,943,562	6.2%
Southwest	13,556,855	213,690,668	6.3%	14,224,304	208,434,866	6.8%
Western	12,517,998	189,928,858	6.6%	13,252,383	185,111,447	7.2%
TOTAL	75,872,358	1,156,202,952	6.6%	83,129,213	1,129,331,642	7.4%

Source: National eFlash

¹³ The Postal Reorganization Act of 1970 created the Postal Regulatory Commission (PRC), originally named the Postal Rate Commission, to set the rates for different classes of mail by holding hearings on rates proposed by the Postal Service. The Postal Accountability and Enhancement Act of 2006 made several changes to the PRC including giving the body its current name.

¹⁴ *Handy Reference Guide to the Fair Labor Standards Act*, September 2010.

Objective, Scope, and Methodology

Our objective was to assess Postal Service management's controls and oversight to prevent unauthorized overtime. Our scope included unauthorized overtime incurred for field operations in FYs 2010 and 2011.

To accomplish our objective, we:

- Reviewed laws and regulations pertaining to unauthorized overtime. In addition, we reviewed Postal Service policies and procedures for monitoring and controlling unauthorized overtime use.
- Analyzed FY 2010 and 2011 overtime data for all 67 Postal Service district offices recorded in TACS and judgmentally selected the Northern Virginia, Chicago, Sierra Costal, and Central Pennsylvania districts for fieldwork. We selected the Northern Virginia, Chicago, and Sierra Costal districts because they ranked high for unauthorized overtime as a percentage of total overtime workhours for FY 2010. We selected the Central Pennsylvania District to identify best practices because it ranked low.
- Interviewed finance and budget managers at the selected districts to determine how they monitor and control unauthorized overtime.
- Judgmentally selected three facilities in each of the four districts for review. We selected the 12 facilities because they incurred high amounts of unauthorized overtime relative to other facilities in their respective districts.
- Toured each of the 12 facilities included in our audit, observed clock ring and badge control procedures, and interviewed managers and supervisors to determine the causes of unauthorized overtime and procedures they have in place to monitor and control occurrences (see Table 4 for the facilities we visited).

Table 4. Facilities Visited

Area	District	Facility	City, State
Capital Metro	Northern Virginia	1. Northern Virginia P&DC	Merrifield, VA
Capital Metro	Northern Virginia	2. Dulles P&DC	Dulles, VA
Capital Metro	Northern Virginia	3. Alexandria Memorial Annex	Alexandria, VA
Eastern	Central Pennsylvania	4. Harrisburg P&DC	Harrisburg, PA
Eastern	Central Pennsylvania	5. Lehigh Valley P&DC	Lehigh Valley, PA
Eastern	Central Pennsylvania	6. Allentown Post Office	Allentown, PA
Great Lakes	Chicago	7. Chicago P&DC	Chicago, IL
Great Lakes	Chicago	8. Ft. Dearborn Station	Chicago, IL
Great Lakes	Chicago	9. Wicker Park Station	Chicago, IL
Pacific	Sierra Costal	10. Santa Clarita P&DC	Santa Clarita, CA
Pacific	Sierra Costal	11. Van Nuys Post Office	Van Nuys, CA
Pacific	Sierra Costal	12. Thousand Oaks Post Office	Thousand Oaks, CA

Source: OIG

- Identified 20 employees who incurred unauthorized overtime at each of the 12 facilities and compared hard copies of their PS Forms 1017-B to unauthorized overtime workhours recorded in TACS in FYs 2010 and 2011.
- Interviewed at least five employees who incurred unauthorized overtime at each of the 12 facilities to determine why they performed overtime work without prior approval from their managers and supervisors, whether their supervisors had held discussions with them concerning unauthorized overtime, and whether they had been issued corrective or disciplinary actions for incurring repeated unauthorized overtime occurrences.
- Determined why the Central Pennsylvania District succeeded in monitoring and controlling unauthorized overtime usage and documented best practices.

We conducted this performance audit from July 2011 through rMarch 2012 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 January 30, 2012, and included their comments where appropriate.

We relied on data obtained from TACS. We did not directly audit TACS, but relied on a prior OIG audit of TACS that reported that TACS has sufficient controls in place to ensure automated clock rings entered into the application were accurately accepted and

processed. Also, the audit found that the Employee Everything Report¹⁵ and related interfaces were operating as intended and accurately reported transaction results. The scope of the audit did not include a review of manual controls and supervisory responsibilities related to clock rings.¹⁶

Prior Audit Coverage

The OIG identified five prior audits related to our objective that were issued within the last several years.

