



April 26, 2010

VINCENT H. DEVITO, JR.  
VICE PRESIDENT, CONTROLLER

DEAN J. GRANHOLM  
VICE PRESIDENT, DELIVERY AND POST OFFICE OPERATIONS

VICE PRESIDENTS, AREA OPERATIONS

SUBJECT: Draft Audit Report – Function 4 Overtime Workhours  
(Report Number MS-AR-10-002)

This report presents the results of our self-initiated audit of Postal Service Function 4<sup>1</sup> Overtime Workhours (Project Number 09RG009MS000). Our objective was to determine whether Postal Service officials effectively managed Function 4 workhours to reduce overtime costs. This audit addresses financial and operational risk. See [Appendix A](#) for additional information about this audit.

## **Conclusion**

Postal Service officials effectively managed Function 4 workhours to reduce overtime costs. Overall Function 4 overtime workhours decreased from 17.5 million in fiscal year (FY) 2008 to 9.2 million in FY 2009. However, unauthorized overtime workhours<sup>2</sup> as a percentage of total overtime workhours increased from FY 2008 to FY 2009. Management should strengthen time and attendance procedures to reduce Function 4 unauthorized overtime costs. We estimated that in FYs 2008 and 2009, the Postal Service incurred unrecoverable unsupported questioned costs totaling \$79.6 million for unauthorized overtime workhours.

## **Time and Attendance Procedures Need Strengthening**

Some Function 4 employees clocked in before and clocked out after their assigned workhours, resulting in 1.2 million and 965,000 unauthorized overtime workhours for

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<sup>1</sup> Function 4 operations include customer service activities – both supervisory and nonsupervisory – of employees at post offices, stations, and branches involved in automated, mechanized, manual, and post office box distribution of mail, post office window, and vending equipment services and miscellaneous administrative and Central Forwarding System operations.

<sup>2</sup> Unauthorized overtime workhours are hours that employees work in excess of their scheduled tour without prior authorization from a supervisor.

FYs 2008 and 2009, respectively. This occurred because the Postal Service's badge control process does not prevent employees from clocking in before and clocking out after their assigned workhours. In addition, managers and supervisors did not follow established time and attendance procedures. Officials stated they did not follow procedures because other duties took priority. Specifically, they did not always:

- Control employees' access to time cards and badges to ensure they clocked in and out according to their assigned schedules;
- Update the Time and Attendance Collection System (TACS) to reflect changes in employees' scheduled work times; and
- Record authorized overtime in TACS to reduce the amount of unauthorized overtime recorded in the TACS Unauthorized Overtime Report.

We previously recommended the vice president, controller, assess the feasibility of automating the badge control process with the Electronic Badge Reader (EBR) and TACS to prevent employees from clocking in before their official workhours begin. Although management identified two automated solutions to prevent employees from clocking in before and clocking out after their assigned workhours, they decided against these options in favor of using the TACS reports to identify employees clocking in before normal workhours. Management indicated that the reports were sufficient to effectively and efficiently manage clocking activity. See [Appendix A](#) for prior audit coverage.

We benchmarked the Postal Service's procedures for controlling unauthorized work against procedures at two major corporations. Management controls at the corporations we surveyed prevent unauthorized overtime costs because their electronic badge readers do not allow employees to clock in before or clock out after their scheduled tours of duty without supervisory approval.

We believe preventing employees from clocking in before and clocking out after their assigned workhours is a more effective and cost efficient control mechanism than detecting unauthorized workhours after they occur. If management does not automate the badge control process and managers and supervisors do not comply with established time and attendance procedures, the Postal Service will continue to incur unauthorized overtime workhours. We estimate the Postal Service incurred \$79.6 million of Function 4 unauthorized overtime costs in FYs 2008 and 2009. See [Appendix B](#) for our detailed analysis of this topic.

We recommend the vice president, controller:

1. Implement an automated solution to prevent employees from clocking in before and clocking out after their scheduled tours of duty without supervisory approval.

