



# OFFICE OF INSPECTOR GENERAL

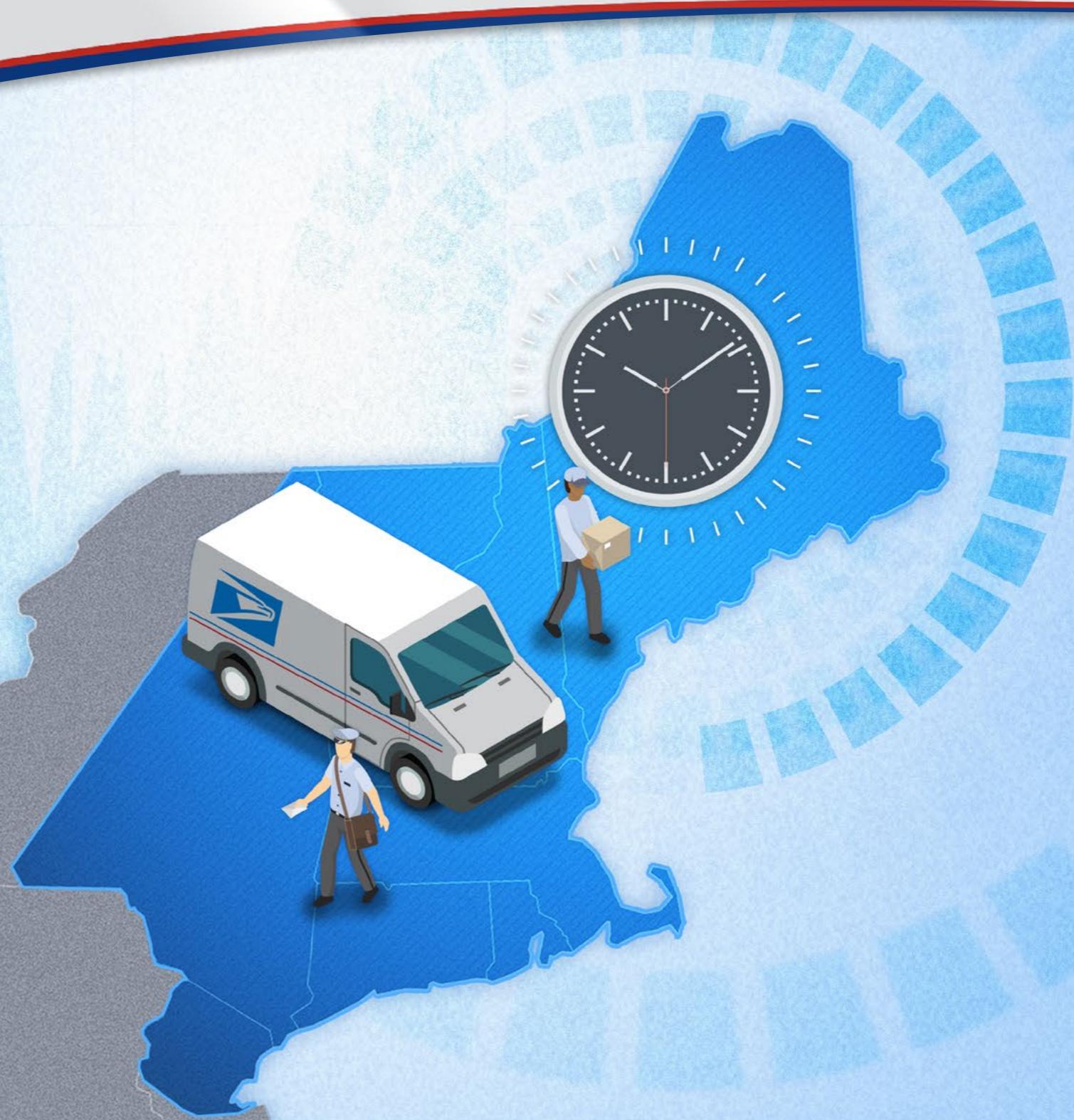
UNITED STATES POSTAL SERVICE

## Management of Overtime in the Northeast Area

### Audit Report

Report Number  
HR-AR-17-014

September 14, 2017





# OFFICE OF INSPECTOR GENERAL

## UNITED STATES POSTAL SERVICE

## Highlights

***Our objective was to assess the management of overtime in the Northeast Area.***

### Background

Overtime pay is a premium that the U.S. Postal Service pays its non-management employees. It is paid at one and one-half times the employee's hourly rate for work performed in excess of eight paid hours a day or 40 paid hours a week. In addition to overtime pay, employees may be eligible for penalty overtime pay, which is paid at two times the employee's hourly rate, under specific conditions.

Postal Service headquarters' field budget group establishes the agency's annual overtime budget, which is the planned percentage of overtime allocated for each Postal Service area. Once the budget is developed, areas allocate the respective overtime budgets to each district and facility.

For fiscal years (FY) 2015 and 2016, the Northeast Area's (area) planned percentage of overtime was 8 and 10 percent of work hours, respectively. The area reported actual overtime percentage of workhours of 12 percent annually during this timeframe, which was the highest compared to the other six areas. During these periods, the area paid employees about \$836 and \$837 million in overtime and penalty overtime, respectively.

Our objective was to assess the management of overtime in the Northeast Area.

### What the OIG Found

Although the area improved its variance between actual overtime hours and planned overtime hours from 7.2 million to 3.9 million (46 percent) during FYs 2015 and 2016, it still exceeded its planned overtime hours by over 11 million. Accordingly, opportunities exist to address factors that contributed to overtime, specifically unscheduled leave, removing inactive non-career employees from the Human Resources' rolls, retaining non-career employees, and managing increased package volume.

Management did not effectively manage unscheduled leave, which contributed to overtime hours. In FYs 2015 and 2016, the area's New York and Triboro districts had the highest unscheduled leave ratios in the area, measured by the percentage of employees with 20 or more occurrences of unscheduled leave per 100 employees. Collectively, all 10 districts in the area accounted for about 4.4 million unscheduled leave hours during the same timeframe.

Management did not consistently or timely remove inactive non-career employees from the rolls. From October 2016 to March 2017, the area had 92 non-career employees who did not report workhours for 24 consecutive weeks on the rolls. Removing these inactive employees from the rolls and hiring replacements could have mitigated at least 165,000 overtime hours (or \$1.3 million).



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Management incurred challenges in retaining non-career employees. In FYs 2015 and 2016, the area was below its maximum complement of city carrier assistants by 19 and 14 percent, respectively. However, as of March 2017, the area was only 6 percent (435 positions) below complement due to implementing several initiatives to address employee retention. This resulted in the decrease in turnover rates compared to the prior year. Filling city carrier assistant vacancies could have mitigated at least 781,000 overtime hours (or \$6.3 million).