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>Allegations of Inaccurate Time and Attendance Records</i>	HR-AR-11-001	3/31/11	None	The audit found that management controls over time and attendance at the locations we visited did not adequately ensure that employees reported their workhours accurately. In addition, supervisors did not complete the required PS Forms 1017-A or 3971. The audit also found questionable deletions of clock rings by supervisors, procedures for documenting employees' out-of schedule changes in TACS not being followed, and supervisors improperly charging safety talks and informational meetings to Operation Code 782, Training. Management agreed with the recommendations.

¹⁵ The Employee Everything Report provides all of the current information about the employee, including the employee master file information and clock ring information.

¹⁶ *Application Control Review of the Time and Attendance Collection System* (Report Number IS-AR-08-014, dated August 14, 2008).

<p><i>Overtime Usage</i></p>	<p>HR-AR-11-003</p>	<p>3/31/11</p>	<p>None</p>	<p>The audit found that the Postal Service paid \$2.9 billion in overtime for FY 2010 compared to \$2.4 billion in FY 2009, representing an increase of 17.2 percent. The report also stated that management did not effectively plan for overtime usage as it exceeded its planned overtime hours by 67.8 percent in FY 2010. Management agreed with our findings and recommendations.</p>
<p><i>Function 4 Overtime Workhours</i></p>	<p>MS-AR-10-002</p>	<p>4/26/10</p>	<p>\$79.6 million</p>	<p>The audit found that management should strengthen time and attendance procedures to reduce Function 4 unauthorized overtime costs. In addition, the report stated that preventing employees from clocking in before and clocking out after their assigned workhours is more cost efficient than detecting unauthorized workhours after they occur. Management disagreed with the finding and recommendation to implement an automated solution to prevent employees from clocking in before and clocking out after their schedules without approval.</p>
<p><i>City Letter Carrier Operations Office Time Processes</i></p>	<p>DR-AR-08-013</p>	<p>9/30/08</p>	<p>\$19 million</p>	<p>The audit found that some city letter carriers clocked in before their scheduled tour of duty resulting in significant unauthorized overtime workhours. Without more effective supervisory controls, the Postal Service may lose an opportunity to reduce city letter carrier workhours. Management agreed with the findings and recommendations.</p>

<p><i>Application Control Review of the Time and Attendance Collection System</i></p>	<p>IS-AR-08-014</p>	<p>8/14/08</p>	<p>None</p>	<p>The audit found that TACS has sufficient controls in place to ensure automated clock rings entered into the application were accurately accepted and processed. Also, the report stated that related interface were operating as intended and accurately reported transaction results. The scope of the audit did not include a review of manual controls and supervisory responsibilities related to clock rings. Management agreed with the recommendations.</p>
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Appendix B: Monetary Impact

FY 2010 Monetary Impact				
Finding	Source of Workhours	Number of Workhours¹⁷	Average Labor Rate¹⁸	Unsupported Questioned Costs¹⁹
Procedures to Monitor and Control Unauthorized Overtime Were Not Followed	Unauthorized Overtime	6,953,679	\$38.2353	\$265,875,995
	Unauthorized Penalty Overtime	561,983	\$50.7963	28,546,650
	Total	7,515,662	-	\$294,422,646
FY 2011 Monetary Impact				
Procedures to Monitor and Control Unauthorized Overtime Were Not Followed	Unauthorized Overtime	9,634,548	\$38.9319	\$375,091,272
	Unauthorized Penalty Overtime	928,904	\$51.6307	47,959,958
	Total	10,563,452	-	\$423,051,229
Grand Total		18,079,114	-	\$717,473,875

To determine the monetary impact, we obtained FYs 2010 and 2011 unauthorized overtime and unauthorized penalty overtime workhours from TACS for all 67 districts. We calculated unsupported questioned costs by multiplying the total unauthorized overtime workhours by the average bargaining unit overtime hourly rate and the unauthorized penalty overtime workhours by the average bargaining unit penalty overtime hourly rate, and combined the sums for each fiscal year.

We identified 7,515,662 unauthorized overtime workhours in FY 2010 and 10,563,452 in FY 2011, at a combined cost of \$717,473,875 to the Postal Service (\$294,422,646 in FY 2010 and \$423,051,229 in FY 2011).

