



Office of Inspector General | United States Postal Service

## Audit Report

# Maintenance Workhour Charges at Southern Area Processing Facilities

Report Number NO-AR-19-003 | December 12, 2018



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# Highlights

## Objective

Our objective was to determine the accuracy of maintenance employee workhour charges at selected processing facilities in the U.S. Postal Service's Southern Area.

We conducted site visits and reviewed a sample of workhour charges for fiscal year (FY) 2018 at six mail processing facilities selected based on planned versus actual maintenance workhours. The facilities we visited were the Dallas and North Houston, TX, Ft. Myers and Tampa, FL, and New Orleans, LA, Processing and Distribution Centers (P&DC); and the Jacksonville, FL, Network Distribution Center (NDC). Management assigns each employee a base operation number which is the operation to which they charge their workhours unless they record a move to another operation.

## What the OIG Found

We found that workhour charges for maintenance employees at the selected Southern Area facilities did not accurately reflect the work the employees performed. Specifically, maintenance managers at the six facilities we visited identified incorrect workhour charges to Labor Distribution Code (LDC) 37 - Building and Plant Equipment in FY 2018. In our sample of 205 workhour

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***“We found that workhour charges for maintenance employees at the selected Southern Area facilities did not accurately reflect the work the employees performed.”***

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charges, we found 121 instances (59 percent) where charges were made to the incorrect operation code. We determined that 53 of the 69 employees included in the sample had charged 598 of the 1,132 total workhours in our sample to the incorrect operation code. In addition, 30 employees at the Ft. Myers P&DC charged 4,763 hours to the incorrect operation code.

This occurred because supervisors did not ensure that employees charged their workhours to the operation corresponding to the work they performed. In addition, a manager at one facility stated that staff indicated their supervisors had previously instructed them to use operation code LDC 37. Postal Service policy requires verification of workhour reporting to determine whether employees are clocked into the operation in which they are working. When employees do not attribute workhours to the correct operation code, the Postal Service cannot adequately evaluate performance.

During our audit, the Ft. Myers P&DC maintenance manager took corrective action by transferring mischarged hours to the correct operation code and provided guidance to employees who mischarged their hours. In addition, the Dallas P&DC maintenance manager instructed staff on using the appropriate operation codes.

## What the OIG Recommended

We recommended management establish a plan to ensure maintenance supervisors monitor and correct maintenance employee operation number charges on a regular basis to ensure employees use the correct LDC for the work being performed.



# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

December 12, 2018

**MEMORANDUM FOR:** SHAUN MOSSMAN  
VICE PRESIDENT, SOUTHERN AREA

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 – Maintenance Workhour Charges at Southern  
Area Processing Facilities (Report Number NO AR-19-003)

This report presents the results of our audit of Maintenance Workhour Charges at Southern Area Processing Facilities (Project Number 18XG014NO000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Margaret B. McDavid, Director, Network Processing, or me at 703-248-2100.

Attachment

cc: Postmaster General  
Corporate Audit Response Management

# Results

## Introduction/Objective

This report presents the results of our self-initiated audit of Maintenance Workhour Charges at U.S. Postal Service Southern Area Processing Facilities (Project Number 18XG014NO000). The objective of our audit was to determine the accuracy of maintenance employee operation code charges at selected processing facilities in the Southern Area. See [Appendix A](#) for additional information about this audit.

## Background

We selected six mail processing facilities in the Southern Area to review their charges to labor distribution code (LDC)<sup>1</sup> 37 workhours.<sup>2</sup> The mail processing facilities we reviewed were the Dallas and North Houston, TX, Ft. Myers and Tampa, FL, and New Orleans, LA, Processing and Distribution Centers (P&DC); and the Jacksonville, FL, Network Distribution Center (NDC) (see Table 1). We conducted site visits to the six locations in June and July 2018.

**Table 1: Fiscal Year (FY) 2017 LDC 37 Workhours for Sites Visited**

Facility	Actual
Jacksonville NDC	22,650
Tampa P&DC	17,320
Ft. Myers P&DC	17,725

*“The objective of our audit was to determine the accuracy of maintenance employee operation code charges at selected processing facilities in the Southern Area.”*

Facility	Actual
North Houston P&DC	57,625
Dallas P&DC	39,458
New Orleans P&DC	36,074

Source: Enterprise Data Warehouse (EDW).