We recommend the vice president, Delivery and Post Office Operations, coordinate with the vice presidents, Area Operations, to:

2. Reiterate the importance of supervisory oversight of the badge control and clock ring process to Function 4 managers and supervisors.
3. Re-emphasize to Function 4 managers and supervisors the importance of adjusting the Time and Attendance Collection System timely to reflect changes in employees' scheduled tours of duty and recording authorized overtime in the Time and Attendance Collection System in a timely manner to reduce the amount of unauthorized overtime recorded on the Time and Attendance Collection System Unauthorized Overtime Report.

### Management's Comments

Management agreed with recommendations 2 and 3, and disagreed with recommendation 1 and our estimates of unsupported questioned costs.

Management stated that our estimates of unsupported questioned costs ignored the likelihood that unauthorized overtime used in FYs 2008 and 2009 in Function 4 operations were informally authorized and productive workhours, as opposed to unauthorized and nonproductive costs that can be eliminated.

Management disagreed with our statement that "preventing employees from clocking in before and out after their assigned work scheduled is a more effective and cost efficient mechanism than detecting unauthorized work after it occurs." They stated that the primary purpose of the TACS system is to accurately record hours worked by employees in order to pay them in compliance with the Fair Labor Standards Act (FLSA) and applicable Postal Service labor contracts. They indicated that imposing programmatic lockouts of begin and end tour rings for employees does not effectively curtail work performed by employees that is legally compensable under the FLSA concept of "suffer and permit."

Management also indicated the responsibility for verifying clock rings and ensuring employees' clock rings align with scheduled and authorized work is best charged to supervisors. They believe the use of TACS reports offers the most effective and efficient method of managing clocking activity.

Finally, management asserted that the investment required to provide the recommended changes in the TACs system is currently cost-prohibitive.

Management agreed with recommendations 2 and 3. They will provide Function 4 managers and supervisors with a guide that outlines their responsibilities for reviewing time and attendance and sent them a letter to reiterate the importance of supervisory

oversight of the badge control and clock ring process. Management's comments, in their entirety, are included in [Appendix E](#).

### **Evaluation of Management's Comments**

Management is correct that our estimate of Unsupported Questioned Costs ignored "informally authorized" workhours. Postal Service policy requires managers and supervisors to document all authorized overtime in the TACS system. Our estimate is a statistical projection of unauthorized overtime based on existing Postal Service records, as there is no valid methodology to determine any amount that was "informally authorized."

Management proposed an acceptable alternative to recommendation 1. In a March 18, 2010 meeting we explained that the intent of our recommendation was not to have TACS automatically clock employees in and out based on work schedules. Rather, TACS would prevent employees from clocking in early or out late without involving a supervisor. Management disagreed with this approach because of variations in schedules and their concern that any savings in unauthorized overtime from implementing our recommendation would be more than offset by an increase in grievances.

However, in a memo dated March 2, 2010, management reminded supervisors of their responsibility to manage work schedules. In addition, management developed a weekly report to track unauthorized overtime hours, by area and performance cluster, as a percentage of total overtime hours. Management will provide this report to area vice presidents weekly. Management believes this visibility will bring unauthorized overtime under control.

The OIG considers management's comments responsive to recommendations 2 and 3 and considers the alternative actions taken regarding recommendation 1 to be responsive.

The OIG considers all the 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 follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Robert Mitchell, director, Sales and Service, or me at (703) 248-2100.

E-Signed by Darrell E. Benjamin, Jr   
VERIFY authenticity with ApproveIt

Darrell E. Benjamin, Jr.  
Deputy Assistant Inspector General  
for Revenue and Systems

Attachments

cc: Joseph Corbett  
Steven J. Forte  
Sally K. Haring

## APPENDIX A: ADDITIONAL INFORMATION

### BACKGROUND

The Postal Service must compensate employees for their work if management knows or has reason to believe they performed the work. Management has a duty to ensure the employees do not perform unauthorized work. An announcement by management that they will not permit overtime work— or will not compensate overtime work unless they authorize it in advance — will not impair employees' rights to compensation for work performed.<sup>3</sup>

The Postal Service incurred approximately 204 million and 166 million workhours for Function 4 operations in FYs 2008 and 2009, respectively. Overtime workhours accounted for approximately 8.56 percent of total workhours in FY 2008 and 5.54 percent in FY 2009 (see Table 1).

