Audit Report

Assessment of Overtime Activity

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Highlights

Objectives

Our objective was to assess U.S. Postal Service controls over managing overtime.

Overtime pay is a premium that eligible employees receive when they perform work in excess of eight paid hours in a day, or 40 paid hours in a week. Per union contracts, regular overtime is paid at one and one-half times an employee's hourly rate to non-exempt employees, while penalty overtime is paid at double an employee's hourly rate under specific conditions.

Employees must be paid for all overtime work they perform, even if that time was not authorized. Unauthorized overtime occurs when an employee's clock time exceeds eight hours in a day or 40 hours in a week without prior authorization from a manager.

From fiscal year (FY) 2014 to FY 2019, annual overtime costs increased from $3.7 to $5 billion (or 35 percent), while overtime hours increased from 98.9 to 129.7 million hours (or 31 percent). As a result, during this time period, the Postal Service paid $25.8 billion in total overtime costs, including $23.5 billion for regular overtime and $2.3 billion for penalty overtime. The highest costs over these six fiscal years were in FY 2019 for both overtime and penalty overtime, with $4.4 billion and $574 million, respectively. In addition, regular and penalty overtime were 13 to 16 percent of total dollars spent and over 9 percent of total hours worked for labor costs in each of these six years.

Our fieldwork began before the president of the United States issued the national emergency declaration concerning the novel coronavirus disease (COVID-19) outbreak on March 13, 2020. The results of this audit do not reflect any operational changes that may have occurred as a result of the pandemic or more recent changes made to reduce inefficiencies in the network. Any future operational changes to manage overtime expenses should be coordinated and clearly communicated across the Postal Service to ensure service to customers is maintained and performance is not adversely impacted.

Findings

The Postal Service needs to strengthen controls over managing overtime to successfully contain these costs. From FY 2014 to FY 2019, overtime costs and hours have trended upward and consistently exceeded their planned overtime budgets. Although package volume grew, these costs increased despite declining mail volume and increased employee levels. Specifically, we found:

- Between FY 2014 and FY 2019, the number of employees who earned more in total overtime pay than their pay for regular straight time hours increased from 758 to 4,008 (an increase of 3,250 employees, or 429 percent).

- Management's actual regular overtime costs and hours exceeded their planned overtime for each of the past six fiscal years, which ranged from $73.2 million to $801.7 million, and 2.0 million to 21.7 million hours, respectively. In addition, while management successfully managed their penalty overtime use compared to their planned hours during three of the six fiscal years, they exceeded their planned penalty overtime costs and hours during the remaining three years (FYs 2016, 2018, and 2019), which ranged from $69.2 million to $228.5 million, and 1.4 million to 4.4 million hours, respectively.

> *"The Postal Service needs to strengthen controls over managing overtime to successfully contain these costs."*

- Management did not always effectively manage unauthorized overtime. In FY 2019, 263,694 of the Postal Service's 633,108 career and non-career employees (42 percent) had unauthorized overtime. Five of the seven Postal Service areas had an increase in unauthorized overtime between FY 2018 and FY 2019. The Northeast Area had the highest increase of 37 percent, from 4.8 million hours to 6.6 million hours.

- Management did not have complete, accurate, and reliable payroll workhours data for FY 2019. Specifically, about $1.2 billion, representing 44.3 million employee workhours, was not recorded for Pay Period (PP) 18 of FY 2019. This inaccuracy, which should have been corrected by management, remained undetected for about one month until the OIG's data request and analysis identified the error.

These conditions occurred because:

- Management did not always maintain adequate staffing levels:

  - Delivery units operated below their authorized complement by up to nine employees and had up to 18 vacancies during FY 2018. On average, delivery units had a complement of about 28 employees during this timeframe.

  - Management inaccurately used the Function 1 employee scheduler to calculate employee complement levels using a base week that was not representative of mail processing operations and underestimated the number of employees needed. This contributed to a decrease in overall mail processing complement by about 5,000 career positions during FY 2018. Management later addressed the decrease at the end of the year.