Management experienced challenges in processing and delivering increased package volume. Between FYs 2015 and 2016, the area experienced an 18 percent increase in package growth from about 765 to 900 million pieces. During FY 2016, the five districts that reported the largest variances of actual overtime hours above plan also experienced a related increase in package growth.

Area and district management implemented actions to improve employee retention and the handling of increased package volumes; however, these factors continue to contribute to the area exceeding its planned overtime hours.

While not all inclusive, for FYs 2015 and 2016 these factors contributed to the area exceeding its planned overtime hours.

As a result, the area incurred 3.5 million excessive overtime hours greater than 34 percent above the area's calculated average amount of overtime above plan for FY 2016. This equated to \$124.8 million in overtime cost. Overtime costs had a direct impact on the Postal Service's controllable income, which primarily consists of workhours and transportation costs.

We did not assess employee assignment of overtime; however, we identified the area's top 10 employees earning the highest overtime pay during FYs 2015 and 2016. Of the 10 employees, four were among the top 10 earners for both years. The top 10 employees received overtime and penalty overtime pay ranging from \$70,435 to \$112,669, which in some instances equated up to 69 percent over their gross pay and more than 200 percent of their regular salary. We referred this matter to the OIG Office of Investigations for further review.

### What the OIG Recommended

We recommended management develop an action plan to promote accountability in managing the planned percentage of overtime and planned overtime hours; and address the contributing factors to overtime, to include but not limited to, unscheduled leave and inactive employees; and assess the effectiveness of management actions related to non-career employee retention and increased package volume growth.

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

September 14, 2017

**MEMORANDUM FOR:** EDWARD F. PHELAN JR.  
VICE PRESIDENT, AREA OPERATIONS –  
NORTHEAST AREA



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

**SUBJECT:** Audit Report – Management of Overtime  
in the Northeast Area (Report Number HR-AR-17-014)

This report presents the results of our audit of the Management of Overtime in the Northeast Area (Project Number 17SMG008HR000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Monique P. Colter, Director, Human Resources and Support, or me at 703-248-2100.

Attachment

cc: Postmaster General  
Corporate Audit and Response Management

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# Findings

## ***The U.S. Postal Service uses overtime to provide flexibility to meet its operational requirements.***

### Introduction

This report presents the results of our self-initiated audit of the management of overtime in the Northeast Area (area) (Project Number 17SMG008HR000). Our objective was to assess the management of overtime in the Northeast Area. See [Appendix A](#) for additional information about this audit.

The U.S. Postal Service uses overtime to provide flexibility to meet its operational requirements. Overtime pay is a premium that non-management employees receive for work performed in excess of eight paid hours in a day or 40 paid hours in a week and is paid at one and one-half times an employee's hourly rate.<sup>1</sup> Penalty overtime pay is paid at two times an employee's hourly rate when they work overtime for any of the following: more than four of their five scheduled days in a week, over six days in a week, over 10 hours on a regularly scheduled day or over eight hours on a non-scheduled day.<sup>2</sup>

Postal Service headquarters' field budget group establishes each Postal Service area's planned percentage of overtime hours annually, which is the projected percentage of overtime based on the same period last year. Once the budget is allocated, the areas provide each district and facility its respective planned percentage of overtime. For fiscal years (FY) 2015 and 2016, the area's overtime and penalty overtime costs totaled about \$836 million and \$837 million, respectively, and its planned percentage of overtime was 8 and 10 percent, respectively. The area reported actual overtime percentage of workhours of 12 percent annually during this timeframe, which was the highest compared to the other six areas. Additionally, the area was 30 percent above its planned total operating expense, which includes overtime and other salaries and benefits.

### Summary

The area improved its variance between actual and planned overtime hours during FYs 2015 and 2016; however, management still exceeded their plan of 29 million overtime hours by over 11 million hours. Therefore, opportunities exist to address factors that contributed to overtime, such as unscheduled leave, removing inactive employees, retaining non-career employees, and managing increased package volume.

Although several factors contributed to the area exceeding its planned overtime, management did not effectively manage unscheduled leave and did not consistently or timely remove inactive non-career employees from the Human Resources' rolls timely. In addition, management experienced challenges retaining non-career employees and processing and delivering increased package volume. Management implemented actions to improve non-career retention and the handling of increased package volume; however, these factors continue to contribute to the area exceeding its planned overtime hours.

While not all inclusive, in FYs 2015 and 2016 these factors contributed to the area exceeding its planned overtime hours. As a result, the area incurred 3.5 million excessive overtime hours greater than 34 percent above the area's calculated average amount of overtime above plan for FY 2016. This equated to \$124.8 million in overtime cost. Overtime costs have a direct impact on the Postal Service's controllable income, which primarily consists of workhours and transportation costs.

While we are not noting any mismanagement regarding the assignment of overtime, we identified that the area's top 10 highest earning employees<sup>3</sup> total compensation included an average of 63 percent of overtime and penalty overtime pay during FYs

<sup>1</sup> *Employee and Labor Relations Manual (ELM)* Issue 39, Section 434.131, September 2015.

<sup>2</sup> Handbook F-21, *Time and Attendance*, Sections 235.11 and 235.12, February 2016.

<sup>3</sup> Generally, management employees are not eligible for overtime and penalty overtime; therefore, our review includes non-management personnel only.

2015 and 2016. Four of these employees were in the top 10 highest earners each year and reported overtime pay ranging from \$70,435 to \$112,669. The average annual overtime for the remaining employees in the area was \$7,564 and \$8,181 during this timeframe. This represented an 8 percent increase from the prior year and accounted for 22 percent of the average employee's salary.

Additionally, we noted effective practices for managing overtime at two of four districts visited. In an effort to control overtime, facility management interacted and engaged with staff daily and was actively involved in hiring new employees.