Table 1. Function 4 Workhours						
	FY 2008			FY 2009		
Area	Total Workhours (Actual)	Total Overtime Workhours (Actual)	Overtime Workhours as a Percentage of Total Workhours	Total Workhours (Actual)	Total Overtime Workhours (Actual)	Overtime Workhours as a Percentage of Total Workhours
Capital Metro	18,058,683	1,532,391	8.49	14,647,459	930,225	6.35
Eastern	22,033,087	2,093,352	9.50	18,132,556	1,120,402	6.18
Great Lakes	24,520,575	2,129,230	8.68	19,420,428	1,221,215	6.29
New York Metro	22,004,559	2,055,510	9.34	16,624,381	934,807	5.62
Northeast	17,808,256	1,501,174	8.43	13,844,070	691,899	5.00
Pacific	21,868,233	1,531,718	7.00	18,755,897	755,763	4.03
Southeast	25,993,171	2,356,897	9.07	21,433,920	1,462,353	6.82
Southwest	21,855,334	1,814,465	8.30	17,489,460	601,583	3.44
Western	29,873,633	2,445,735	8.19	25,733,050	1,488,791	5.79
<b>TOTAL</b>	<b>204,015,531<sup>4</sup></b>	<b>17,460,472</b>	<b>8.56</b>	<b>166,081,221<sup>5</sup></b>	<b>9,207,038</b>	<b>5.54</b>

Source: National eFlash.

<sup>3</sup> Code of Federal Regulations (e-CFR), 29 CFR 785 and 29 CFR 778.316, July 1, 2003.

<sup>4</sup> FY 2008, Function 4 total workhours (actual) includes LDC 40 – Supervision and LDC 94 – Training.

<sup>5</sup> FY 2009, Function 4 total workhours (actual) excludes LDC 40 – Supervision and LDC 94 – Training.

## OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to determine whether Postal Service officials effectively managed Function 4 workhours to reduce overtime costs. Our scope included FYs 2008 and 2009 Function 4 overtime workhours.

To accomplish our objective, we:

- Reviewed applicable policies and procedures relating to badge control and clock ring<sup>6</sup> management.
- Analyzed 198 randomly selected district weeks<sup>7</sup> of TACS Unauthorized Overtime Reports from a universe of 4,160 district weeks to determine how many unauthorized overtime workhours the Postal Service incurred in FY 2008. We also randomly selected and analyzed Unauthorized Overtime Reports for 207 district weeks from a similar universe for FY 2009. The data for the randomly selected district weeks covered all Postal Service areas.
- Visited selected Postal Service facilities in the Capitol Metro and Great Lakes areas to conduct observations and interview managers and supervisors to obtain information on Function 4 operations and badge control and clock ring procedures.
- Prepared a flowchart of the badge control and clock ring management process (see [Appendix D](#)).
- Interviewed officials at high-performing facilities<sup>8</sup> in the Eastern and Pacific areas to determine the reasons for their success and to develop best practices.
- Benchmarked Postal Service's procedures for controlling unauthorized work against the procedures of two major corporations.
- Calculated the potential cost savings the Postal Service could realize by reducing unauthorized overtime workhours using FYs 2008 and 2009 TACS data. See [Appendix C](#) for our calculation of unsupported questioned costs.

We conducted this performance audit from January 2009 through April 2010 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

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<sup>6</sup> Time recorded when an employee swipes a time card through the EBR.

<sup>7</sup> A district week is the number of weeks in a year times the number of possible districts in a Postal Service area. For example, nationwide there were 80 districts in FY 2008, multiplied by 52 weeks, equals a universe of 4,160 district weeks.

<sup>8</sup> Postal Service districts that incurred the least amount of unauthorized overtime workhours.

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 relied on data obtained from the TACS. We did not directly audit the TACS, but relied on a prior U.S. Postal Service Office of Inspector General (OIG) audit of the TACS that reported that internal controls ensuring the accuracy of clock rings were in place and effective<sup>9</sup>.

