

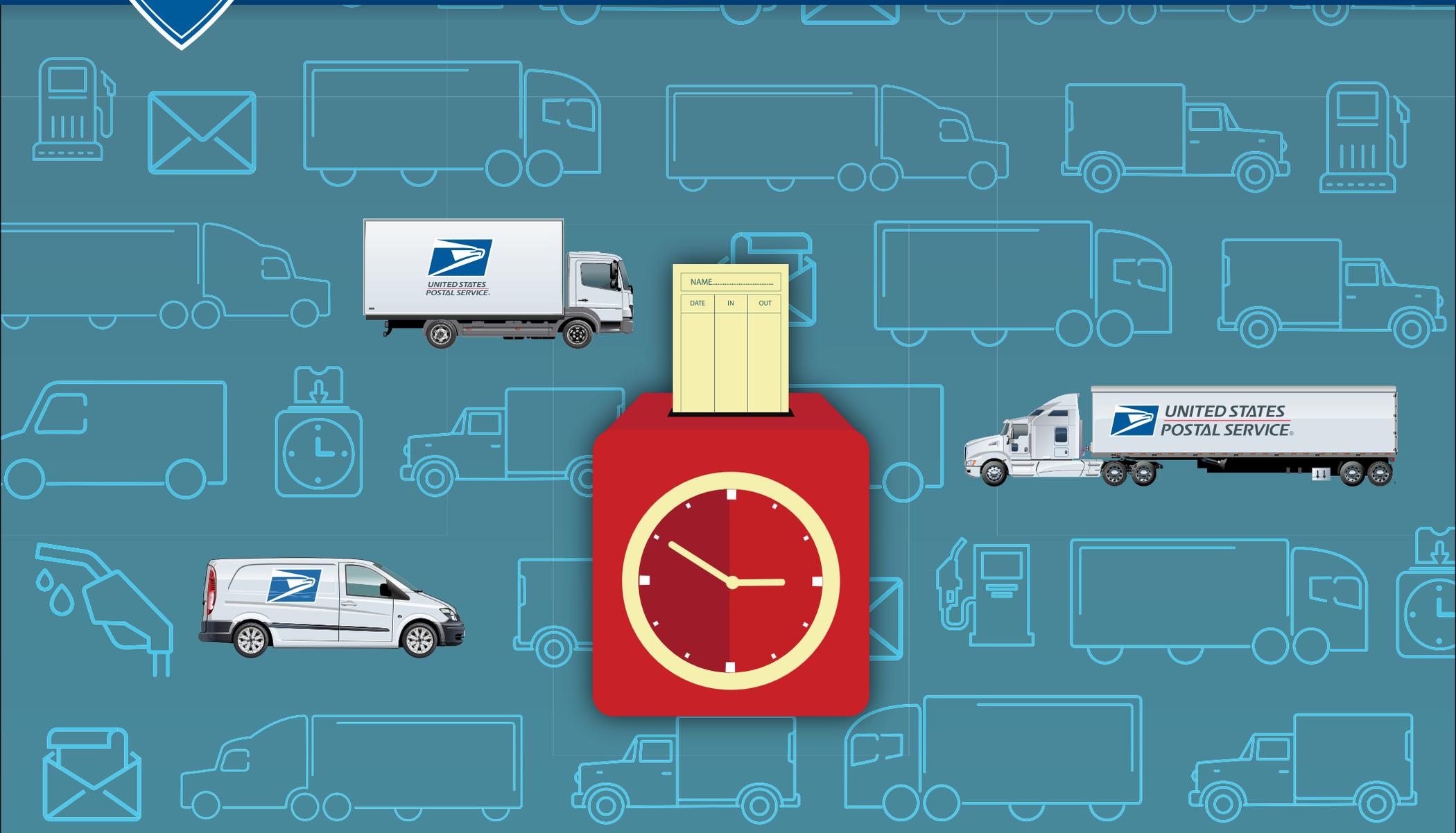


Office of Inspector General | United States Postal Service

Audit Report

Postal Vehicle Service Driver Overtime - Houston District

Report Number NL-AR-19-001 | December 11, 2018



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Highlights

Objective

Our objective was to assess the effectiveness of the U.S. Postal Service's use of overtime for Postal Vehicle Service (PVS) drivers in the Houston District.

