



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

Stand-by Time

Management Advisory

August 12, 2011

Report Number HR-MA-11-003



HIGHLIGHTS

IMPACT ON:

Detroit, MI and Dallas, TX Processing and Distribution Centers (P&DCs).

WHY THE OIG DID THE AUDIT:

Our objective was to determine whether the Postal Service accurately recorded stand-by time.

WHAT THE OIG FOUND:

We found that Dallas and Detroit P&DC managers did not always record stand-by time properly, resulting in improper stand-by overtime charges and institutional stand-by charges being incorrectly charged to operational stand-by codes. Stand-by overtime was improperly charged because managers and supervisors at these P&DCs did not always ensure employees clocked into a productive operational code when taken off of a stand-by operation. In addition, we found employees incorrectly charged institutional stand-by time to operational stand-by codes because managers and supervisors did not provide adequate oversight of workhours.

Postal Service policy states that employees placed on stand-by time must be clocked into the correct stand-by operational number. Inappropriate charges to stand-by overtime and erroneous reporting of operational and institutional stand-by codes result in a flawed picture of workhours and hinder management's ability to adjust employee complement

to workload. Our survey work showed the use of stand-by time has significantly decreased, therefore, we elected not to conduct additional fieldwork at this time.

WHAT THE OIG RECOMMENDED:

We recommend the vice president, Network Operations, assess inappropriate use of stand-by overtime nationwide, especially in Function 1, and implement internal controls to address usage and recording issues identified. We also recommended enhancing management controls to ensure employees and supervisors accurately report and record stand-by time.

WHAT MANAGEMENT SAID:

Management agreed with the findings and recommendations, stating they will reissue guidelines for using and recording stand-by overtime and for recording stand-by time; and they will establish monthly tracking and monitoring by area, district, and plant.

AUDITORS' COMMENTS:

Management's comments were responsive and we believe emphasizing policies and procedures, along with monthly tracking and monitoring, should resolve the issues identified in the report.

[Link to review the entire report.](#)



August 12, 2011

MEMORANDUM FOR: DAVID WILLIAMS
VICE PRESIDENT, NETWORK OPERATIONS

E-Signed by Mark Duda
VERIFY authenticity with e-Sign


FROM: Mark W. Duda
Deputy Assistant Inspector General
for Support Operations

SUBJECT: Management Advisory – Stand-by Time
(Report Number HR-MA-11-003)

This report presents the results of our review of stand-by time (Project Number 11YG016HR000).

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: Megan J. Brennan
Charles E. Howe
Victor Benavides
Deborah Giannoni-Jackson
Corporate Audit and Response Management

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Introduction

This report presents the results of our review of stand-by time (Project Number 11YG016HR000). Our objective was to determine whether the U.S. Postal Service accurately recorded stand-by time. This review was self-initiated and addresses financial and operational risk. See [Appendix A](#) for additional information about this audit.

The Postal Service records stand-by hours for career bargaining unit employees who are guaranteed workhours, as required by applicable National Labor Agreements,¹ when there is insufficient work available. Stand-by time is used for unplanned impacts² that effect employee complement, unplanned, low-work-volume periods on a particular day or days; or other unplanned events such as equipment breakdown. The Postal Service has two categories of stand-by hours: operational, defined as a short-term use in response to situations that are not likely to continue; and institutional, defined as hours used for employees placed on stand-by under provisions in National Agreements.³

Nationwide stand-by time has declined in recent years, from 1,249,278 hours (\$30,794,715) in fiscal year (FY) 2009 to 875,540 hours (\$21,984,811) in FY 2010. In the first 6 months of FY 2011, stand-by time totaled 170,666 hours (\$4,329,794).⁴ However, at a time when the Postal Service is challenged to operate more efficiently, monitoring stand-by time is critical to ensuring their ability to effectively manage the workforce.

Conclusion

Nationwide stand-by time has declined in the last 2 years due to factors including reductions in complement to align more closely with workload, planned retirements and retirement offerings⁵ made to APWU employees. During our survey, we visited the Dallas and Detroit Processing and Distribution Centers (P&DCs), two locations with the most stand-by time. We found that Postal Service officials at these P&DCs did not

¹ American Postal Workers Union (APWU) represents clerks in Post Offices (POs) across the U.S. (Function 1), and National Association of Letter Carriers (NALC) represents letter carriers (Function 2).

² As an example, an event that may result in excessing or repositioning of staff. Such events require impact statements, which include a summary of the impact and the number of employees affected; and it requires approval by district and area officials.