## PRIOR AUDIT COVERAGE

Our report titled *City Letter Carrier Operations Office Time Processes* (Report Number DR-AR-08-013, dated September 30, 2008) concluded that some city letter carriers were clocking in before their scheduled tour of duty, resulting in unauthorized overtime. This occurred because managers and supervisors did not always follow established procedures. As a result, for city delivery operations, we estimated the Postal Service incurred unrecoverable questioned costs<sup>10</sup> in FY 2007 of \$6,128,681. We also estimated Postal Service city delivery operations would incur unauthorized overtime workhours totaling \$12,862,773 for early clock in (classified as funds put to better use<sup>11</sup>) by the end of FY 2009.

We recommended the vice president, controller, assess the feasibility of automating the badge control processes with the EBR and the TACS to prevent employees from clocking in before their official start times. Management agreed with our findings and identified two options for automation of the badge control processes, both of which required capital investment.

Option one was to download and track employee schedules on time clock devices. This would require a complete replacement of approximately 22,000 time clock devices with a new device in order to hold the employees' schedules. According to management, the two types of time clock devices in service do not have enough memory to accommodate online downloaded schedules. Management estimated the complete replacement of the time clock devices to be \$40-\$50 million.

Option two was to query the centralized TACS databases for schedules when employees swipe badges. Management indicated that this is possible on the 9,500 new "Hyper" electronic badge reader time clocks, but not possible on the 12,500 legacy time clocks because they do not have communications capabilities to query external sources.<sup>12</sup> If management obtained funds, they would complete the rollout of new clocks by the end of FY 2012, but they did not provide the estimated cost for this option.

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<sup>9</sup> Application Control Review of the Time and Attendance Collection System (Report Number IS-AR-08-014, dated August 14, 2008).

<sup>10</sup> Unrecoverable questioned costs are costs that are unnecessary, unreasonable, or an alleged violation of law or regulation.

<sup>11</sup> Funds put to better use are funds that could be used more efficiently by implementing the recommended actions.

<sup>12</sup> The Postal Service had 22,017 time clocks as of January 5, 2010 (12,050 "Hyper" electronic badge readers and 9,967 legacy).

Although management acknowledged the current system's inability to address early clocking in and provided two viable options to address our recommendation, they stated the management tools in place are sufficient to effectively and efficiently manage clocking activity; therefore, they do not plan to automate the badge control process at this time.

Instead of automating the badge control process, management established additional reporting capability in the enterprise data warehouse, called the Time and Attendance Reporting (TAR) project. This reporting capability provides two management tools: Tour Deviation and Unauthorized Overtime Reports. Finally, management stated they would create additional training materials using the TAR reports and re-emphasize the importance of badge control to front-line managers and supervisors.

## APPENDIX B: DETAILED ANALYSIS

Postal Service officials effectively managed Function 4 workhours to reduce overtime costs. Overall, Function 4 overtime workhours decreased from 17.5 million to 9.2 million from FY 2008 to FY 2009. However, total unauthorized overtime workhours as a percentage of total overtime workhours increased from 6.98 percent to 10.49 percent from FY 2008 to 2009.<sup>13</sup> This trend occurred in all Postal Service Areas. Some Function 4 employees clocked in before and clocked out after their assigned workhours, which resulted in unauthorized overtime projected at 1,219,554 and 965,596 workhours for FYs 2008 and 2009, respectively (see Table 2).

Area	FY 2008			FY 2009		
	Function 4 Unauthorized Overtime Workhours	Total Function 4 Overtime Workhours	Function 4 Unauthorized Overtime Workhours as a Percentage of Total Function 4 Overtime Workhours	Function 4 Unauthorized Overtime Workhours	Total Function 4 Overtime Workhours	Function 4 Unauthorized Overtime Workhours as a Percentage of Total Function 4 Overtime Workhours
Capital Metro	266,300	1,532,391	17.38	166,909	930,225	17.94
Eastern	37,638	2,093,352	1.80	32,502	1,120,402	2.90
Great Lakes	184,232	2,129,230	8.65	201,547	1,221,215	16.50
New York Metro <sup>15</sup>	131,813	2,055,510	6.41	Not Available	934,807	Not Available
Northeast	94,702	1,501,174	6.31	61,174	691,899	8.84
Pacific	64,788	1,531,718	4.23	50,458	755,763	6.68
Southeast	161,559	2,356,897	6.85	152,343	1,462,353	10.42
Southwest	115,220	1,814,465	6.35	173,885	601,583	28.90
Western	163,302	2,445,735	6.68	126,778	1,488,791	8.52
<b>TOTAL</b>	<b>1,219,554</b>	<b>17,460,472</b>	<b>6.98</b>	<b>965,596</b>	<b>9,207,038</b>	<b>10.49</b>