- The Postal Service's current framework for measuring key performance indicators lacks a direct deterrent that would prevent management from exceeding their overtime budget.

- Headquarters management did not require supervisors and managers in the field to collect information on their reasons for overtime use. This would have provided analytical data to support the causes for exceeding their planned overtime and determine if they need to adjust their employee and operational schedules.

- Management did not provide adequate supervisory oversight to ensure:

  - Proper completion and maintenance of required Postal Service forms.

  - Adequate access and control of employee timecards.

  - Timely review of Time and Attendance Collection System reports.

- A contract employee unintentionally omitted PP 18 FY 2019 when manually updating the code used to obtain the employee payroll workhours data. While testing and validation of this information was conducted when the code was first created, there was no formal process to ensure new workhours data information was correctly entered and complete when the data file parameters were updated.

During FY 2019, the Postal Service exceeded its planned overtime and penalty overtime hours by more than 9.5 and 4.4 million hours, respectively. As a result, we estimated the Postal Service incurred about $521.6 million in questioned costs.

Recommendations

We recommended management:

- Address staffing issues at facilities operating below their authorized complement or with excessive vacancies and identify opportunities for savings at locations with high overtime users by determining the optimal point at which hiring new staff becomes more cost efficient than using overtime.

- Modify current policies and procedures to include performance measures or other oversight controls to hold appropriate management accountable for not reducing overtime use.

- Implement a process to collect and monitor data that identifies the reasons for overtime use to better manage and control overtime costs.

- Develop an action plan, with milestones, to monitor and reduce unauthorized overtime.

- Establish and implement automated processes to update the data file parameters and validate the file for accuracy and completeness.

Transmittal Letter

August 25, 2020

MEMORANDUM FOR: DAVID E. WILLIAMS
CHIEF OPERATING OFFICER AND EXECUTIVE VICE PRESIDENT

JOSEPH CORBETT
CHIEF FINANCIAL OFFICER AND EXECUTIVE VICE PRESIDENT

E-Signed by Jason Yovich
VERIFY authenticity with eSign Desktop

FROM: Jason M. Yovich
Deputy Assistant Inspector General
for Supply Management and Human Resources

SUBJECT: Audit Report – Assessment of Overtime Activity
(Report Number 20-209-R20)

This report presents the results of our audit of the Assessment of Overtime Activity.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Kelly Thresher, Acting Director, Human Resources and Support, 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 the assessment of overtime activity in the U.S. Postal Service (Project Number 20-209). Our objective was to assess the Postal Service's controls over managing overtime.

Our fieldwork began before the president of the United States issued the national emergency declaration concerning the novel coronavirus disease (COVID-19) outbreak on March 13, 2020. The results of this audit do not reflect any operational changes that may have occurred as a result of the pandemic or more recent changes made to reduce inefficiencies in the network. Any future operational changes to manage overtime expenses should be coordinated and clearly communicated across the Postal Service to ensure service to customers is maintained and performance is not adversely impacted.

Background

Over 630,000 Postal Service employees process and deliver 471 million mailpieces to 160 million delivery points daily and serve about 2.8 million customers at retail locations. From fiscal years (FY) 2014 to 2019, the Postal Service experienced a 72 percent increase in total package volume and added about one million new delivery points[1] annually. The Postal Service uses overtime to provide flexibility in meeting these demands.

From FY 2014 to FY 2019, the Postal Service paid $25.8 billion in total overtime costs, which included $23.5 billion for regular overtime and $2.3 billion for penalty overtime. In FY 2019, the Postal Service incurred the highest costs for both regular overtime and penalty overtime, with $4.4 billion and $574 million, respectively. As shown in Figure 1, total overtime costs and hours increased each year, except for a slight decrease from FY 2016 to FY 2017, which was likely due to a decrease in mail volume by about five billion pieces and an increase in total complement by about 4,000 employees.