The Postal Service has a PVS fleet to move mail between processing facilities, inner-city delivery offices, and local businesses and mailers. PVS is primarily used for distances within a 50-mile radius of their Postal Service location. The PVS fleet currently consists of 2,366 cargo vans, 2,106 tractors, and 374 spotters (vehicles used to move trailers within a Postal Service yard operation).

The Postal Service tracks PVS driver overtime, penalty overtime, and total workhours, as well as total overtime cost data for 62 of its 67 districts. The Alaska, Appalachian, Arkansas, Dakotas, and Sierra Coastal districts do not have significant PVS operations. For the 62 districts, fiscal year (FY) 2017 average overtime hours were about 15 percent of total PVS hours costing over \$90 million in overtime.

The North Houston Processing and Distribution Center (P&DC) is the only facility in the Houston District with PVS operations. The Houston District had the fifth highest total overtime as a percentage of total workhours (about 19 percent), which cost the Postal Service over \$2.4 million in FY 2017.

Transportation management at the North Houston P&DC completed a Zero Base Review, an annual review conducted each year to optimize PVS operations in FY 2017 and FY 2018. The planned PVS overtime percentage for FY 2018 was about 13 percent (over \$1.8 million) for the North Houston P&DC; however, their actual overtime percentage was about 22 percent (about \$3.3 million) for the same time period. Therefore, the Postal Service has incurred additional unbudgeted overtime costs of over \$1.4 million.

What the OIG Found

The North Houston P&DC's use of overtime could be more effective. Specifically, management spent about \$2.4 million on overtime in FY 2017 and about \$3.3 million on overtime in FY 2018 to meet daily operational needs. Additionally,

the North Houston P&DC used overtime hours to staff a Sunday Hub Priority Mail Pilot program.

As a result of the FY 2017 and 2018 Zero Base Reviews, transportation management at the North Houston P&DC identified driver shortages and determined the need to adjust driver start times, eliminate stand-by time, and align schedules and staffing across all tours of operation.

At the end of the 2017 Zero Base Review, transportation management estimated that implementing these actions would result in a savings of about \$180,000 in PVS operational costs for FY 2018. However, we reviewed mile and workhour schedules as of June 4, 2018, and identified the \$180,000 savings were not realized. Instead, the North Houston P&DC had an increase of about \$539,000 in PVS operational costs.

Transportation management at the North Houston P&DC understood that the Collective Bargaining Agreement prevents adjustments to the schedule alignment identified in the 2018 Zero Base Review until the beginning of FY 2019. However, transportation management can reduce overtime immediately by adjusting driver start times and eliminating stand-by time. As of July 28, 2018, the North Houston P&DC Transportation Manager adjusted start times for 12 of the 178 PVS drivers. However, we analyzed the PVS driver schedules for FY 2018 and found over 200 hours of stand-by time each day, as of June 2018, at a cost of about \$1.9 million.

North Houston P&DC management attributed the PVS overtime to:

- A shortage of 46 drivers (26 percent) of the 178 authorized.
- The lengthy process to remove drivers no longer able to perform their duties and to hire new drivers.
- The inability to effectively use part-time flexible drivers to adapt to changing needs.

As a result of using more overtime than the planned amount and not eliminating stand-by time, the North Houston P&DC incurred over \$3.3 million in questioned costs for FY 2018.

As a result of our analysis, transportation management took corrective action and decreased the Sunday Hub Priority Mail Pilot program's usage of overtime by scheduling only part-time flexible drivers, which resulted in the usage of straight

time instead of overtime. This scheduling change resulted in over \$13,000 of savings from July through September 14, 2018.