Source: OIG Analysis of Overtime Workhours

<sup>13</sup> According to Postal Service officials, unauthorized overtime is a systemic problem. The OIG also reported this issue for Function 2, Delivery Operations (Report Number DR-AR-08-013, dated September 30, 2008). See the Prior Audit section of this report.

<sup>14</sup> We calculated the unauthorized overtime workhours estimates based on the results of our statistical sample.

<sup>15</sup> In FY 2010, the Postal Service reorganized its operations to eliminate the New York Metro area. The districts in the area were merged with other districts. We replaced New York Metro Area district weeks selected for review with other areas' district weeks because the FY 2009 unauthorized overtime reports for the New York Metro area were not currently available.

This occurred because the Postal Service's badge control process does not prevent employees from clocking in before and clocking out after their assigned workhours. In addition, managers and supervisors did not follow established time and attendance procedures. Officials stated that they did not always follow procedures because other duties took priority.

Managers and supervisors are responsible for controlling employees' access to time cards and badges, making certain the employees clock in and out according to their assigned schedules and approving all daily clock rings that deviate from their assigned schedules by more than 5 minutes. They are also responsible for updating the TACS to reflect changes in employees' scheduled work times and recording authorized overtime in the TACS to reduce the amount of unauthorized overtime recorded on the TACS Unauthorized Overtime Report.

We interviewed 13 finance managers from high-performing district offices in the Eastern and Pacific Areas to determine the reasons for their success in controlling unauthorized workhours and to develop best practices. Districts in the Eastern and Pacific Areas incurred the fewest Function 4 unauthorized overtime workhours in FYs 2008 and 2009. These districts were successful in controlling unauthorized workhours because their managers and supervisors substantially complied with established time and attendance procedures. The districts provided their managers and supervisors training on time and attendance procedures, provided overtime reports for them to use to manage workhours, and held frequent meetings to discuss overtime workhours.

In addition, we benchmarked the Postal Service's procedures for controlling unauthorized work against procedures at two major corporations. Management controls at the corporations we surveyed prevent unauthorized overtime costs because their electronic badge readers do not allow employees to clock in before or clock out after their scheduled tours of duty without supervisory approval. Conversely, Postal Service electronic badge readers allow employees to clock in before and clock out after their scheduled tours of duty without management's approval.

Finally, we previously reported in *City Letter Operations Office Time Processes* (Report Number DR-AR-08-013, dated September 30, 2008) that city letter carriers clocked in before their scheduled tours of duty resulting in significant unauthorized overtime workhours. We recommended the vice president, controller, assess the feasibility of automating the badge control processes with the EBR and the TACS to prevent employees from clocking in before their official start time. Management agreed with our findings and identified two automated solutions to prevent employees from clocking in before and clocking out after their assigned work schedules. However, they decided against these options in favor of using the TACS reports. Management indicated that the reports were sufficient to effectively and efficiently manage clocking activity.

We believe preventing employees from clocking in before and clocking out after their assigned work schedules is a more effective and cost efficient control mechanism than

detecting unauthorized work after it occurs. If management does not automate the badge control process and managers and supervisors do not comply with established time and attendance procedures, the Postal Service will continue to incur unauthorized overtime workhours. We estimated that the Postal Service incurred \$79.6 million in Function 4 unauthorized overtime costs in FYs 2008 and 2009.