Figure 1. FY 2014 to FY 2019 Overtime[2] Costs and Hours
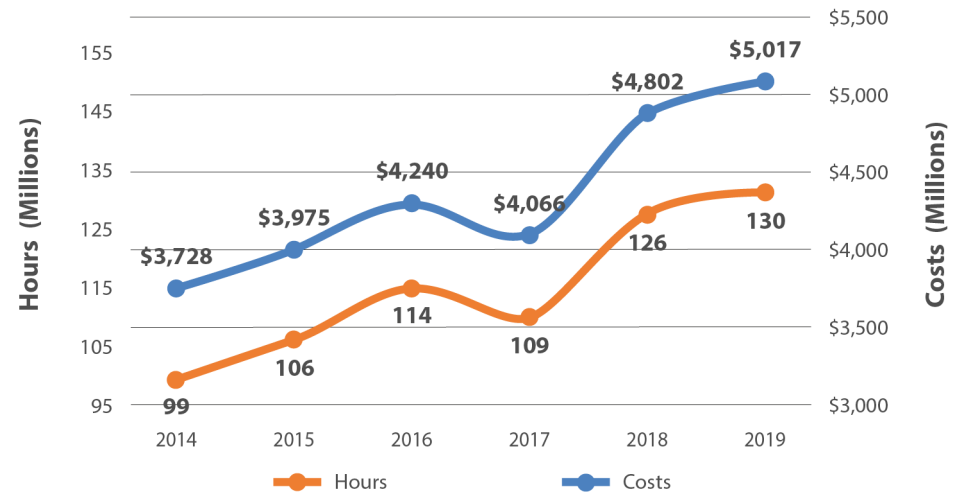
Source: Employee Master File.

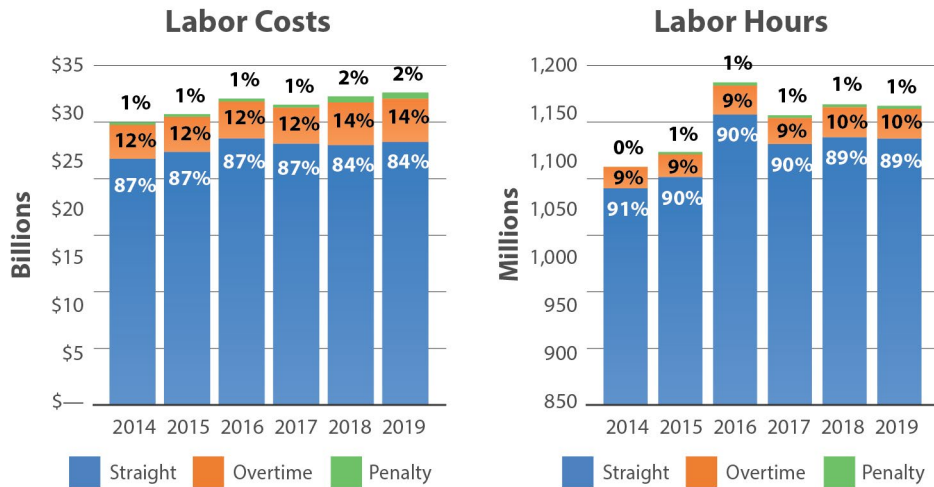As shown in Figure 2, regular and penalty overtime costs accounted for 13-16 percent of the total dollars spent for labor costs during each of the six fiscal years. In addition, regular and penalty overtime hours accounted for over 9 percent of the total hours worked annually during this time period.

"From FY 2014 to FY 2019, the Postal Service paid $25.8 billion in total overtime costs."

Figure 2. Total Labor Costs and Hours – FY 2014 to FY 2019

Labor Costs

	2014	2015	2016	2017	2018	2019
Penalty	1%	1%	1%	1%	2%	2%
Overtime	12%	12%	12%	12%	14%	14%
Straight	87%	87%	87%	87%	84%	84%

(Billions, y-axis: $—, $5, $10, $15, $20, $25, $30, $35)

Legend: Straight, Overtime, Penalty

Labor Hours

	2014	2015	2016	2017	2018	2019
Penalty	0%	1%	1%	1%	1%	1%
Overtime	9%	9%	9%	9%	10%	10%
Straight	91%	90%	90%	90%	89%	89%

(Millions, y-axis: 850, 900, 950, 1,000, 1,050, 1,100, 1,150, 1,200)

Legend: Straight, Overtime, Penalty

Source: Mainframe payroll files.