³ *Joint Contract Interpretation Manual (JCIM)*, Article 7.2.C, June 2007.

⁴ Dollar values calculated using the average straight time hourly and average overtime hourly rates from the National Payroll Hour Summary Reports, September 30, 2009 (FY 2009); September 28, 2010 (FY 2010); and March 1, 2011 (FY 2011).

⁵ Reduced mail volume has resulted in the need to reduce complement to match workload. According to Postal Service management, planned retirements and retirement offerings are helping postal management better align workload with employee complement resulting in less down time for the existing workforce, and reductions in stand-by time usage.

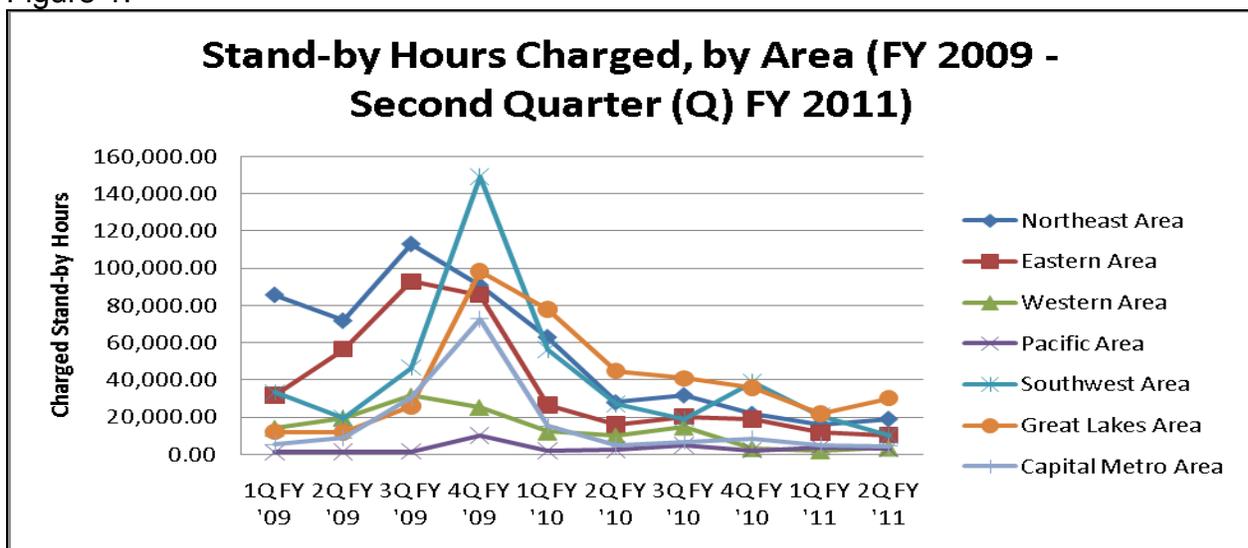
always record stand-by time properly, which resulted in improper stand-by overtime charges and incorrect charges to operational stand-by codes. In addition, we reviewed the stand-by time recorded in the two districts to assess whether there were trends of excessive or improper use by employees or other indications of fraud regarding the use of stand-by time and we did not identify any indications of improper or fraudulent use. As a result of our survey work and because the use of stand-by time has significantly decreased, we elected not to conduct additional fieldwork at this time.

Trending of Stand-by Time

We reviewed trending data for nationwide stand-by time and found that, overall, there have been significant decreases over the past 2 fiscal years (see Figure 1).⁶ A number of factors contributed to this recent decline, including reduction in complement aligning more closely with workload, retirements, and retirement offerings made to APWU employees.

Although nationwide use of stand-by time hours has declined, we noted that use of stand-by time spiked in the Q4, FY 2009. We determined that this spike was, in large part, due to aggressive plant consolidation efforts and excessing of employees. We also found that the Northeast, Eastern, and Great Lakes areas experienced increases in stand-by hours in recent months. Postal Service officials in these areas stated the increases were a result of significant downtime on Flats Sequencing System (FSS) machines and late arrival of mail to FSS sites. In addition, the APWU reached agreement with Postal Service officials at headquarters level to place a moratorium on any craft excessing during the negotiations of the National Contract Agreement.⁷

Figure 1:



⁶ Data obtained from Enterprise Data Warehouse (EDW)

⁷ Postal Service identified circumstances in which employees needed to be moved outside of the craft or installation due to Fuction-4 audit, area mail processing (AMP) event or other downsizing/restructuring initiative. Instead of having employees move (excessing) pursuant to regulations under Article 12 of the National Contract, employees would remain within the same installation/craft, although the reason for the excessing still existed.