## APPENDIX C: MONETARY IMPACT

### OIG Calculation of Unsupported Questioned Costs

We sampled unauthorized overtime data using random sampling methodology. The universe consisted of 8,320 district weeks (4,160 each for FYs 2008 and 2009) for the 80 Postal Service districts. We selected and reviewed 405 district weeks (198 for FY 2008 and 207 for FY 2009) to determine unauthorized overtime workhours incurred. We used variable sampling<sup>16</sup> to project the sampling results based on a 95 percent confidence level.<sup>17</sup> We calculated the unrecoverable unsupported questioned costs by multiplying the projected unauthorized overtime workhours by the clerks' average overtime hourly rate.<sup>18</sup> We estimated that the Postal Service incurred unrecoverable unsupported questioned costs<sup>19</sup> totaling \$79.6 (\$43.6 million in FY 2008 and \$36 million in FY 2009).

Our statistical sample taken on a nationwide basis resulted in 1,219,554 and 965,596 unauthorized overtime workhours for FYs 2008 and 2009, respectively. However, because the Postal Service's organizational structure requires each area to manage its own field budget, we extrapolated our nationwide monetary impact to each area. Provided below is the estimated monetary impact for each area.

<b>Table 3. Unsupported Questioned Costs</b>					
Area	FY 2008		FY 2009		Total Unsupported Questioned Costs
	Estimated Unauthorized Function 4 Overtime Workhours	Unrecoverable Unsupported Questioned Costs	Estimated Unauthorized Function 4 Overtime Workhours	Unrecoverable Unsupported Questioned Costs	
<b>Capital Metro</b>	266,300	\$9,512,236	166,909	\$6,237,389	\$15,749,625
<b>Eastern</b>	37,638	1,344,429	32,502	1,214,600	2,559,029
<b>Great Lakes</b>	184,232	6,580,767	201,547	7,531,811	14,112,578
<b>New York Metro<sup>15</sup></b>	31,813	4,708,360	Not Available	Not Available	4,708,360
<b>Northeast</b>	94,702	3,382,755	61,174	2,286,072	5,668,827
<b>Pacific</b>	64,788	2,314,227	50,458	1,885,615	4,199,842
<b>Southeast</b>	161,559	5,770,887	152,343	5,693,058	11,463,945
<b>Southwest</b>	115,220	4,115,658	173,885	6,498,082	10,613,740
<b>Western</b>	163,302	5,833,147	126,778	4,737,694	10,570,841
<b>TOTAL</b>	<b>1,219,554</b>	<b>\$43,562,466</b>	<b>965,596</b>	<b>\$36,084,321</b>	<b>\$79,646,787</b>

Source: OIG calculation performed on the results of the precision analysis of post stratified appraisal