Overtime pay is a premium that eligible employees receive when they perform work in excess of eight paid hours a day, or 40 paid hours a week. Per union contracts, regular overtime is paid at one and one-half times an employee's hourly rate to non-exempt employees,[3] while penalty overtime is paid at double an employee's hourly rate under specific conditions.[4] However, not all Postal Service employees are eligible for penalty overtime (see Figure 3). For example, eligible full-time regular employees are paid penalty overtime for all paid hours in excess of 10 hours on a scheduled day or after eight hours on a non-scheduled day.

Figure 3. Penalty Overtime Eligibility

Eligible for Penalty Overtime

- Clerks — career only
- City Carrier — career and city carrier assistant
- Maintenance — career only
- Vehicle Maintenance — career only
- Motor Vehicle — career only

Not Eligible for Penalty Overtime

- Mail Handlers
- Executive Administrative Schedule
- Rural Carriers

Source: *Employee and Labor Relations Manual* Issue 48, Section 422.111.a. and Exhibit 434.141c, March 2020.

Employees must be paid for all overtime work performed even if that work time was not authorized in advance. Unauthorized overtime occurs when an employee works over their scheduled tour without prior authorization from a supervisor.[5] Management schedules employee overtime workhours according to labor contracts and is also responsible for minimizing the use of premium pay hours.

According to management, the overtime budget process is a tool used to set, measure, and adjust resource expectations. The process begins when headquarters (HQ) budget personnel establish the agency's annual overtime budget, which is the planned percentage of overtime allocated for each Postal Service area.[6] Each area further allocates overtime budgets to their respective districts and facilities. As shown in Figure 4, the budget process begins

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3   Bargaining and non-bargaining employees who are considered non-exempt by the Fair Labor Standards Act.
4   As specified in the Postal Service's national agreements with the American Postal Workers Union and National Association of Letter Carriers.
5   Postal Service Form 1017-B, Unauthorized Overtime Record, Page 2, February 1988.
6   HQ uses the prior year's overtime ratio by employee type, mail volume, and other planned incentives such as new equipment or processes, route adjustments, new delivery standards, etc., to create the following year's overtime budget.

in February for the upcoming fiscal year[7] and HQ monitors overtime activity using six-week trend and monthly reports.

Figure 4: Timeline for Budget Process

Feb	July	July–Sep	Sep	Oct
Updating Budget Model Begins	HQ Allocates Budget to Seven Areas	Areas Allocate Budget to their Districts & Finance Numbers	Uploading Budget into National Budget System	Comparing Actual to Plan and to SPLY
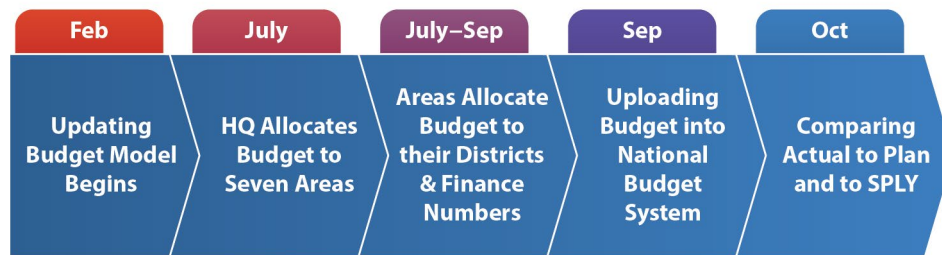
Source: Postal Service and U.S. Postal Service Office of Inspector General (OIG) analysis.

We conducted a correlation analysis to compare the Postal Service's nationwide overtime hours to 14 operational metrics in order to determine a positive or negative statistical relationship (see Appendix A). Given that over 67 percent of the Postal Service's total operating expenses (TOE) are compensation-related, it is essential for the organization to manage its controllable expenses, such as employee overtime, in order to effectively reduce their overall TOE.