What the OIG Recommended

We recommended management coordinate with Human Resources and P&DC officials to develop a plan to address long-term vacancies and expedite the hiring of part time flexible drivers and develop PVS schedules that align with operational windows and needs.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

December 11, 2018

MEMORANDUM FOR: DAVID W. CAMP
DISTRICT MANAGER, HOUSTON DISTRICT

E-Signed by Inspector General
VERIFY authenticity with eSign Desktop
Darrell E. Benjamin, Jr.

FROM: Darrell E. Benjamin, Jr.
Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Audit Report – Postal Vehicle Service Driver Overtime -
Houston District (Report Number NL-AR-19-001)

This report presents the results of our audit of Postal Vehicle Service Driver Overtime in the Houston District (Project Number 18XG013NL000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Carmen Cook, Director, Transportation, or me at 703-248-2100.

Attachment

cc: Postmaster General
Vice President, Network Operations
Vice President, Southern Area Operations
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of Postal Vehicle Service (PVS) Driver Overtime in the Houston District (Project Number 18XG013NL000). The objective of our audit was to assess the effectiveness of the U.S. Postal Service's use of overtime for PVS drivers in the Houston District. See [Appendix A](#) for additional information about this audit.

Background

The Postal Service has a PVS fleet and drivers to move mail between processing facilities, inner-city delivery offices, and local businesses and mailers. PVS is primarily used for distances within a 50-mile radius of their Postal Service location. The PVS fleet currently consists of 2,366 cargo vans, 2,106 tractors, and 374 spotters¹ and used about 20 million gallons of fuel in fiscal year (FY) 2018.

The Postal Service tracks PVS driver overtime, penalty overtime, and total workhours, as well as total overtime cost data, for 62 of its 67 districts. The Alaska, Appalachian, Arkansas, Dakotas, and Sierra Coastal districts do not have significant PVS operations. For the 62 districts, FY 2017 average overtime hours were about 15 percent of total hours costing over \$90 million in overtime.

The North Houston P&DC is the only facility in the Houston District with PVS operations. The Houston District had the fifth highest total overtime as a percentage of total workhours (19 percent), which cost the Postal Service over \$2.4 million in FY 2017. The North Houston P&DC's planned PVS overtime percentage in FY 2018 was about 13 percent (\$1.8 million); however, its

actual overtime percentage was about 22 percent (\$3.3 million) for the same time period.

During FYs 2017 and 2018, transportation management at the North Houston P&DC completed a Zero Base Review, an annual review conducted to optimize PVS operations. During a Zero Base Review, management examines staffing, scheduling, and vehicle usage to improve transportation efficiency.

Between FYs 2015 and 2018:

- Total mail volume decreased from about 154.3 to 146.4 billion pieces, (over 5 percent);
- PVS miles driven decreased from about 121.8 to 99.9 million miles (about 18 percent);
- PVS fuel used decreased from about 25.4 to 19.8 million gallons (over 22 percent); and
- PVS vehicles increased from 4,325 to 4,846 (over 12 percent).

Despite the decrease in mail volume, miles driven, and fuel usage, the number of PVS drivers increased from 6,658 to 8,411² (26 percent) and total PVS workhours³ increased from 14.1 million to 15.9 million (13 percent). In addition, PVS overtime hours increased from 1.75 million to 2.1 million (20 percent) and penalty overtime⁴ hours increased from 210,247 to 302,390 (44 percent). See [Table 1](#).

¹ Spotter vehicles are used to move trailers within a Postal Service yard operation.

² PVS drivers increased in part because of a 2016 arbitration ruling.

³ PVS workhours includes overtime.

⁴ Paid at the rate of two times the basic hourly straight-time rate when an employee has worked over 10 hours on a regularly scheduled day, over eight hours on a non-scheduled day, or over six days in a service week.