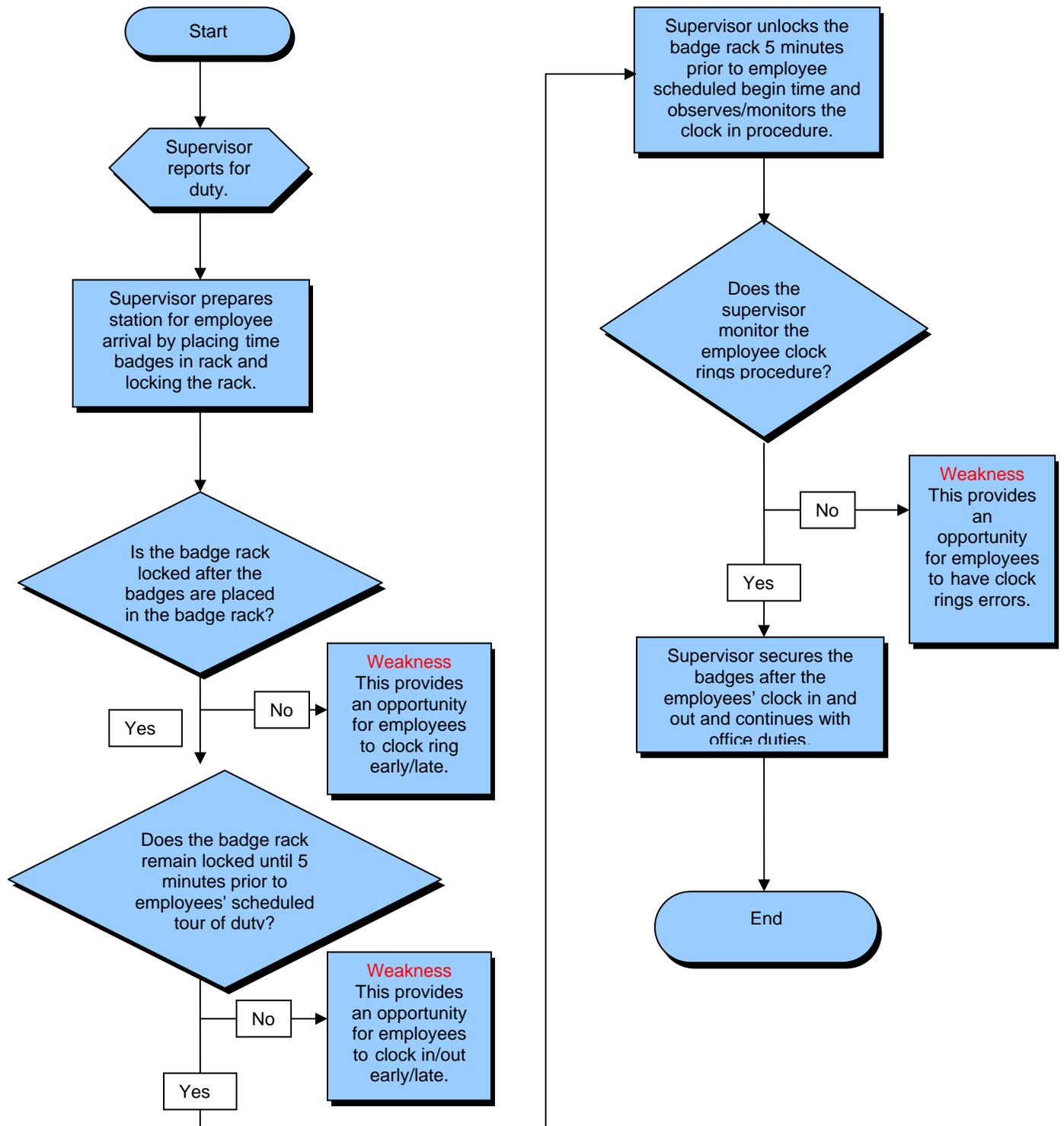
<sup>16</sup> A statistical procedure used to study the quantitative characteristics of a population.

<sup>17</sup> We estimated unauthorized overtime workhours using TACS data and RAT-STATS software

<sup>18</sup> The clerks' average overtime hourly rate is 150 percent of the clerks' average hourly rate. The clerks' average hourly rate published in the *National Payroll Hours Summary Report* was \$23.81 and \$24.91 for FYs 2008 and 2009, respectively.

<sup>19</sup> Unrecoverable costs are costs that the OIG questions because of missing or incomplete documentation or failure to follow required procedures.

**APPENDIX D: FLOW CHART OF BADGE CONTROL AND CLOCK RING MANAGEMENT**



## APPENDIX E: MANAGEMENT'S COMMENTS



February 9, 2010

LUCINE M. WILLIS

SUBJECT: Transmittal of Draft Audit Report – Function 4 Overtime Work Hours  
(Report Number MS-AR-10-DRAFT)

Thank you for the opportunity to review and comment on the above referenced report dated January 21, 2010. The audit findings were addressed to several Vice Presidents. This response is a joint response from the Vice President, Controller, and Vice President, Delivery and Post Office Operations.

Below are management's responses to specific findings that were not incorporated in the official recommendations:

**Recommendation # 1 :**

We recommend the Vice President, Controller, to:

Implement an automated solution to prevent employees from clocking in before and clocking out after their scheduled tours of duty without supervisor approval.

**Response:**

Management disagrees with the Recommendation 1.