We found that the Postal Service needs to strengthen controls over managing overtime to successfully contain these costs. Although package volume grew, overtime costs and hours trended upward and consistently exceeded their planned overtime budgets from FY 2014 to FY 2019, despite declining mail volume and increased employee levels. Specifically, our audit found that several thousand employees earned more in total overtime than their regular straight time pay, and the Postal Service generally exceeded its planned regular and penalty overtime costs and hours during FY 2014 through FY 2019. In addition, management did not always effectively manage their unauthorized overtime or ensure they had complete, accurate, and reliable employee payroll workhour data.

Finding #1: Employees Earned More in Total Overtime than Regular Pay

The Postal Service had a number of employees whose total overtime[8] earnings were higher than their pay for regular straight time[9] hours. From FY 2014 to FY 2019, the number of employees who earned more in total overtime than regular straight time pay increased from 758 to 4,008 each year, which was a substantial increase of 3,250 employees (or 429 percent), as shown in Table 1. The total overtime pay these employees earned also increased from about $36.8 million to $199.1 million during these years, which was an increase of about $162.3 million (or 441 percent).

For example, in FY 2018, a mail handler in the Northeast Area earned $141,153 in total overtime pay by working 3,329 regular overtime hours, which resulted in $205,018 in total pay. This was equivalent to more than three times the amount of this employee's base salary. For perspective, this amount of overtime would have required this employee to work an average of 17-hour days, consisting of eight regular workhours and about nine overtime hours every day for 365 days a year.

"From FY 2014 to FY 2019, the number of employees who earned more in total overtime than regular straight time pay increased from 758 to 4,008 each year, which was a substantial increase of 3,250 employees (or 429 percent), "

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7   The Postal Service's fiscal year begins October 1.
8   This includes both regular overtime and penalty overtime.
9   This is based on an employee's base hourly salary rate.

Table 1. Total Overtime Greater Than Regular Pay – FY 2014 to FY 2019

Fiscal Year	Number of Employees	Total Overtime Cost	Average Total Overtime Earned Per Employee
2014	758	$36,801,692	$48,551
2015	1,087	$52,763,672	$48,541
2016	1,581	$80,019,518	$50,613
2017	1,167	$52,023,049	$44,578
2018	2,957	$150,503,221	$50,897
2019	4,008	$199,110,364	$49,678

Source: Employee Master File.

During our analysis of the overtime activity of the 4,008 employees who earned more in total overtime than their regular straight time pay across the Postal Service during FY 2019, we identified the following:

- A maintenance mechanic in the Eastern Area was the highest earner with $124,003 in total overtime pay, which resulted in total pay of $186,988, by working 940 regular overtime and 1,265 penalty overtime hours. This was almost three times the employee's base pay. Of the 344 days worked during the year, 168 days (or 49 percent) had both regular and penalty overtime hours in addition to the employee's regular workhours. During days with overtime activity, this employee worked from 0.5 to 19.1 regular overtime hours and 0.5 to 17 penalty overtime hours.

- The next three highest overtime earners were all mail handlers at the same network distribution center in the Northeast Area and earned between $113,468 and $116,878 in total overtime pay by working from 2,607 to 2,650 regular overtime hours. This resulted in total pay for each of the employees between $170,980 and $178,763, which was more than three

times their base pay. Most notably, these employees had overtime activity 99 percent of the total days they worked during the year. For instance, one employee had 42 days during the year in which they worked a total of 16 regular overtime hours each day.

- City carriers represented 33 percent of the employees who earned more in total overtime pay than regular hours worked. They received more than $69.3 million in total overtime pay (with an average of $52,725 per employee). Of these 1,315 city carriers, 740 (or 56 percent) were in the Pacific Area and received more than $39.7 million in total overtime pay (with an average of $53,687 per employee).