Improper Recording of Stand-by Overtime

From October 2009 through March 2011, Detroit P&DC employees charged approximately 1,533 hours (\$58,768) to stand-by overtime. During the same period, Dallas P&DC employees charged approximately 650 hours (\$24,914). This occurred because managers and supervisors at the Detroit and Dallas P&DCs did not always ensure that employees clocked into a productive operational code when taken off of a stand-by operation, resulting in the inaccurate recording of stand-by overtime hours.

Management at the Detroit and Dallas P&DCs and headquarters stated that stand-by overtime should almost never be charged. However, there may be instances in which Delivery Operations (Function 2 activity) may appropriately charge stand-by overtime;⁸ however, Postal Service officials stated that it is never appropriate for individuals in Mail Processing (Function 1 activity) to charge stand-by overtime. Nonetheless, Function 1 mail processing activities resulted in about 79 percent, 89 percent, and 93 percent of all stand-by overtime charges nationwide in FYs 2009, through 2010 and FY 2011 (first 6 months), respectively (see Table 1).⁹

Table 1: Nationwide Stand-by Overtime Usage, by Function

		Function 1	Function 2	Other Function
FY 2009	Stand-by Overtime Hours	5,964	381	1,180
	Value	\$ 147,003	\$ 9,567	\$ 29,947
	Percent of Total	79%	5%	16%
FY 2010	Stand-by Overtime Hours	8,651	390	721
	Value	\$ 213,243	\$ 9,803	\$ 18,296
	Percent of Total	89%	4%	7%
FY 2011 (First Two Quarters)	Stand-by Overtime Hours	4,273	223	111
	Value	\$ 105,337	\$ 5,595	\$ 2,820
	Percent of Total	93%	5%	2%

Note: Other functions include customer service, postal vehicle service (PVS), and maintenance functions.

Postal Service policy states that field site managers and supervisors are responsible for ensuring that the use of stand-by operations are implemented, monitored, and effectively managed on a daily basis and that staffing adjustments are initiated when employees are using stand-by time on a regular basis.¹⁰

⁸ When a manager requests that an employee work outside of their regular scheduled workday or work week, the manager may be contractually obligated to provide the employee with 8 hours of overtime. Although in overtime status, an unforeseen incident could occur preventing the employee from being productive, resulting in the employee being placed on stand-by time.

⁹ Data obtained from EDW.

¹⁰ Postal Service policy for Use of Stand-by Time, February 19, 2010.

Improper Recording of Institutional and Operational Stand-by Time

Employees at the Detroit and Dallas P&DCs incorrectly charged institutional stand-by hours to operational stand-by codes.¹¹ Specifically, employees incorrectly used the operational code 340 when the reason for their use of stand-by time should have been applied to the institutional code 603 (see Table 2 in [Appendix A](#) for a description of institutional and operational stand-by codes). This occurred because managers and supervisors did not provide adequate oversight of workhour allocations to ensure employees charged their time to the appropriate stand-by codes. In addition, although we found that area finance managers monitored and tracked the use of stand-by hours as part of overall workhours; they did not ensure the appropriate recording of institutional and operational stand-by time. We also noted that before the Postal Service implemented a policy for the use of stand-by time in February 2010, employees used one operational code (340) for all stand-by time. Postal Service officials at the Dallas P&DC stated that employees and supervisors needed additional training to help ensure that employees charge the correct codes.

Postal Service policy states that employees placed on stand-by time must be clocked into the correct stand-by operational number.¹² Accurate workhour recording, including stand-by hours, provides a true picture of workload and productivity.

Inappropriate charges to stand-by overtime and erroneous reporting of operational and institutional stand-by codes result in a flawed picture of workhours and hinder management's ability to adjust employee complement to workload. At a time when the Postal Service is challenged to operate more efficiently, the accuracy of management data is critical to ensuring their ability to effectively manage the workforce.

Recommendations

We recommend the vice president, Network Operations:

1. Assess the inappropriate use of stand-by overtime nationwide, especially in Function 1 and implement internal controls to address usage and recording issues identified.
2. Enhance management controls to ensure employees and supervisors accurately report and record stand-by time.