While USPS Payroll staff concurs with the OIG finding that field supervisors are not adequately documenting authorized overtime or adequately controlling unauthorized overtime, we have some observations regarding the estimates of Unsupported Questioned Costs and disagree with the recommendations provided. The appropriate sections of the OIG Draft Audit Report are addressed as follows:

**OIG CALCULATION OF UNSUPPORTED QUESTIONED COSTS**

The estimates of Unsupported Questioned Costs appears to ignore the likelihood that the unauthorized overtime used in 2008 and 2009 in Function 4 were informally authorized and productive workhours, as opposed to unauthorized and non-productive costs that can be fully eliminated. The monetary impact averaging approximately \$40 million per year appears to be vastly overstated.

**TIME AND ATTENDANCE PROCEDURES NEED STRENGTHENING**

The report states: "We believe preventing employees from clocking in before and out after their assigned work schedules is a more effective and cost efficient control mechanism than detecting unauthorized work after it occurs." "We recommend the Vice President, Controller: 1. Evaluate the feasibility of automating the badge control process in order to prevent unauthorized overtime costs."

The Vice President, Controller, disagrees with this recommendation. The primary purpose of the Time and Attendance Collection System (TACS) is to accurately record hours worked by employees in

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order to pay employees in compliance with the Fair Labor Standards Act and applicable contractual agreements. The TACS system currently accomplishes this objective very effectively. The responsibility for verifying employee clock rings and for controlling employee clock rings to align with scheduled and authorized work is best charged to supervisors.

Imposing programmatic lockouts of begin and end tour rings for employees does not effectively curtail work performed by employees that is legally compensable under the FLSA concept of "suffer and permit". Rather, lockouts would obscure management's ability to hold employees accountable for unauthorized work activity by destroying the verifiable record that the employee is currently obligated to provide. Lockouts would make management dependent on undocumented and unverifiable contentions that work was performed outside of the scheduled hours.

Furthermore, lockouts and more detailed maintenance of schedules in the TACS system would not diminish the administrative responsibilities of supervisors. Lockouts would only shift the focus from authorizing overtime in advance to ensuring that schedules are updated for each day's work activities. It is highly unlikely that supervisors who are not performing overtime authorizations will be more likely to prepare schedule information within TACS. Additionally, the current USPS labor contracts obligate us to pay guaranteed overtime to employees that are scheduled to work overtime but are subsequently denied work after reporting to work.

We continue to believe, as noted in the previous audit response and as demonstrated by the performance of the Pacific and Eastern Areas, that the utilization of TACS reports offers that most effective and efficient method of managing clocking activity. Additionally, we believe that the recommendations provided by OIG could create a scenario where employees who would be locked out by automated clock controls could claim that they have been either directed or permitted to perform work off the clock. In this scenario management would bear the sole burden of proof and would have no evidence to submit in the form of employee generated clock rings.

Lastly, as provided in the previous Function 4 Overtime audit response, the investment required to provide the recommended changes in the TACS system is currently cost prohibitive.

**Recommendation # 2 :**

We recommend the Vice President, Delivery and Post Office Operations, coordinate with the Vice Presidents, Area Operations, to:

Reiterate the importance of supervisor oversight of the badge control and clock ring process to Function 4 managers and supervisors.

**Response:**

Management agrees with this recommendation. A letter will be drafted to emphasize the importance of supervisor oversight of the badge control and clock ring process.

**Target Completion Date:** *February 26, 2010*

**Recommendation # 3 :**

We recommend the Vice President, Delivery and Post Office Operations, coordinate with the Vice Presidents, Area Operations, to:

Re-emphasize to Function 4 managers and supervisors the importance of adjusting the Time and Attendance Collection System timely to reflect changes in employees scheduled tours of duty and recording authorized overtime in the time and Attendance Collection System in a timely manner to reduce the amount of unauthorized overtime recorded on the Time and Attendance Collection system Unauthorized Overtime Report

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**Response:**

Management agrees with this recommendation. A supervisor's guide will be provided to the managers and supervisors which will outline their responsibilities for review of Time and Attendance.

**Target Completion Date:** *February 26, 2010*

This report and management's response do not contain information that should be exempt from disclosure under the Freedom of Information Act.



Vince DeVito  
Vice President, Controller



Dean J. Granholm  
Vice President, Delivery and Post Office Operations

cc: Mr. Forte  
Area Vice Presidents