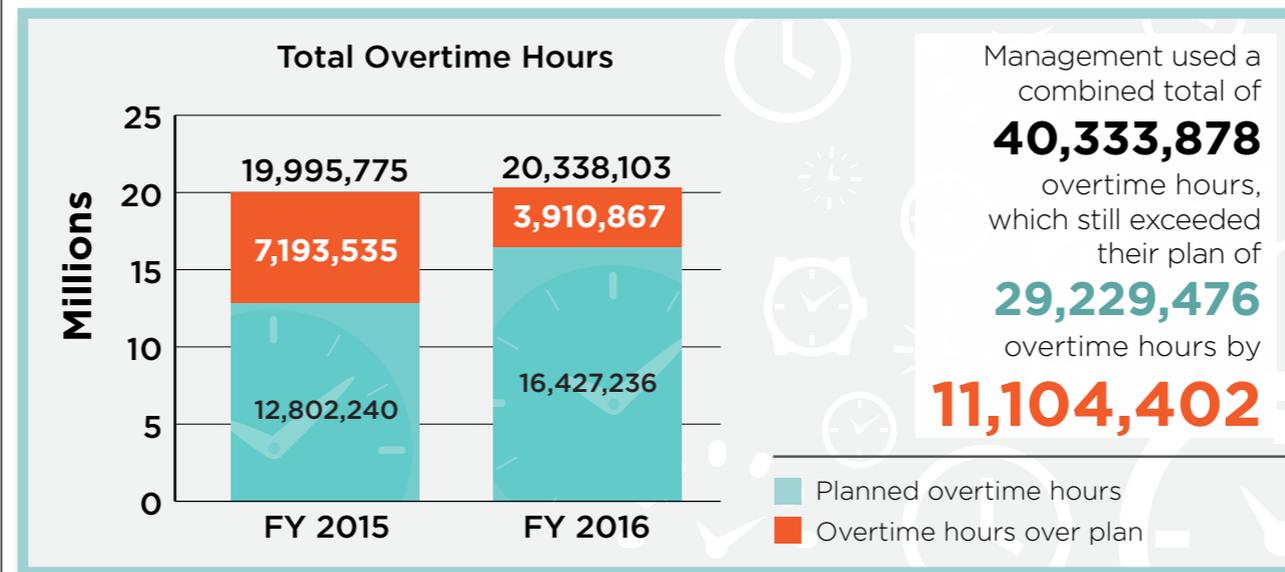
## Overtime Hours

The area improved its variance between actual overtime hours and planned overtime hours from 7,193,535 to 3,910,867 (46 percent) during FYs 2015 and 2016, respectively, which could indicate an improvement in overtime planning for FY 2016. However, management used a combined total of 40,333,878 overtime hours, which still exceeded their plan of 29,229,476 overtime hours by 11,104,402 (see Table 1).

**Table 1. Summary of Actual and Plan Overtime - Area**

Fiscal Year	Overtime Percentage of Workhours		Overtime Hours		Actual Overtime Hours Above Plan
	Actual <sup>4</sup>	Plan <sup>5</sup>	Actual	Plan	
2015	12%	8%	19,995,775	12,802,240	7,193,535
2016	12%	10%	20,338,103	16,427,236	3,910,867
<b>Total</b>			<b>40,333,878</b>	<b>29,229,476</b>	<b>46% or 11,104,402</b>

Source: Enterprise Data Warehouse (EDW) system and U.S. Postal Service Office of Inspector General (OIG) calculations.



In FY 2015, all 10 of the area's districts and four of its mail processing plants<sup>6</sup> exceeded their planned overtime hours with variances ranging from about 200,000 to 1.5 million hours. In FY 2016, nine of the area's 10 districts and four mail processing plants exceeded their planned overtime hours again with variances ranging from 5,000 to 1.3 million hours, with the tenth district coming in below their plan (see Table 2).

<sup>4</sup> The actual overtime percentage is a ratio of overtime hours used to total workhours used in a given period.

<sup>5</sup> The planned overtime percentage is a ratio of budgeted overtime hours to total budgeted workhours established as part of the annual budget allocation process.

<sup>6</sup> The four mail processing plants reported their overtime to the area and included the Bethpage New York Processing and Distribution Center (P&DC); the Greater Newark, New Jersey P&DC; the Springfield Network Distribution Center (NDC); and New Jersey NDC. The remaining 45 mail processing plants reported overtime in their respective districts.

**Several factors contributed to the area exceeding its planned overtime. Specifically, management did not effectively manage unscheduled leave and did not consistently or timely remove inactive non-career employees from the Human Resources' rolls. In addition, management faced challenges retaining non-career employees and processing and delivering an increased package volume.**

**Table 2. Summary of Actual and Plan Overtime Hours - District**

District	FY 2015			FY 2016		
	Actual	Plan	Actual Hours Above Plan	Actual	Plan	Actual Hours Above (Below) Plan
Triboro	3,053,694	1,523,838	1,529,856	3,382,708	2,039,449	1,343,259
Greater Boston	3,271,703	1,732,944	1,538,759	3,307,629	2,394,354	913,275
New York	2,164,118	1,308,969	855,149	2,274,496	1,650,088	624,408
(4) Mail Processing Plants	1,310,403	846,896	463,507	1,373,547	986,376	387,171
Long Island	1,586,737	999,073	587,664	1,654,295	1,285,537	368,758
Caribbean	594,756	394,370	200,386	670,575	470,480	200,095
Westchester	1,143,876	758,251	385,625	1,046,457	919,483	126,974
Connecticut Valley	2,520,334	1,815,176	705,158	2,451,970	2,344,918	107,052
Albany	1,081,780	765,687	316,093	1,000,060	971,090	28,970
Northern New England	1,288,737	898,338	390,399	1,275,353	1,269,959	5,394
Northern New Jersey	1,979,637	1,758,698	220,939	1,901,013	2,095,502	(194,489)
<b>Total</b>	<b>19,995,775</b>	<b>12,802,240</b>	<b>7,193,535</b>	<b>20,338,103</b>	<b>16,427,236</b>	<b>3,910,867</b>

Source: EDW and OIG calculations.

According to Postal Service policy, management is responsible for minimizing the use of premium pay hours.<sup>7</sup> The budget serves as a control process – a tool to set, measure, and adjust resource expectations.

Several factors contributed to the area exceeding its planned overtime. Specifically, management did not effectively manage unscheduled leave and did not consistently or timely remove inactive non-career employees from the Human Resources' rolls. Therefore, opportunities exist to address the management of these contributing factors. In addition, management faced challenges retaining non-career employees and processing and delivering an increased package volume.

**Unscheduled Leave**

The area's 10 districts had about 10,000 employees with 20 or more unscheduled leave occurrences representing more than 4.4 million unscheduled leave hours during FYs 2015 and 2016. The districts' average unscheduled leave ratios ranged from three to 18 percent during that period. The ratio identifies the percentage of employees with 20 or more occurrences of unscheduled leave per 100 employees. The New York and Triboro Districts had the largest challenges with unscheduled leave. About 5,300 employees (53 percent) in these districts alone used about 2.6 million unscheduled leave hours (59 percent). The districts also had the highest ratios of unscheduled leave in the area averaging 18 and 10 percent (see Table 3).

<sup>7</sup> Handbook F-401, *Supervisor's Guide to Scheduling and Premium Pay*, Section 2.A.