¹⁷ TACS.

¹⁸ National Payroll Hourly Summary Reports dated September 24, 2010, and September 23, 2011.

¹⁹ Unsupported questioned costs are costs that the OIG questions because of missing or incomplete documentation or failure to follow required procedures. Computational differences are due to rounding.

Appendix C: Management's Comments

MEGAN J. BRENNAN
CHIEF OPERATING OFFICER,
EXECUTIVE VICE PRESIDENT



March 27, 2012

Shirian B. Holland
Acting Director, Audit Operations

SUBJECT: Draft Audit Report – Unauthorized Overtime Usage in Field Operations (Report Number HR-AR-12-DRAFT)

We have reviewed the report and agree with the findings and recommendations in Draft Audit Report Unauthorized Overtime Usage in Field Operations (Report Number HR-AR-12-Draft). Management agrees with the calculated \$717.5 million potential cost impact classified as unsupported questionable cost. This report and management's response do not contain information that may be exempt from disclosure under the FOIA.

Recommendation 1:

Issue supplemental guidance to supervisors and managers to emphasize the importance of:

Completing and maintaining Postal Service Forms 1017-B, Unauthorized Overtime Record, for employees who incur unauthorized overtime.

Approving and disapproving Postal Service Forms 3996, Carrier Auxiliary Control, before carriers leave for their routes and reviewing the forms to assess actual time used when they return.

Following badge control and clock ring procedures to help prevent unauthorized overtime.

Management Response/Action Plan:

Delivery and Post Office Operations will develop a training webinar on Postal Service Form 3996, Carrier Auxiliary Control, Form 1017-B, Unauthorized Overtime Record; and on badge control procedures. Management will conduct webinar training specific to the use of PS Forms 1017-B and 3996, badge control procedures, and authorization of overtime.

Target Implantation Date: September 30, 2012

Responsible Official: Dean J. Granholm, Vice President, Delivery and Post Office Operations and David E. Williams, Vice President Network Operations.

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Recommendation 2:

Develop a consolidated report, or revise an existing report, to include the Time and Attendance Collection System and Unauthorized Overtime Reports and require supervisors to review the consolidated report to ensure the accuracy of the timekeeping data and improve monitoring of unauthorized overtime.

Management Response/Action Plan:

Delivery and Post Office Operations and Processing Operations will collaborate with Finance to develop a review process for the installation heads and/or their delegate to ensure Unauthorized Overtime are appropriately applied and documented as required.

Target Implementation Date: September 30, 2012

Responsible Official: Dean J. Granholm, Vice President, Delivery and Post Office Operations and David E. Williams, Vice President Network Operations

Recommendation 3:

Provide periodic refresher training for supervisors to emphasize their responsibilities for the time and attendance, including monitoring unauthorized overtime and using Postal Service Form 3996, Carrier Auxiliary, for managing delivery operations.

Management Response/Action Plan:

Delivery and Post Office Operations and Processing Operations will develop a training webinar on the specific items addressed in Recommendation 1. We will record the webinar event so that it can be used in the future to ensure managers exercise adequate control over time.

Target Implementation Date: September 30, 2012

Responsible Official: Dean J. Granholm, Vice President, Delivery and Post Office Operations and David E. Williams, Vice President Network Operations

Recommendation 4:

Develop and implement performance measures or other management controls to hold managers and supervisors accountable for failing to address unauthorized overtime.

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Management Response/Action Plan:

Delivery and Post Office Operations and Processing Operations will collaborate with Finance and payroll to set thresholds to develop a review process for the installation heads and/or their delegate to ensure Unauthorized Overtime are appropriately applied and documented as required.

Target Implementation Date: September 30, 2012

Responsible Official: Dean J. Granholm, Vice President, Delivery and Post Office Operations and David E. Williams, Vice President Network Operations

Recommendation 5:

Establish and implement proactive monitoring processes that include periodic reminders and a system of accountability, similar to the procedures that have been implemented in Central Pennsylvania District to minimize unauthorized overtime.

Management Response/Action Plan:

Delivery and Post Office Operations and Processing Operations will collaborate with Finance and TAC's Office to implement the Central Pennsylvania District Unauthorized Overtime as a Best Practice.

Target Implementation Date: September 30, 2012

Responsible Official: Dean J. Granholm, Vice President, Delivery and Post Office Operations and David E. Williams, Vice President Network Operations.


Megan J. Brennan