Management's Comments

Management agreed with the findings and recommendations, stating they will reissue guidelines for the use and recording of stand-by overtime, and recording of stand-by

¹¹ When asked why there were so many operational stand-by hours (which should be used for unexpected low work volumes and as a short-term remedy to breakdowns); management in Detroit and Dallas indicated that most of the operational stand-by hours were incorrectly charged, and should have been charged as institutional stand-by hours (which are used for excessing employees when they don't have enough work).

¹² Postal Service policy for Use of Stand-by Time, February 19, 2010.

time to all facilities. Management will also establish monthly tracking and monitoring by area, district, and plant by September 30, 2011. See [Appendix B](#) for management's comments in their entirety.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendations and the 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 recommendation(s) can be closed.

Appendix A: Additional Information

Background

The Postal Service records stand-by hours for career bargaining unit employees who are guaranteed workhours, as required by applicable national labor agreements, when there is insufficient work available.¹³ Stand-by time is used for planned impacts that effect employee complement as well as for unplanned, low-work volume periods on a particular day or days, or other unplanned events such as equipment breakdowns. Stand-by operations are intended for short-term use in response to situations that are not likely to continue.

The Postal Service has two categories of stand-by hours: operational, defined as a short-term use in response to situations that are not likely to continue; and institutional, defined as hours used for employees placed on stand-by under provisions in national agreements.¹⁴ Table 2 outlines operational and institutional stand-by codes:

Table 2: Operational and Institutional Stand-by Codes¹⁵

Operational Code	Description
340	Operational Stand-by (Mail Processing)
353	Operational Stand-by (Customer Service)
354	Operational Stand-by (Delivery)
603	Institutional Stand-by (Mail Processing)
604	Institutional Stand-by (Delivery)
605	Institutional Stand-by (PVS Operations)
606	Institutional Stand-by (Customer Service)
614	Operational Stand-by (PVS Operations)
790	Institutional Stand-by (Maintenance)

Employees who are directed to clock into stand-by operations are on the clock and subject to the same direction, supervision, and work rules as when assigned to productive operations. Employees on stand-by should remain in the facility in an area removed from normal activity, such as in a break room, meeting room, cafeteria, or an area designated for stand-by use. Employees must remain ready to assume normal work activities as needed and directed by supervisors.

Postal Service employees charged approximately 1,249,278 stand-by hours in FY 2009 and 875,540 hours in FY 2010. In addition, Postal Service employees charged approximately 7,525 stand-by overtime hours in FY 2009 and 9,762 in

¹³ Handbook M-32, *Managing Operating Data System (MODS)* (4-4.4) March 2009.

¹⁴ JCIM, Article 7.2.C, June 2007.

¹⁵ Table 2 data obtained from Postal Service policy for use of stand-by time, February 19, 2010.

FY 2010.¹⁶ In FY 2011 (October 1, 2010 through March 31, 2011),¹⁷ Postal Service employees charged approximately 170,666 stand-by hours and charged 4,607 stand-by overtime hours.

The total value of charged stand-by hours during FYs 2009 and 2010 was \$52,779,525. During the same period, stand-by overtime hours totaled \$654,519. The total value of stand-by hours during FY 2011 year to date [(YTD) March 2011] was \$4,329,794 and stand-by overtime hours totaled \$178,531.

Objective, Scope, and Methodology

Our objective was to determine how the Postal Service uses stand-by time.

To accomplish our objective, we analyzed EDW and Time and Attendance Collection System (TACS) data on stand-by time for FYs 2009, 2010, and 2011, (YTD March 2011). We also calculated Postal Service operational and institutional stand-by hours and stand-by overtime hours, and costs for FY 2009 through FY 2011, (YTD March 2011).

We interviewed management at Postal Service Headquarters to discuss various aspects of the use of stand-by time within Postal Service, including why stand-by overtime hours are used instead of regular productive overtime hours.

We interviewed Postal Service officials at the Detroit and Dallas P&DCs to gain an understanding of stand-by time usage and tracking and monitoring of stand-by hours and to discuss issues related to the use of stand-by time.

We judgmentally selected the Detroit and Dallas P&DCs for review because of the high number of stand-by hours charged by these facilities in FYs 2009, 2010, and 2011, as demonstrated in the following tables:¹⁸

¹⁶ Data obtained from EDW.

¹⁷ All references to FY 2011 data contained herein refer to FY 2011 partial year data covering the first 2 quarters.

¹⁸ Data obtained from EDW.