**Overall, area management used overtime hours as a mitigating factor to offset unscheduled leave.**

**Table 3. Employees with 20 or More Unscheduled Leave Occurrences During FYs 2015 and 2016**

District	Average Annual Unscheduled Leave Ratio	Number of Employees	Number of Unscheduled Leave Hours	Percentage of Total Unscheduled Leave Hours
New York	18%	3,270	1,795,284	41%
Triboro	10%	2,036	794,920	18%
Westchester	6%	553	215,613	5%
Greater Boston	5%	1,040	438,341	10%
Northern New Jersey	4%	1,103	334,262	8%
Caribbean	4%	162	86,833	2%
Connecticut Valley	3%	816	319,670	7%
Long Island	3%	392	167,588	4%
Northern New England	3%	328	123,608	3%
Albany	3%	307	140,210	3%
<b>Total</b>		<b>10,007</b>	<b>4,416,330</b>	<b>100%</b>

Source: EDW and OIG calculations.

Overall, area management used overtime hours as a mitigating factor to offset unscheduled leave. Additionally, management at five facilities visited cited unscheduled leave as one of the key contributing factors to increased overtime use at their facilities. According to Postal Service policy, employees are required to be regular in attendance.<sup>8</sup> To control unscheduled absences, postal officials must inform employees of leave regulations, discuss attendance records with individual employees when warranted, and maintain and review the required forms.<sup>9</sup>

OIG Unscheduled Leave reports<sup>10</sup> for the New York and Triboro districts found that managers and supervisors did not appropriately complete required forms to manage unscheduled leave, enforce disciplinary actions on employees with excessive leave, or receive sufficient training on the unscheduled leave systems/processes or the disciplinary process. These audits also noted that the district managers' oversight process to monitor unscheduled leave activity was not comprehensive to promote adherence to policy and accountability.

<sup>8</sup> ELM 41, Section 665.41, Requirement of Regular Attendance, dated September 2016.

<sup>9</sup> ELM 41, Section 511.42, Management Responsibilities, dated September 2016.

<sup>10</sup> The OIG conducted *Unscheduled Leave in the New York District* (Report Number HR-AR-17-007, dated June 26, 2017) and *Unscheduled Leave in the Triboro District* (Report Number HR-AR-17-011, dated August 17, 2017) to address this issue.

**Facility managers are required to remove employees from the Human Resources' rolls by completing the necessary forms and submitting them to HRSSC for further processing.**

### Inactive Employees

As of March 2017, there were 576 non-career employees in the area that did not report any workhours for at least two consecutive pay periods. This was 119 (26 percent) more than the 457 employees reported in July 2016. Additionally, from October 2016 to March 2017, 92 of 576 (16 percent) did not report any work-related hours over 12 consecutive pay periods (24 weeks) and were still on the rolls. The associated workhours consisted of non-paid hour types, such as absent without leave, leave without pay, and the difference in weekly workhours that do not total 40 hours per week (scheduled crossfoot).<sup>11</sup> Of these 576 non-career employees, 314 (55 percent) represented City Carrier Assistants (CCA), as shown in Table 4. Management cannot hire replacements when they do not remove inactive employees from the rolls.

**Table 4. Summary of Zero Workhour Report**

Non-Career Employee Type	As of		Increase (Decrease) from Prior Period
	July 2016	March 2017	
Casual (CAS)	-	27	27
City Carrier Assistant (CCA)	240	314	74
Mail Handler Assistant (MHA)	50	46	(4)
Postal Support Employee (PSE)	167	181	14
Rural Carrier Assistant (RCA)	-	8	8
<b>Total</b>	<b>457</b>	<b>576</b>	<b>119</b>

Source: Flex Workforce – Zero Workhour Report.

Facility managers are required to remove employees from the Human Resources' rolls by completing the necessary forms and submitting them to Human Resources Shared Services Center (HRSSC) for further processing. The facility managers should submit electronic separation notices to the HRSSC by the date of separation.<sup>12</sup> The area is responsible for providing oversight to their districts.

In response to a prior OIG audit report,<sup>13</sup> headquarters management required area Human Resources managers in each area to implement a bi-weekly process to review and follow up on employees who show up on the Zero Workhour Report, which shows non-career employees who have not reported any workhours nationwide. Area and district management periodically reviewed the Zero Workhour Report for inactive employees; however, we determined that area management did not have a formal process to track and quantify those employees on the Zero Workhour Report who did not have legitimate reasons for not reporting workhours and remove them from the rolls. Therefore, there is a potential risk that employees on this report are separated from the Postal Service. If management removed the 92 inactive employees from the rolls and hired replacements, the Postal Service could have mitigated at least 165,324 overtime hours at a cost of over \$1.3 million based on the annual average number of workhours per employee.

<sup>11</sup> This represents instances when a part-time employee's timecard is crossfoot for the difference when their reported weekly workhours do not total 40 hours per week.

<sup>12</sup> HRSSC correspondence, dated August 9, 2016.

<sup>13</sup> *Non-Career Employee Turnover* (Report number HR-AR-17-002, dated December 20, 2016).

***During FYs 2015 and 2016, the area was below its maximum complement of CCAs, which are non-career employees, by 19 and 14 percent, respectively.***

### **Retaining Non-Career Employees**

During FYs 2015 and 2016, the area was below its maximum complement of CCAs, which are non-career employees,<sup>14</sup> by 19 and 14 percent, respectively. As of March 2017, the area was 6 percent (or 435) below the authorized number of CCAs (7,453). Non-career employees are vital to providing flexibility, supplementing the regular workforce, and reducing staff costs; however, in FY 2016 the area's annual non-career turnover rate of 45 percent exceeded the National Performance Assessment (NPA)<sup>15</sup> goal of 35 percent.

To address the related overtime, area and district management implemented several initiatives. For example, the area Human Resources Manager holds weekly meetings with each district's Human Resources Manager to discuss hiring and retention best practices, complement and hiring efforts, and district staffing projections. Additionally, of the four districts visited we found that:

- The Triboro and Greater Boston districts improved their new employee training programs, increased transparency on the demands of the job, placed new employees in key offices with proven and effective onboarding processes, and incorporated constructive feedback obtained from exit interviews with employees who resigned.<sup>16</sup>
- The Long Island and New York districts require facility management to obtain the district Human Resources manager's approval prior to terminating a non-career employee.
- The Long Island District limits the number of consecutive days CCAs can work by not allowing them to work more than 10 consecutive days without a day off.
- The Greater Boston District increased its efforts of converting non-career employees to full-time career positions, providing an incentive for non-career employees to continue their employment with the Postal Service.