- The Denver Processing & Distribution Center (P&DC) in the Western Area had the most employees (121) who earned more in total overtime pay than base pay. Of the facility's 1,409[10] total paid employees, 121 employees (or 9 percent) received more than $7 million in total overtime pay (with an average of $57,880 per employee).

- The average total overtime pay that employees with overtime earnings higher than their annual base salary earned each year ranged from over $44,000 to over $50,000 (see Table 1 above). Additionally, 74 employees consistently earned more in total overtime pay compared to their salary during all six years. Some of these employees worked their regular hours and still worked over 2,000 hours of total overtime during the same fiscal year.

- A total of 3,664 employees, who earned at least $10,001 for total overtime hours and $10,000 for regular workhours, earned more in total overtime pay than their regular pay. When compared to the 4,008 total employees who earned more in total overtime than regular straight time pay during the year as shown in Table 1 above, the remaining 344 represent newly hired employees who earned less than $10,001 in total overtime pay and were excluded from our analysis. The 3,664 employees earned about $197.9 million in total overtime pay (see Table 2). Of these employees, 3,499 (or 96 percent) were career employees[11] who earned about $192.1 million (or 97 percent) in total overtime pay.

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10 This represents the number of total paid employees at the Denver P&DC as of September 2019, which was the last month of FY 2019.
11 In general, career employees are full-time salaried employees.

Table 2. Employees Who Earned More in Total Overtime Than Regular Pay – FY 2019

Total Overtime Compared to Regular Workhours Paid	Number of Employees	Regular Workhours Paid	Total Overtime Paid (Regular and Penalty Overtime)	Total Amount Paid	Average Total Overtime Paid Per Employee	Average Total Amount Paid Per Employee
Between 1 and 1.5 Times	3,516	$162,173,097	$186,297,301	$357,361,638	$52,986	$101,639
Between 1.5 and 2 Times	138	$6,469,524	$10,677,181	$17,904,507	$77,371	$129,743
Greater than 2 Times	10	$439,671	$962,454	$1,471,261	$96,245	$147,126
Total	**3,664**	**$169,082,292**	**$197,936,936**	**$376,737,406**	**—**	**—**

Source: Employee Master File.

According to Postal Service policy, scheduling employees is an operational function based on workload projection and service commitments. Supervisors should use a process that schedules and assigns employees to achieve desired productivity rates, within budgetary constraints. The facility supervisor is responsible for minimizing the use of premium pay hours.[12] In addition, as a best practice, organizations should analyze the fixed and variable costs of hiring new employees and paying for overtime to determine their break-even point. This would determine whether it is cost beneficial to hire new employees or continue paying overtime hours.[13] The Postal Service performs a broad analysis to determine the optimal level of overtime use by non-career employees to achieve cost savings compared to hiring another employee. However, this analysis does not identify and address facilities with employees that had high total overtime use and calculate the point at which it is cost-beneficial to hire and use additional employees.

Between FY 2014 to FY 2019, the Postal Service's workload gradually changed as mail volume trended downwards at an average of about 2.6 million pieces (or 2 percent) annually, while package volume steadily trended upwards at an average of about 408 million pieces (or 9 percent) annually. Although several factors likely contributed to employees earning more in total overtime pay compared to their regular pay, the primary factor was management not always maintaining adequate staffing levels to support workload demands.

Customer Service and Delivery Operations

Customer Service and Delivery Operations attributed increased overtime hours to career and non-career staffing challenges. This included delivery units operating below their authorized complement levels[14] by up to nine employees and having up to 18 vacancies during FY 2018.[15] On average, delivery units had a complement of about 28 employees during this timeframe.