TABLE 3: Locations with the most charged Stand-by Hours – FY 2009

LOCATION	HOURS
NEW YORK MORGAN P&DC¹⁹	100,057
DALLAS P&DC	81,505
DETROIT P&DC	79,540
CLEVELAND P&DC	61,027
NEWARK PO²⁰	50,407
PHILADELPHIA NDC²¹	49,324
SEATTLE P&DC	39,073
MEMPHIS NDC	35,845
BROOKLYN P&DC	33,022
QUEENS P&DC	31,215

TABLE 4: Locations with the most charged Stand-by Hours – FY 2010

LOCATION	HOURS
DALLAS P&DC	66,959
DETROIT P&DC	55,292
SOUTH FLORIDA P&DC	41,482
NEWARK PO	35,916
DETROIT NDC	34,269
NEW JERSEY NDC	33,019
JACKSONVILLE P&DC	28,828
CLEVELAND P&DC	25,808
NORTH TEXAS P&DC	24,823
ATLANTA P&DC	23,644

TABLE 5: Locations with the most charged Stand-by Hours – FY 2011

LOCATION	HOURS
DALLAS P&DC	23,092
NEW JERSEY NDC	10,648
DETROIT P&DC	7,717
WEST NASSAU P&DC	5,618
ST. LOUIS, MO P&DC	5,548
SO JERSEY P&DC	4,391
SOUTH FLORIDA P&DC	4,281
KALAMAZOO P&DC	4,131
BALTIMORE P&DC	3,581
CHICAGO NDC	3,418

¹⁹ P&DC is a central mail facility that processes and dispatches part or all both incoming mail and outgoing mail for a designated service area. It also provides instructions on the preparation of collection mail, dispatch schedules, and sorting plan requirements to mailers.

²⁰ The Postal Service by regulation defines PO as being associated with a city, town, or village. Stations are established within the corporate limits or boundary, and branches are established outside the corporate limits or boundary of the city, town, or village in which the PO is located. 39 CFR § 241.2(a)(1).

²¹ Network Distribution Center (NDC) is responsible for the oversight of the Bulk Mail Center (BMC) and Logistics and Distribution Center (L&DC) facilities and networks.

We reviewed the stand-by time recorded in Detroit and Dallas to assess whether there were indications of fraudulent use of stand-by time, or excessive use by the same employees and did not identify any indications of improper or fraudulent use.

We reviewed Handbook M-32, MODS, and *Policy for Use of Stand-by Hours* to determine Postal Service responsibilities related to stand-by time.

We conducted this review from January through August 2011 in accordance with the Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation*. We discussed our observations and conclusions with management on June 20, 2011, and included their comments where appropriate.

To perform this audit we relied on computer-generated data from EDW and TACS applications. We assessed the reliability of EDW and TACS data by reviewing existing documentation related to the data sources for FYs 2009, 2010, and 2011, (YTD March 2011) and performed reasonableness checks of data extracted from EDW and TACS. Additionally, we corresponded with Postal Service officials knowledgeable about EDW data. Based on our tests of the computer-generated data from these systems, we determined that the data were sufficiently reliable for the purposes of this report.

[Prior Audit Coverage](#)

We did not identify any prior audits or reviews related to the objective of this audit.

Appendix B: Management's Comments

DAVID E. WILLIAMS
VICE PRESIDENT, NETWORK OPERATIONS



August 4, 2011

Shirian Holland
Acting Director, Audit Operations
1735 North Lynn Street
Arlington, VA 22209-2020

SUBJECT: Draft Management Advisory - Stand-by Time
(Report Number HR-MA-11-Draft)

We have reviewed the audit performed by the Office of Inspector General on Stand-by Time. We appreciate the courtesy throughout the process and the opportunity to provide feedback on your findings. Management agrees with all findings and recommendations.

Recommendation 1:

Assess the inappropriate use of stand-by overtime nationwide, especially in function one, and implement internal controls to address usage and recording issues identified.

Management Response/Action Plan:

Management agrees with the recommendation. Management will reissue guidelines for stand-by overtime usage and recording to all facilities. Management will also establish monthly tracking and monitoring by area, district, and plant.

Target Implementation Date:

September 30, 2011

Responsible Official:

Frank Neri, Manager, Processing Operations

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Recommendation 2:

Enhance management controls to ensure employees and supervisors accurately report and record stand-by time.

Management Response/Action Plan:

Management agrees with the recommendation. Management will reissue guidelines for stand-by recording to all facilities. Management will also establish monthly tracking and monitoring by area, district, and plant.

Target Implementation Date:

September 30, 2011

Responsible Official:

Frank Neri, Manager, Processing Operations

This report and management's response do not contain information that may be exempt from disclosure under the FOIA.



David E. Williams