As of March 2017, nine of ten districts in the area reported decreases in their average non-career turnover rates ranging from 1 to 27 percent when compared to FY 2016. However, if management filled the 435 vacant CCA positions, the Postal Service could have mitigated at least 781,695 overtime hours at a cost of over \$6.3 million based on the annual average number of workhours per employee.

### **Package Volume**

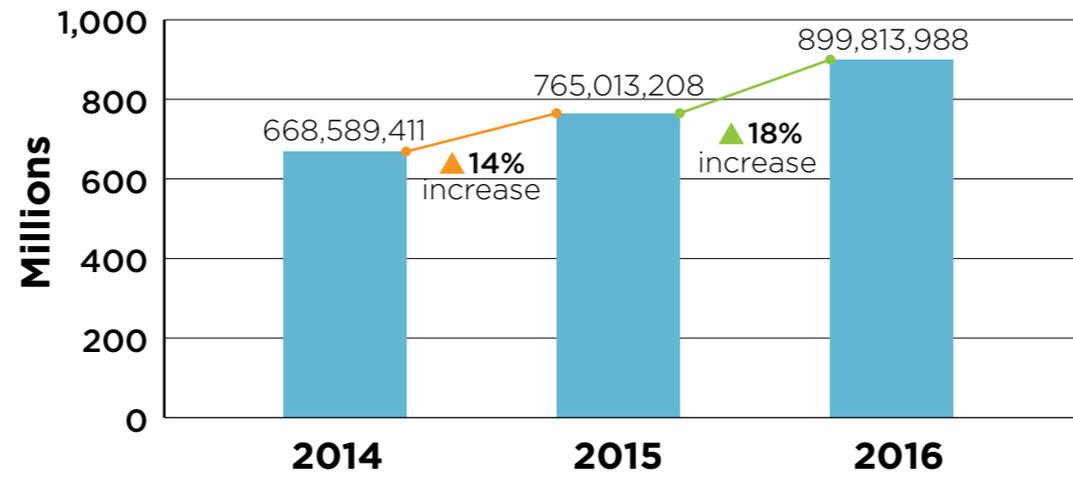
In FYs 2015 and 2016, the area experienced an 18 percent increase in package growth from about 765 to 900 million pieces, as shown in [Figure 1](#).

<sup>14</sup> Temporary workers who do not receive full employee benefits and privileges.

<sup>15</sup> The NPA provides a standardized method for assessing Postal Service performance on a national and local level. In FY 2016, the Postal Service established this NPA turnover rate goal for all non-career crafts.

<sup>16</sup> These improvements are consistent with components listed in the new Field Onboarding program memorandum issued by the Employee Resource Management group. This program was implemented nationwide on October 1, 2016.

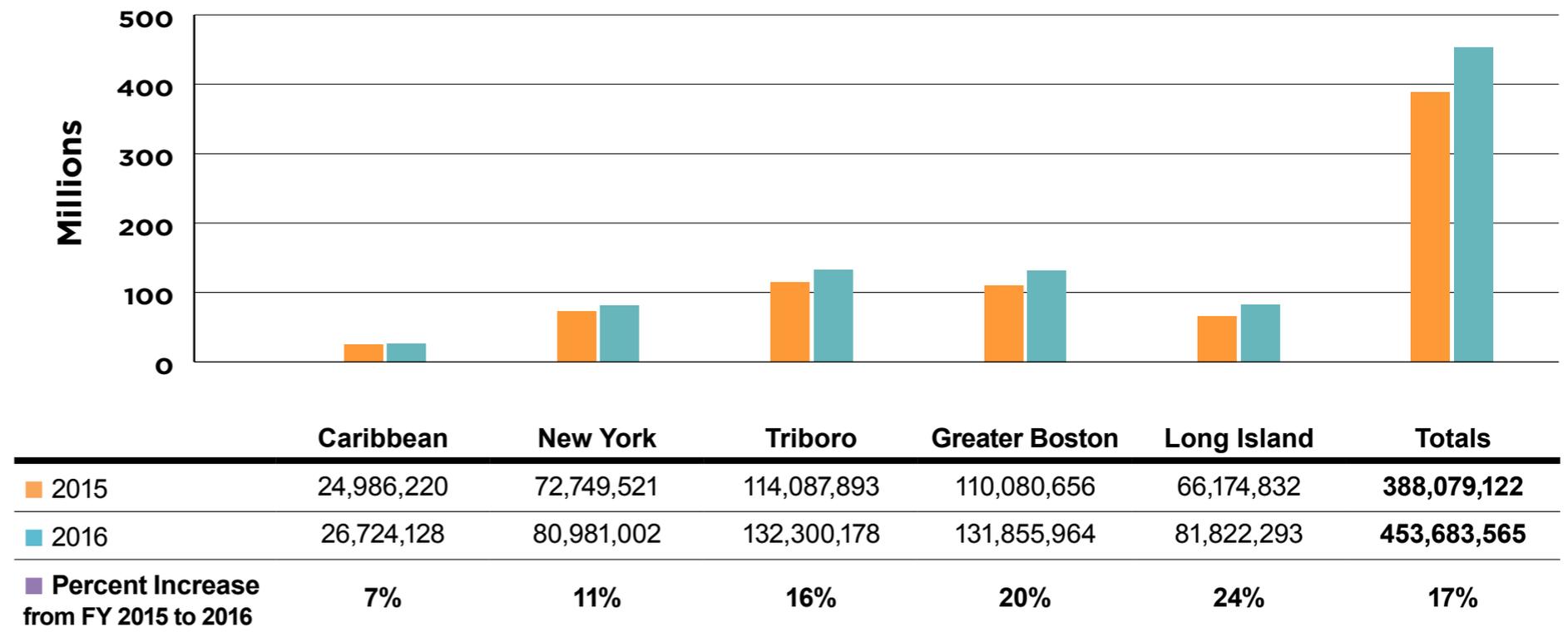
**Figure 1. Actual Package Volume**



Source: eFlash system and OIG calculations.

During FY 2016, the Triboro, Greater Boston, New York, Long Island, and Caribbean districts reported the largest variances of actual overtime hours above plan, ranging from about 200,000 to 1.3 million hours, as shown in Table 2. These five districts also reported increases in package growth averaging 17 percent, but ranging from 7 to 24 percent compared to FY 2015, as shown in Figure 2.

**Figure 2. Package Volume at Top Five Districts With Largest Variance Above Planned Overtime Hours**



Source: eFlash System and OIG calculations.