Table 1. Total Mail Volume, PVS Miles, PVS Fuel Gallons, PVS Vehicles, PVS Drivers, Total Workhours, Overtime Workhours, Penalty Overtime Workhours, and Percentage Change, FYs 2015 – 2018

Categories	FY 2015	FY 2016	FY 2017	FY 2018	Percentage Change, FYs 2015 – 2018
Total Mail Volume (billions)	154.3	154.3	149.5	146.4	(5.1)
PVS Miles (millions)	121.8	111.4	107.8	99.9	(18.0)
PVS Fuel Gallons (millions)	25.4	25.1	21.6	19.8	(22.0)
PVS Vehicles	4,325	4,325	4,229	4,846	12.0
PVS Drivers	6,658	7,723	8,147	8,411	26.3
Total Workhours	14,152,228	14,543,873	14,799,725	15,929,319	12.6
Overtime Workhours	1,754,766	1,865,878	1,936,496	2,107,531	20.1
Penalty Overtime Workhours	210,247	240,695	243,068	302,390	43.8

Source: Enterprise Data Warehouse (EDW), Energy Spend Reports, and Financial statistics.

Finding #1: Overtime Usage

We found the North Houston P&DC's use of overtime could be more effective. Specifically, management spent about \$2.4 million on overtime in FY 2017 and about \$3.3 million on overtime in FY 2018 to meet daily operational needs. Additionally, the North Houston P&DC used overtime to participate in a Sunday Hub Priority Mail Pilot program.⁵ This occurred due to driver shortages, the lengthy process of removing drivers no longer able to perform their duties and hiring new drivers, and the inability to effectively use its part-time flexible (PTF)⁶ drivers. As a result of overtime exceeding the planned amount and stand-by

time, the North Houston P&DC incurred about \$3.3 million in questioned costs for FY 2018.

Overtime to Meet Daily Operational Needs

Management used 59,325 overtime hours (about 19 percent of the 319,268 total workhours) in FY 2017 and 69,098 overtime hours (about 22 percent of the 320,838 total workhours) in FY 2018 to meet daily operational needs (see [Table 2](#)).

⁵ The Postal Service implemented the Sunday Hub Priority Mail Pilot program to enhance the customer experience by delivering Priority Mail parcels on Sundays with Amazon parcels.

⁶ A PTF position has no guarantee of 40 hours of work a week and no fixed schedule.

Table 2. North Houston P&DC PVS Overtime Workhours to Meet Daily Operational Needs

Fiscal Year	Quarter	Total PVS Workhours	Total PVS Overtime Workhours	PVS Overtime Percentage of Workhours
 FISCAL YEAR 2017	Q1	87,836	17,793	20.26%
	Q2	78,511	13,844	17.63%
	Q3	77,797	14,184	18.23%
	Q4	75,124	13,504	17.98%
	Total	319,268	59,325	18.58%
 FISCAL YEAR 2018	Q1	82,866	18,361	22.16%
	Q2	80,219	19,267 ⁷	24.02%
	Q3	79,758	16,368	20.52%
	Q4	77,995	15,102	19.36%
	Total	320,838	69,098	21.54%

Source: Postal Service eFlash and U.S. Postal Service Office of Inspector General (OIG) analysis.

The Transportation Manager attributed the PVS overtime to a shortage of 46 of the 178 authorized drivers (26 percent). Specifically, 34 drivers were unable to perform their duties and there were

“ The lengthy process of removing drivers no longer able to perform their duties and hiring new drivers also contributes to the driver shortage.”

12 vacant positions. The lengthy process of removing drivers no longer able to perform their duties and hiring new drivers also contributes to the driver shortage.

At least 15 of the 34 drivers unable to perform their duties had not driven since 2017, and are either pending removal or arbitration; or are on disability, extended sick leave, limited duty, or have a medical hold.⁸ According to the district Labor Relations Manager, the removal process can take up to two years to complete, including arbitration and any pending adjudication.

⁷ Overtime increased because of residual effects of Hurricane Harvey and an ice storm occurring in FY 2018 Q2.

⁸ A medical assessment resulting in the identification of a restriction, limitation, or job modification.

Further, the district Complement Coordinator said the hiring and onboarding process can take up to 57 days. Additionally, drivers must complete safe driver training and assessments; and undergo extensive driving history, drug, medical, and background screenings. Because management did not have the needed flexibility to adapt quickly to changing needs, they used drivers on the overtime desired list and PTF drivers to cover schedules due to staffing shortages.