## Finding #1: Incorrect Workhour Charges

We found that workhour charges for maintenance employees at the selected Southern Area processing facilities did not accurately reflect the work performed. Specifically, maintenance managers at all six of the facilities we visited identified incorrect workhour charges to LDC 37. For example, maintenance mechanics can be assigned a base operation number<sup>3</sup> of LDC 36, Postal Operating Equipment, even though they may also perform LDC 37, Building and Plant Equipment, work and vice versa. If the maintenance mechanic is not performing a clock ring move to the operation number that corresponds to the work being performed and the supervisor does not correct the error, the employee workhours will be attributed to the incorrect LDC.

While at the Ft. Myers P&DC we identified that employees had charged 4,763 hours to the incorrect operation number. We also selected a sample of workhour charges at the other five locations where LDC 36 base employees charged workhours to LDC 37 and reviewed those charges with the maintenance managers at the facilities reviewed.<sup>4</sup> In our sample of 205 workhour charges, we found 121 instances (59 percent) where charges were made to the incorrect operation code. The error rate per facility ranged from 17 percent at the Tampa P&DC to 100 percent at the Dallas P&DC. We determined that 53 of the 69 employees included in the sample charged 598 hours to the incorrect operational code (see [Table 2](#)). This is in addition to 30 employees at the Ft. Myers P&DC who charged 4,763 hours to the incorrect operation number.

<sup>1</sup> A two-digit code that identifies major work assignments of employees. The first number identifies the function within an office and the second number identifies the type of activity being performed.

<sup>2</sup> LDC 37 consists of non-supervisor workhours of Operations maintenance employees involved in all building maintenance activities and all activities devoted to the maintenance of building utilities, heating, air conditioning, lighting, and other plant equipment.

<sup>3</sup> Management assigns each employee a base operation number. A base operation is the operation to which all an employee's workhours are charged unless the employee records a move to another operation.

<sup>4</sup> We identified a universe of 6,907 workhour charges where an LDC 36 base employee charged hours to LDC 37. The workhour charges by facility are Tampa P&DC – 408, Jacksonville NDC – 458, New Orleans P&DC – 836, Dallas P&DC – 1,143, and N. Houston – 4,062. From this universe we selected a sample of 205 workhour charges, or 41 charges per location for analysis.

**Table 2: Analysis of Workhour Charges**

Facility	Sample Size	Incorrect Workhour Charges	Error Rate (Percentage)	Number of Employees- Incorrect Workhour Charges	Hours Incorrectly Charged <sup>5</sup>
Jacksonville NDC	41	21	51%	13	102
Tampa P&DC	41	7	17%	6	23
New Orleans P&DC	41	16	39%	6	126
N. Houston P&DC	41	36	88%	14	173
Dallas P&DC	41	41	100%	14	174
<b>Total</b>	<b>205</b>	<b>121</b>	<b>59%</b>	<b>53</b>	<b>598</b>

Source: EDW & Time and Attendance Collection System.

This occurred because supervisors did not review time charges to ensure employees charged their workhours to the operation that corresponded to the work they performed. According to Postal Service policy,<sup>6</sup> managers at field offices and mail processing facilities are responsible for ensuring data integrity, including accurate recording of clock rings and workhours in the proper operation number. Additionally, management is responsible for correcting data reporting errors including incorrect assignment of employees to LDC codes.

When employees do not attribute workhours to the correct operation code, the Postal Service cannot adequately evaluate performance. We identified \$1,275,242 in misallocated costs due to incorrect workhour charges in the Southern Area.

### Management Corrective Action

During our audit, the Ft. Myers maintenance supervisor reviewed the workhour charges through pay period 16 of FY 2018, and transferred 4,763 hours from LDC 37 to LDC 36. As a result of the transfer, the supervisor noted that their total LDC 37 hours are now under plan estimates for FY 2018. In addition, the

Ft. Myers manager has met with employees individually, as needed, to provide guidance to employees who mischarged their hours. In addition, the Dallas P&DC maintenance manager provided instructions to staff on using the appropriate operation codes.

### Recommendation #1

**The Vice President, Southern Area**, establish a plan to ensure maintenance supervisors monitor and correct maintenance employee operation number charges on a regular basis to ensure employees use the correct labor distribution code for the work being performed.