During FY 2019, the Pacific Area had the most city carriers who earned more in total overtime pay than regular hours worked. The Pacific Area was consistently below its authorized complement levels of career delivery employees (including city delivery carriers) and non-career delivery employees (including city carrier assistants). Specifically, during FY 2019, delivery employees in the Pacific Area were below their authorized complement levels by an average of 314 career

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12 Handbook F-401, Section 2.A, Page 3, August 2000.
13 *Analyzing Overtime Costs: A Strategic Step for HR*, Nancy Mann Jackson, March 2017.
14 We define authorized complement level as the Postal Service's calculated number of required employees. For career employees, this is their earned complement. For non-career employees, this is their cap level.
15 *National Operational Assessment – Customer Service and Delivery Operations* (Report Number 19RG002DR000-R20, dated December 12, 2019).

employees (or 1 percent) and 1,637 non-career employees (or 23 percent) each quarter. In one case, the delivery unit in the Pacific Area with the most city carriers (39 employees) earning more in total overtime pay than regular hours worked was below their level of authorized career employees by as many as 15 employees.

Mail Processing Operations

Mail Processing Operations partly attributed its increase in overtime between FY 2017 and FY 2018 to management's inaccurate use of the Function 1 (F1) employee scheduler tool. This tool calculated employee schedules and complement levels using week 41 (July 2017), which management initially believed was a representative week based on projected mail processing volume. However, week 41 did not represent mail processing operations for all facilities and underestimated the number of employees needed. As a result, this implementation decreased the number of mail processing complement by about 5,000 career positions and affected employees' schedules and positions, which increased the need for overtime.[16] At the end of FY 2018, the Postal Service made changes to the F1 employee scheduler tool to address these employee schedule and complement issues. This situation was mentioned to our auditors at three judgmentally selected[17] mail processing facilities visited. For example, during FY 2019, the Denver P&DC had the highest number of employees that earned more in total overtime pay than regular hours worked. The site was consistently below their F1 calculated appropriate staffing levels of career mail processing employees, which included clerks and mail handlers, by an average of 27 employees each quarter (or 3 percent) during FY 2019.

In addition, the contract provisions for mail handlers did not limit the overtime they can earn. This allowed mail handlers to become the second top occupation among the 3,664 employees who earned at least $10,000 for regular workhours and at least $10,001 for overtime hours during FY 2019. Specifically, 616 mail handlers (or 17 percent) earned more than $33.5 million in total overtime pay by working a combined total of 809,801 overtime hours. Each mail handler averaged $54,393 in total overtime pay working 1,315 total overtime hours.

The Postal Service's ineffectiveness in managing its overtime use led to these identified employees earning well above their salary and being accustomed to receiving and sustaining high levels of increased compensation.[18] One independent study on overtime use indicated that employees become dependent on the additional income as a source of their regular pay when overtime levels are constantly high. Additionally, it showed long workhours and prolonged high overtime levels led to reduced sleep, adversely affected employee health, and increased the risk of occupational injuries and errors.[19]

If the Postal Service does not adequately staff their operations, management will continue to incur increased operating expenses. For instance, the Postal Service's 2019 Report on Form 10-K reported that their operating expenses increased $5.4 billion (7.3 percent) compared to the prior year partly due to overtime incurred during the 2018 holiday period. Management further noted their operating expenses also increased from 2017 due to additional overtime for both career and non-career employees.

Given the Postal Service's current financial situation, there is a heightened importance for management to manage and control overtime costs, which ultimately impacts their overall operating expenses.

> "*If the Postal Service does not adequately staff their operations, management will continue to incur increased operating expenses.*"

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16 *Mail Processing Overtime* (Report Number NO-AR-19-005, dated June 13, 2019).
17 These facilities were judgmentally selected based on the number of employees that earned more in overtime pay than regular pay and these facilities' total overtime and penalty overtime hours during the scope period.
18 Based on the results of our analysis, we made referrals to our Office of Investigations, as appropriate.
19 *Using Overtime Effectively*, Society for Human Resource Management, November 30, 2015.

Recommendation #1

We recommend the **Chief Operating Officer and Executive Vice President** address staffing issues at facilities operating below their authorized complement or with excessive vacancies and identify opportunities for savings at locations with high overtime users by determining the optimal point that hiring new staff becomes more cost efficient than overtime.

Finding #2: Planned and Actual Overtime Activity

Postal Service actual overtime activity exceeded both planned regular and penalty overtime costs and planned hours budgeted in all six fiscal years during FY 2014 through FY 2019. Actual regular overtime used exceeded planned regular overtime costs and hours, which ranged from $73.2 million to $801.7 million, and 2.0 million to 21.7 million hours, respectively (see Table 3).