To address the related overtime, in January 2017, area management implemented Labor Distribution Code 23, Optimization Project, to use geographic information system software to optimize existing parcel routes and propose new routes in select districts. The optimization process is designed to reduce each carrier route's average daily volume and estimated route time. On March 29, 2017, the pilot was initiated in the New York District and proposed a cost reduction of 69 daily workhours by adding an additional eight routes to the location's existing 10 routes. The pilot is also planned for the Triboro and Greater Boston districts.

In addition to the increase in package volume, management in the Triboro, New York, and Greater Boston districts also cited infrastructural limitations as affecting their handling of the package volume growth that resulted in overtime. This included an insufficient number of delivery vehicles and dock bay spaces at delivery units.

To control overtime, we noted effective practices implemented by management at the Worcester and Shirley Post Offices (PO), including:

- Worcester PO management at all levels interacted and engaged with their staff daily. In addition, the postmaster was directly involved in selecting and hiring new employees. Other practices we noted included:
  - Frequent route observations to document and enhance accountability of carriers' demonstrated performance.
  - Maximized efficiency by conducting their own internal mail review to align resources based on workload.
- The Shirley PO Postmaster consistently evaluated the carriers against their demonstrated ability based on their last review. In addition, we noted the postmaster regularly addressed carrier performance and took corrective actions when carriers returned late from their delivery routes. In addition, the postmaster demonstrated proficiency in using Postal Service tools to perform stationary analysis on the carriers.

While not all inclusive, for FYs 2015 and 2016, these factors contributed to the area exceeding its planned overtime hours. As a result, for FYs 2015 and 2016, the area incurred 8.3 million excessive overtime hours greater than 34 percent above the area's calculated average amount of overtime above plan. This equated to \$308.4 million in overtime cost. Overtime costs had a direct impact on the Postal Service's controllable income, which primarily consists of workhours and transportation costs. Area and district management implemented actions to help improve non-career retention and the handling of increased package volume; however, these factors continue to contribute to the area exceeding its planned overtime hours.

***The highest earner in FY 2016, a mail handler from the Albany District, reported overtime pay totaling \$112,669, which accounted for 66 percent of this employee's total gross pay totaling \$169,600. This employee was also the highest earner during FY 2015.***

## Other Matters

While we did not assess the overtime assignment process, we identified the area's top 10 employees earning the highest overtime pay. Specifically, in FYs 2015 and 2016, the top 10 highest earning employees' total compensation included an average of 62 and 63 percent of overtime and penalty overtime pay, with an average total gross amount of \$134,457 and \$149,960, respectively. Four of these employees (shown with asterisk in Tables 5 and 6) were among the top 10 earners during both years. The top 10 earners reported overtime pay ranging from \$70,435 to \$112,669, which in some instances equated up to 69 percent over their gross pay and more than 200 percent of their regular salary. The highest earner in FY 2016, a mail handler from the Albany District, reported overtime pay totaling \$112,669, which accounted for 66 percent of this employee's total gross pay totaling \$169,600. This employee was also the highest earner during FY 2015 (see Tables 5 and 6). We referred these matters to the OIG Office of Investigations for further review.

**Table 5. Top Ten Highest Earners During FY 2015**

Count	Position	District	Regular Salary Amount	Total Overtime Pay <sup>17</sup>	Total Gross Pay	Percentage of Overtime to Gross Pay
1	Mail Handler*	Albany	\$51,102	\$111,656	\$162,758	69%
2	Electronic Technician	Westchester	50,656	97,494	148,149	66%
3	Maintenance Mechanic	Westchester	45,089	81,945	127,034	65%
4	Mail Handler Equipment Operator	Albany	47,547	80,244	127,790	63%
5	Mail Handler*	Triboro	48,798	81,054	129,852	62%
6	Maintenance Mechanic	Westchester	48,974	81,147	130,122	62%
7	Mail Handler*	Albany	48,224	79,721	127,946	62%
8	Electronic Technician	Westchester	57,019	75,868	132,887	57%
9	Electronic Technician	New York	56,239	72,814	129,053	56%
10	Electronic Technician*	Westchester	58,548	70,435	128,983	55%
<b>Average</b>			<b>\$51,220</b>	<b>\$83,238</b>	<b>\$134,457</b>	<b>62%</b>

Source: Time and Attendance Collection (TACS) system and OIG calculations.

<sup>17</sup> Overtime pay includes both overtime and penalty overtime pay.

**Table 6. Top Ten Highest Earners During FY 2016**

<b>Count</b>	<b>Position</b>	<b>District</b>	<b>Regular Salary Amount</b>	<b>Total Overtime Pay<sup>18</sup></b>	<b>Total Gross Pay</b>	<b>Percentage of Overtime to Gross Pay</b>
1	Mail Handler	Albany	\$45,046	\$101,736	\$146,782	69%
2	Mail Handler*	Albany	51,239	108,266	159,505	68%
3	Mail Handler*	Albany	56,931	112,669	169,600	66%
4	Mail Handler*	Triboro	53,152	91,686	144,837	63%
5	Tractor Trailer Operator	Triboro	55,457	91,359	146,816	62%
6	Mail Handler	Northern New England	53,459	88,026	141,486	62%
7	Mail Handler Equipment Operator	Triboro	59,171	95,061	154,232	62%
8	City Carrier	Greater Boston	55,192	86,833	142,025	61%
9	Maintenance Mechanic	Triboro	62,084	90,944	153,028	59%
10	Electronic Technician*	Westchester	62,433	78,853	141,286	56%
<b>Average</b>			<b>\$55,416</b>	<b>\$94,543</b>	<b>\$149,960</b>	<b>63%</b>

Source: TACS and OIG calculations.

<sup>18</sup> Overtime pay includes both overtime and penalty overtime pay.

# Recommendation

***We recommend management develop an action plan to promote accountability in managing the planned percentage of overtime and planned overtime hours.***

We recommend the Vice President, Area Operations – Northeast Area:

1. Develop an action plan to promote accountability in managing the planned percentage of overtime and planned overtime hours. That action plan should address the contributing factors to overtime, to include but not limited to, unscheduled leave and inactive employees, and assess the effectiveness of management actions related to non-career employee retention and increased package volume growth.

## Management's Comments

Management disagreed with the finding, recommendation, and monetary impact. Overall, management disagreed with the data presented in the report used to calculate the monetary impact.

Regarding the finding and monetary impact, management communicated three issues. First, management asserts that the prior audit reports defined in the monetary calculation do not align with the narrative references in the Prior Audit Coverage section of the audit report.

Next management asserts the OIG never investigated whether the sampled facilities experienced greater growth in package volume than the Northeast Area's 18 percent growth. Management indicated the sampled facilities included mail processing plants and post offices impacted by consolidation efforts, which impacted some installations' ability to reach non-career caps.