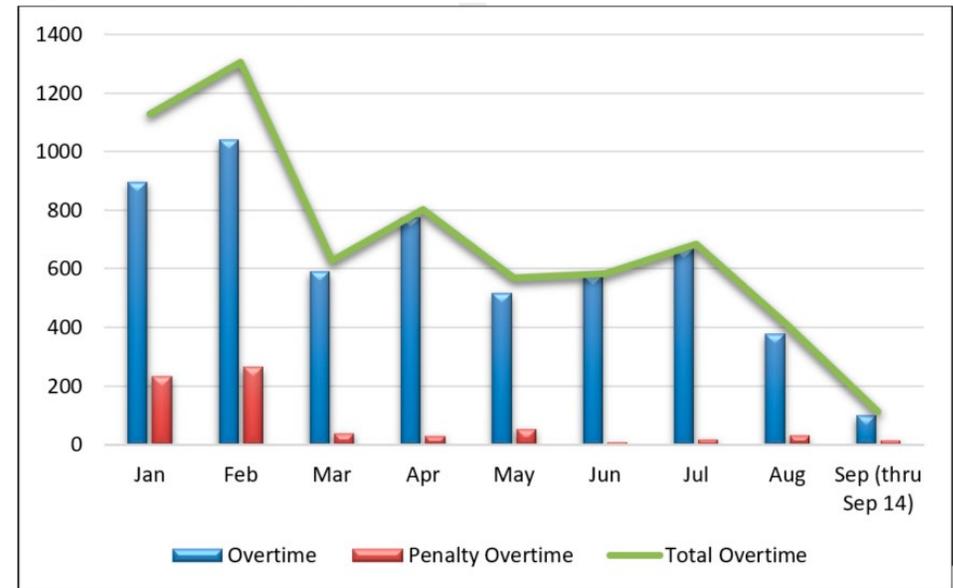
Sunday Hub Priority Mail Pilot Program

The North Houston P&DC used overtime to participate in the Sunday Hub Priority Mail Pilot program (Program) to determine the feasibility of implementing a national program to gain competitive advantage and revenue by offering customers parcel delivery 7 days a week. The goal of the Program is to dynamically deliver Priority Mail parcels on Sundays with Amazon parcels. The Program started at the North Houston P&DC in March 2018 and increased overtime usage because of PVS driver shortages. Because the P&DC was already using PTF drivers to cover regular schedules, full-time PVS drivers used to staff the Program were working overtime at premium rates.

In July 2018, while conducting fieldwork, we discussed with the Transportation manager the possibility of scheduling PTF drivers on Sundays to staff the Program instead of using full-time PVS drivers. During the course of our audit, Transportation management took action and staffed the Program with PTF drivers at a straight-time rate instead of using full-time drivers at the overtime rate, decreasing the amount of overtime used on Sundays and realized a savings of over \$13,000 from July through September 14, 2018 (see Figure 1). Therefore, we will not make a recommendation regarding this issue.

“ Because the P&DC was already using PTF drivers to cover regular schedules, full-time PVS drivers used to staff the Program were working overtime at premium rates.”

Figure 1. PVS Sunday Overtime Workhours, Jan. 1 – Sept. 14, 2018



Source: EDW.

Zero Base Reviews

Transportation management at the North Houston P&DC completed a Zero Base Review, an annual review conducted each year to optimize PVS operations in FY 2017 and FY 2018. During a Zero Base Review, management examines staffing, scheduling, and vehicle usage to improve transportation efficiency. As a result of these reviews, Transportation management at the North Houston P&DC identified driver shortages and determined the need to adjust driver start times, eliminate stand-by time, and align schedules and staffing across all tours of operation.