### Management's Comments

Management agreed with the finding and recommendation but disagreed with the other impact associated with the recommendation.

Regarding recommendation 1, management stated the Southern Area maintenance manager will reiterate to district maintenance managers the importance of assigning workhours to LDC 36 and LDC 37 appropriately.

<sup>5</sup> Number of hours include regular, overtime, and penalty overtime hours, as applicable.

<sup>6</sup> Handbook 32, *Management Operating Data Systems*.

The area maintenance manager will also require certification from each district maintenance manager that all workhours are in the appropriate LDC by close of business each Friday for the current week. The target implementation date is January 15, 2019.

Regarding the other impact, management stated the misallocated costs were not based on reproducible data but that district maintenance managers were polled about their recollections of LDC operations worked by maintenance employees listed in TACS during FY 2018.

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

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

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

We based the other impact calculation on actual employee workhour charges from the Time and Attendance Reporting (TAR) module in EDW and the average labor rate for maintenance employees at the associated mail processing facilities. The TAR module includes the applicable information from TACS and the maintenance managers at each of the facilities confirmed the incorrect maintenance charges. We believe our calculation is a reasonable estimate of the amount of other impact based on the best available data.

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 recommendation can be closed.

# Appendices

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# Appendix A: Additional Information

## Scope and Methodology

The objective of our audit was to determine the accuracy of maintenance employee operation code charges at select processing facilities in the Southern Area.

To achieve our objective, we:

- Interviewed facility maintenance managers to gain an understanding of maintenance employees workhour charges and management oversight.
- Identified the universe of workhour charges where LDC 36 base employees charged workhours to LDC 37 at the selected facilities and selected a sample of these workhour charges to determine whether the employees charged their workhours to the operation number that corresponded to the work they performed.

*“We identified the universe of workhour changes and selected a sample to determine whether the employees charged their workhours to the operation number that corresponded to the work they performed.”*

- Conducted site visits at the Dallas and North Houston, TX, Ft. Myers and Tampa, FL, and New Orleans, LA, P&DCs; and the Jacksonville, FL, NDC.

We conducted this performance audit from June 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 20, 2018, and included their comments where appropriate.

We assessed the reliability of EDW, Web Compliment Information System, and Electronic Maintenance Activity Reporting & Scheduling system by reviewing completeness, reliability, accuracy, and validity of the data generated by these systems. 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
<i>Maintenance Optimization - Northeast Area</i>	Evaluate the effectiveness of the Postal Service’s maintenance optimization initiative in the Northeast Area.	NO-AR-18-003	3/29/2018	None

# Appendix B: Management's Comments

SHAUN E. MOSSMAN  
VICE PRESIDENT, AREA OPERATIONS  
SOUTHERN AREA



December 3, 2018

LAZERICK POLAND  
ACTING, DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Maintenance Work hour Charges at Southern Area Processing Facilities (Report Number NO-AR-19-DRAFT)

Thank you for the opportunity to address the findings of the Maintenance Work hour Charges at Southern Area Processing Facilities audit. We are aware of the importance of assignment of work hours to the appropriate LDC, and agree with the audit findings. We do not agree with the \$1,275,242 in misallocated costs due to incorrect work hour charges in the Southern Area as it was not based on reproducible data. During the audit exit meeting, it was stated that District Maintenance Managers were polled about their recollections of LDC operations worked by maintenance employees listed in TACS during FY 2018.

**Recommendation #1:** Vice President, Southern Area, establish a plan to ensure maintenance supervisors monitor and correct maintenance employee operation number charges on a regular basis to ensure employees use the correct Labor Distribution Code (LDC) for the work being performed.

Management Response/Action Plan:

Management agrees with the above recommendation. The Southern Area Maintenance Manager will reiterate to the District Maintenance Managers the importance of assigning work hours to LDC 36 or LDC 37 appropriately. The Area Maintenance Manager will also require certification from each District Maintenance Manager that all work hours are in the appropriate LDC by close of business each Friday, for the current week.

Target Implementation Date:

January 15, 2019

Responsible Official:

Southern Area Maintenance Manager

  
for Shaun E. Mossman

cc: Paul Allen  
Tammy Rose  
Ray Vincent  
Sally K. Haring

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