Finally, management asserts the audit's basic premise of the calculation is that overtime is the primary and only driver of managing the results indicator of salaries and benefits expense. They state overtime is one component of managing the planned rate and the OIG appears to be looking at rate and overtime in a vacuum. Management asserts the report completely ignores the Northeast Area's recorded salaries and benefit overages in FYs 2015 and 2016.

Regarding recommendation 1, management stated the contributing factors identified in the recommendation are already part of what is being monitored. In addition, weekly budget performance, complement discussions, and quarterly on-site business plan reviews are in place to hold field managers accountable for required levels of financial performance.

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

## Evaluation of Management's Comments

The OIG considers management's comments to recommendation 1 to be nonresponsive.

Regarding management's first issue, we acknowledge we did not include the *Timeliness of Mail Processing at the Queens NY P&DC* audit in the Prior Audit Coverage section of the draft report but appropriately included it in the monetary impact calculation. We corrected this issue in the final report and it had no impact on the monetary impact calculations in either version of the report.

Regarding management's second issue and assertion the OIG did not investigate whether the sampled facilities experienced greater than average growth in packages in relation to the area, this is accurate. The report highlights increased package volume in the entire area, not individual facilities, that contributed to the area exceeding its planned overtime. The audit's focal point was management of overtime at the area level; therefore, further review at the facility level does not change the overall conclusions on area management.

Regarding management's third issue and assertions on the audit's basic premise of the monetary impact calculation, assessing overtime in a vacuum, and ignoring the area's recorded salaries and benefit overages, we disagree. We understand that overtime is not the primary and only driver of managing the results indicator of salaries and benefits expense; however, the objective and focal point of the audit was management of overtime costs, not salaries and benefits as a whole. The premise of the calculation was a valid statistical approach, in which the results of one standard deviation of planned overtime hours were deemed to be excessive. As such, for FYs 2015 and 2016, the area incurred 8.3 million more overtime hours than the one standard deviation, which equaled \$308.4 million in overtime costs. We acknowledge management's efforts to reduce straight time hours; however, this does not impact the questioned costs identified. Despite their reduction in straight hours, the area still excessively exceeded its planned overtime hours.

Regarding recommendation 1, management stated their current process for monitoring the Northeast Area's Performance Cluster financial performance includes the contributing factors identified in the report. As we acknowledge these activities are in place, during the audit's two-year scope period the area still exceeded its planned overtime hours by over 11 million. As such, current monitoring practices are not effective in managing actual overtime hours to planned overtime hours. Further, overtime costs, which are at a premium rate, are combined with other performance metrics and may not present an accurate reflection of management of overtime. As indicated by the area excessively exceeding its planned overtime budget, there are opportunities to further enhance oversight of the overtime plan and improve overall financial performance.

Recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendation 1 will remain open as we coordinate resolution with management.

# Appendices

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## Appendix A: Additional Information

***Overtime is a premium pay that non-management craft employees receive for work performed in excess of eight paid hours in a day, or 40 paid hours in a week.***

### Background

The Northeast Area covers a vast geographic area that includes Maine, Vermont, New Hampshire, Massachusetts, Rhode Island, Connecticut, parts of New York and New Jersey, the U.S. Virgin Islands, and Puerto Rico. The Postal Service uses overtime to provide flexibility to meet operational requirements. Overtime is a premium pay that non-management craft employees receive for work performed in excess of eight paid hours in a day, or 40 paid hours in a week. Penalty overtime pay is paid at two times an employee's hourly rate when they work on more than four of their five scheduled days in a week or more than six days in a week, over 10 hours on a regularly scheduled day, or over eight hours on a non-scheduled day.

The area's budget process begins annually during the month of June. The area communicates with each district to identify significant events that could impact the budget, such as consolidations. Each area provides the headquarters field budget group with their actual workhours year to date and projected total workhours for the remainder of the year, which will become the baseline for the upcoming year. These actual and planned workhours are put in the National Budget System (NBS), which contains the Postal Service's budget data. The NBS is managed by the field budget group.

Once the data is received, the field budget group makes adjustments to the base to include the ratio of total workhours that will be overtime and penalty overtime, applies applicable rates to the workhours, and allocates workhour budgets in terms of dollars to each area (planned percentage of overtime to workhours). Each area's approved planned overtime percentages of workhours, which is the overtime standard for each area, is listed in the final field budget document the headquarters field budget group issues annually. On a monthly basis, a two-week window is available for the areas to adjust their respective districts' and facilities' budgets based on changes in workload and complement, as appropriate. These adjustments must ultimately balance to the budget established by the headquarters field budget group; therefore, the Postal Service's overall integrated financial plan budget is not impacted by these adjustments. Each area allocates its budgeted dollar amounts down to the district and facility level.

### Objective, Scope, and Methodology

Our objective was to assess the management of overtime in the Northeast Area. To accomplish our objective, we:

- Reviewed Postal Service policies and procedures relating to managing overtime, including authorizing, monitoring, tracking, and reporting.
- Analyzed workhours, hiring activities, package volume, employee turnover, and compensation data to identify trends and patterns.
- Judgmentally selected facilities for site visits based on their variance between actual and planned overtime hours, to include facilities with the most and least overtime used in the area.
- Interviewed headquarters, area, district, and facility management to identify methodologies for setting overtime goals, factors that contribute to overtime, processes for managing overtime, and current and future initiatives to reduce overtime.
- Reviewed prior OIG audits to identify related concerns which attribute to overtime.

We conducted this performance audit from January through September 2017, 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 18, 2017, and included their comments where appropriate.

We assessed the reliability of Postal Service overtime hours, hiring, package volume, employee turnover, and compensation data by testing for any missing or blank data fields. We also reviewed the data for negative or zero workhour amounts. In addition, we reviewed existing information about the systems that produced the data, such as system descriptions and the results of prior audit work. Furthermore, we interviewed agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for the purposes of this report.

### Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Unscheduled Leave in the New York District</i>	Assess unscheduled leave activity in the New York District and identify opportunities to reduce unscheduled leave and cost.	<a href="#">HR-AR-17-007</a>	06/26/2017	\$7.1
<i>Unscheduled Leave in the Triboro District</i>	Assess unscheduled leave activity in the Triboro District and identify opportunities to reduce unscheduled leave and cost.	<a href="#">HR-AR-17-011</a>	08/17/2017	\$2.9
<i>Timeliness of Mail Processing at the Queens, NY P&amp;DC</i>	Determine the cause of delayed mail at the Queens P&DC.	<a href="#">NO-AR-16-010</a>	09/20/2016	\$2.2
<i>Non-Career Employee Turnover</i>	Assess non-career turnover and identify opportunities to optimize non-career staffing.	<a href="#">HR-AR-17-002</a>	12/20/2016	\$52.9

## Appendix B: Management's Comments

EDWARD F. PHELAN, JR.  
VICE PRESIDENT, AREA OPERATIONS  
NORTHEAST AREA



September 6, 2017

LORI LAU DILLARD  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Management of Overtime in the Northeast Area  
(Report Number HR-AR-17-DRAFT)

Thank you for providing the Northeast Area with the opportunity to review and comment on the recommendations contained in Draft Audit Report Management of Overtime in the Northeast Area (Report Number HR-AR-17-DRAFT).