After the 2017 Zero Base Review, transportation management estimated implementation of these actions would result in a savings of about \$180,000 in PVS operational costs for FY 2018. However, we reviewed mile and workhour schedules as of June 4, 2018, and determined the \$180,000 savings was not realized. Instead, the North Houston P&DC had PVS operational costs of over \$358,000, an increase of about \$539,000

After the 2018 Zero Base Review, Transportation management estimated implementation of these actions would result in about \$172,000 in additional PVS operational costs for FY 2019. Workhours would increase due to the additional mileage and service points that were not accounted for in the previous review. Although the proposed changes would reduce overtime, Transportation management at the North Houston P&DC understood that the Collective Bargaining Agreement states major schedule adjustments of more than two hours can only be posted once each calendar year. Consequently, adjustments to the schedule alignment identified in the 2018 Zero Base Review cannot be implemented until the beginning of FY 2019.⁹ However, we found adjustments could be made with concurrence from the union in accordance with Article 39.2. At the time of our review, transportation management had not completed all schedule adjustments; therefore, we were unable to analyze the mile and workhour schedules to confirm their cost estimates.

However, we determined transportation management can reduce overtime hours immediately by adjusting current driver start times by two hours or less and eliminating stand-by time. As of July 28, 2018, the North Houston P&DC Transportation Manager had adjusted start times for 12 of the 178 PVS drivers to date. However, we analyzed PVS driver schedules for FY 2018 and found over 200 hours of stand-by time each day, as of June 2018.

Impact of Overtime Usage and Stand-by Time

As a result of using more overtime than planned and not eliminating stand-by time, the North Houston P&DC incurred about \$3.3 million in questioned costs for FY 2018. We estimate that as of FY 2018, Q3, the North Houston P&DC incurred about \$1.46 million in questioned costs because they used more overtime than planned to meet its daily operational needs due to PVS driver vacancies and the inability to schedule PTF drivers at optimal times.

Additionally, we estimate the P&DC incurred \$1.87 million in questioned costs for FY 2018 because Transportation management did not adjust PVS driver schedules to eliminate the stand-by time identified in their FY 2018 Zero Base Review.

Recommendation #1

District Manager, Houston District, ensure the **Human Resources Manager, Houston District**, in coordination with the **Transportation Manager, North Houston Processing & Distribution Center**, develop a plan to address long-term vacancies and expedite the hiring of part-time flexible drivers.

Recommendation #2

District Manager, Houston District, ensure the **Plant Manager, North Houston Processing & Distribution Center (P&DC)**, in coordination with the **Transportation Manager, North Houston P&DC**, develop Postal Vehicle Services schedules that align with operational windows and needs.

⁹ Handbook EL-912, *Agreement between USPS and American Postal Workers Union, AFL-CIO 2015-2018*, Article 39 Motor Vehicle Craft, Section 2.A.4 states, "No assignment will be posted because of a change in starting time unless the change exceeds 2 hours. Whether to post or not to post is negotiated at the local level if it exceeds 2 hours." Section 2.A.6 it states, "When requested by the union, all full time regular Motor Vehicle Operator, Tractor Trailer Operator and Vehicle Operator Assistant-Bulk Mail craft assignments shall be posted for bid once each calendar year."

Management's Comments

Management agreed with the finding, recommendations, and associated monetary impact. See [Appendix B](#) for management's comments in their entirety.

Regarding recommendation 1, management stated they agreed with the recommendation and will develop a plan to address long-term vacancies and expedite the hiring of PTF drivers. Management also stated they recognize an opportunity to reduce costs by hiring PTF drivers and to use their scheduling flexibilities. The target implementation date is March 2, 2019.

Regarding recommendation 2, management stated they agreed with the recommendation and will develop PVS schedules that align with operational windows and needs. Additionally, the district manager will enlist the assistance

of the manager of In-Plant Support and his staff to review current transportation schedules and staffing. The target implementation date is March 2, 2019.

Evaluation of Management's Comments

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

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendices

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Appendix A: Additional Information

Scope and Methodology

The scope of our audit was overtime hours in the North Houston P&DC in the Houston District. We analyzed overtime hours for FYs 2017 and 2018.