**Monetary Impact:**

The Northeast Area does not agree with the data presented in this report that calculated Monetary Impacts.

**Issue 1:**

The OIG calculated questions costs identifying the excess overtime costs at Northeast Area facilities that exceeded their planned overtime hours by more one standard deviation.

Of the Area's approximately 3,700 facilities, the OIG identified 169 (5 percent) and 138 (4 percent) facilities reported excessive overtime greater than one standard deviation from the Area's reported averages during FYs 2015 and 2016, respectively. For each identified facility, OIG first calculated their:

- Overtime hours above plan of 8,285,512 greater than the one standard deviation; and
- Excess overtime costs by applying each facility's unique overtime rate, which is their actual overtime costs divided by their actual overtime hours, to the amount of overtime hours above their plan.

The OIG then combined the results for each identified facility to determine the Northeast Area's subtotal questioned costs each year \$320,530,170.

At the conclusion of the OIG calculation credit is applied to the sample calculation.

The OIG reduced this amount by \$12,128,137 of monetary impact claimed in three prior U.S. Postal Service Office of Inspector General (OIG) audit reports on the

6 GRIFFIN ROAD NORTH  
WINDSOR, CT 06006-7010  
WWW.USPS.COM

Northeast Area during this timeframe, as shown in Table 2. These prior audits included reduced overtime costs as a component of their calculated monetary impact.

**Table 2: Prior Related OIG Audit Reports – Northeast Area**

Report Title	Report Number	Final Report Date	Monetary Impact		Total Monetary Impact
			FY 2015	FY 2016	
<i>Unscheduled Leave in the Triboro District</i>	TBD	TBD	\$978,347	\$1,885,338	\$2,863,685
<i>Unscheduled Leave in the New York District</i>	<a href="#">HR-AR-17-007</a>	6/26/2017	\$3,159,252	\$3,908,074	\$7,067,326
<i>Timeliness of Mail Processing at the Queens NY P&amp;DC</i>	<a href="#">NO-AR-16-010</a>	9/20/2016	-0-	\$2,197,126	\$2,197,126
<b>Total Claimed Monetary Impact</b>			<b>\$4,137,599</b>	<b>\$7,990,538</b>	<b>\$12,128,137</b>

The crediting Prior Related Audit Reports defined in the Monetary calculation does not align with the narrative references to prior audit coverage contained in the Audit report.

Report Title	Objective	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Unscheduled Leave in the New York District</i>	Assess unscheduled leave activity in the New York District and identify opportunities to reduce unscheduled leave and cost.	<a href="#">HR-AR-17-007</a>	6/26/2017	\$7.1
<i>Unscheduled Leave in the Triboro District</i>	Assess unscheduled leave activity in the Triboro District and identify opportunities to reduce unscheduled leave and cost.	TBD	TBD	\$2.9
<i>Non-Career Employee Turnover</i>	Assess non-career turnover and identify opportunities to optimize non-career staffing.	<a href="#">HR-AR-17-002</a>	12/20/2016	\$52.9

**Issue 2:**

The OIG acknowledges that management experienced challenges in processing and delivering increased package volume. Between FYs 2015 and 2016, the Area experienced an 18 percent increase in package growth from about 765 to 900 million pieces. The OIG states during FY 2016, the five districts that reported the largest variances of actual overtime hours above plan also experienced a related increase in package growth. The OIG never investigates whether the sampled facilities experienced greater than average growth in packages than the Northeast Area growth of 18%. The offices included in the OIG sample were 19.3% above SPLY in FY 2015 vs. Northeast Area average 16.6% and 23% above SPLY in FY 2016 vs. 18% Northeast Area average.

The listing of sampled facilities included mail processing facilities and Post Office facilities that were impacted by implemented and potential consolidation efforts. The sample included both losing and gaining facilities. These installations as part of the collective bargaining agreement and our compliance with Article 12 placement of our full time employees would have been holding positions as we transitioned our career employees and impacted losing facilities would be obligated to reduce non-career hours. This would impact some installations ability to reach non-career caps

**Issue 3:**

The basic premise of the calculation is that overtime is the primary and only driver of managing the results indicator of salaries and benefits expense. Expense management of salaries and benefits is both management of hours usage and rate management. Overtime is one component of management of the planned rate.

The OIG appears to be looking at rate and overtime in a vacuum. The calculation assumes that the this change in overtime would eliminate the hour of usage instead of it falling into a straight time category. In addition, they do not appear to give any consideration to the fact that straight time utilization was well below plan for the two years included in this report: \$231 million below plan in 2015 and \$96 million below plan in 2016.

The report completely ignores the fact that the Northeast Area only recorded salaries and benefits overage of \$50 million in 2015 and \$31 million in 2016. These results are based on the entire universe of facilities versus a sampled calculation.

**Recommendation 1:**

Develop an action plan to promote accountability in managing the planned percentage of overtime and planned overtime hours. That action plan should address the contributing factors to overtime, to include but not limited to unscheduled leave and inactive employees, and assess the effectiveness of

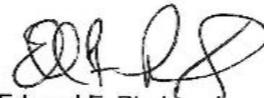
management actions related to non-career employee retention and increased package volume growth.

**Management Response/Action Plan:**

The Northeast Area does not agree with this recommendation.

The Northeast Area has daily, weekly and monthly reports along with nationally produced reports to monitor Northeast Area Performance Cluster financial performance. All of the contributing factors identified in the recommendation are already part of what is being monitored. These along with weekly budget performance, complement discussions and quarterly on-site Business Plan Reviews are in place to hold our field managers accountable for required levels of financial performance.

I appreciate you acknowledging management actions to improve non-career retention and the handling of increased package volume and noting effective practices for managing overtime at two of four districts visited, and the efforts to control overtime in facilities visited where management interacted and engaged with staff daily and was actively involved in hiring new employees.



Edward F. Phelan, Jr.



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**INSPECTOR  
GENERAL**  
UNITED STATES POSTAL SERVICE

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1735 North Lynn Street  
Arlington, VA 22209-2020  
(703) 248-2100