To achieve our objective, we:

- Reviewed Postal Service PVS operations policies, procedures, and guidelines including the use of overtime and penalty overtime and PVS reporting, and the Collective Bargaining Agreement.
- Interviewed Postal Service officials at the area, district, and P&DC levels to discuss the PVS overtime tracking and reporting inclusive of identifying the root cause for overtime usage.
- Extracted and analyzed nationwide PVS drivers overtime cost data from the EDW and eFlash for FYs 2017 and 2018.
- Conducted site visits and interviews with Postal Service personnel at the North Houston P&DC to obtain information regarding their PVS overtime processes.
- Reviewed the reported overtime and penalty overtime data from the Time and Attendance Collection System for PVS drivers at the North Houston P&DC.
- Obtained and analyzed time and attendance reports from the Web-Based Complement Information System of all personnel charging time to Labor Distribution Code 34, PVS drivers, to identify the possibility of employees erroneously charging time to this labor code.
- Obtained and analyzed the 2017 and 2018 Zero Base Review reports to determine if the North Houston P&DC implemented any of the identified issues.

- Extracted PVS driver data from the Vehicle Information Transportation Analysis and Logistics system to identify if management is maximizing scheduling flexibilities identified in the Collective Bargaining Agreement.

Assessed the reliability of system data by consulting with our OIG experts and Data Analytics manager to develop site selection process/methodology, review overtime and stand-by time, and compute impact related to issue areas identified during the audit.

We conducted this performance audit from May through December 2018, 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 November 7, 2018, and included their comments where appropriate.

We assessed the reliability of EDW workhours and driver data by comparing the Labor Utilization report in EDW to workhour and productivity reports in the eFlash system. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

The OIG did not identify any prior audits or reviews related to the objective of this audit within the last five years.

Appendix B: Management's Comments

DISTRICT MANAGER
HOUSTON DISTRICT



December 3, 2018

Rick Poland
Acting Director, Audit Operations

SUBJECT: Postal Vehicle Service Driver Overtime - Houston District
Report Number NL-AR-19-DRAFT

Thank you for the opportunity to respond to the Office of Inspector General (OIG) draft audit report "Postal Vehicle Service Driver Overtime in the Houston District". We agree with the findings and recommendations of the OIG per the action plans shown below. We, also, agree with the audit's findings of monetary impacts.

Recommendation #1: District Manager, Houston District, will ensure the Human Resources Manager, Houston District, in coordination with the Transportation Manager, North Houston Processing & Distribution Center, develop a plan to address long-term vacancies and expedite the hiring of part-time flexible drivers.

Management Response/Action Plan: The Houston District Manager will ensure the Human Resources Manager, Houston District with coordination with the Transportation Manager, North Houston P&DC develop a plan to address long term vacancies and expedite the hiring of part-time flexible (PTF) drivers. We recognize a large opportunity to reduce costs by hiring part time drivers and to utilize their flexibility with scheduling.

Target Implementation Date: March 2, 2019

Responsible Officials: Manager, Transportation North Houston P&DC
Manager, Human Resources, Houston District

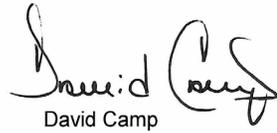
Recommendation #2: District Manager, Houston District, ensure the Plant Manager, North Houston Processing & Distribution Center (P&DC), in coordination with the Transportation Manager, North Houston P&DC, develop Postal Vehicle Services schedules that align with operational windows and needs.

Management Response/Action Plan: The Houston District Manager will ensure the Senior Plant Manager, North Houston P&DC in coordination with the Transportation Manager, North Houston P&DC develop Postal Vehicle Services (PVS) schedules that align with operational windows and needs. We recognize a large opportunity to align schedules with current mail processing operational windows and transportation schedules. The Houston District manager will also enlist the assistance of the Manager, In Plant Support and their staff to review current transportation schedules and staffing.

600 NORTH SAM HOUSTON PKWY W
HOUSTON TX 77067-9997

Target Implementation Date: March 2, 2019

Responsible Officials: Senior Plant Manager, North Houston P&DC
Manager, Transportation North Houston P&DC


David Camp



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