Also, actual penalty overtime used exceeded planned penalty overtime costs and hours by $302.6 million and about 5.9 million hours, respectively (see Table 4). While management successfully managed their penalty overtime use to their planned hours during three of the six fiscal years (FYs 2014, 2015, and 2017), they exceeded their planned penalty overtime costs and hours during the other three years (FYs 2016, 2018, and 2019), which ranged from $69.2 million to $228.5 million, and 1.4 million to 4.4 million hours, respectively.

> *"Postal Service actual overtime activity exceeded both planned regular and penalty overtime costs and planned hours budgeted in all six fiscal years during FY 2014 through FY 2019."*

Table 3. Planned and Actual Regular Overtime Use – FY 2014 to FY 2019

Fiscal Year	Planned Hours	Actual Hours	Hours Above Plan	Costs Above Plan	Percentage of Hours Above Plan
2014	75,003,161	93,640,446	18,637,285	$687,275,391	25%
2015	84,329,182	99,535,897	15,206,715	559,307,796	18%
2016	91,676,306	107,060,243	15,383,937	559,253,797	17%
2017	97,594,515	102,978,591	5,384,076	195,259,720	6%
2018	95,204,749	116,873,410	21,668,661	801,691,464	23%
2019	116,401,104	118,355,195	1,954,091	73,219,344	2%
Total	**560,209,017**	**638,443,782**	**78,234,765**	**$2,876,007,512**	**14%**

Source: Enterprise Data Warehouse (EDW), Mainframe payroll files, and National Payroll Hour Summary Report.

Table 4. Planned and Actual Penalty Overtime Use – FY 2014 to FY 2019

Fiscal Year	Planned Hours	Actual Hours	Hours Above (Below) Plan	Costs Above (Below) Plan	Percentage of Hours Above (Below) Plan
2014	5,369,503	5,236,064	(133,439)	($6,990,880)	(2%)
2015	6,280,708	6,115,498	(165,210)	(8,512,766)	(3%)
2016	5,271,472	6,654,464	1,382,992	69,196,081	26%
2017	7,491,631	6,434,064	(1,057,567)	(52,989,194)	(14%)
2018	7,907,117	9,325,441	1,418,324	73,408,371	18%
2019	6,894,582	11,332,838	4,438,256	228,501,949	64%
Total	**39,215,013**	**45,098,369**	**5,883,356**	**$302,613,561**	**15%**

Source: eFlash system, Mainframe payroll files, and National Payroll Hour Summary Report.

The following is an overview of overtime activity:

Regular Overtime

Overall, management's regular overtime costs and hours consistently increased each year between FY 2014 and FY 2019. The most significant increase in regular overtime use occurred between FY 2017 and FY 2018, when management incurred $578.5 million in overtime costs from using an additional 13.9 million hours. Following this rise in regular overtime use, management increased their planned regular overtime amount by about 21.2 million hours in FY 2019. Conversely, the smallest variance between planned and actual regular overtime used occurred in FY 2019, when management's planned regular overtime was exceeded by their actual regular overtime use by more

than $73.2 million and 1.9 million hours, which represented a 2 percent variance (see Figure 5). This variance was attributed to a combination of factors, which included adjustments to mail processing staffing levels established by the F1 employee scheduler during FY 2018 and facility management's increased use of the OT Admin tool. This tool was initially used to assist supervisors and managers with administering and tracking overtime of city carriers. Management further implemented this tool to include clerks and mail handlers. In addition, management attributed the low variance to a combination of increased planned hours for FY 2019, which reflected the large spike in actual overtime used from the prior year, and operations' ability to limit their overtime growth rate for the year.

Figure 5. Planned and Actual Regular Overtime Variances FY 2014 to FY 2019

Source: Mainframe payroll files and EDW.

Figure 6. Regular Overtime Use by Area – FY 2014 to FY 2019
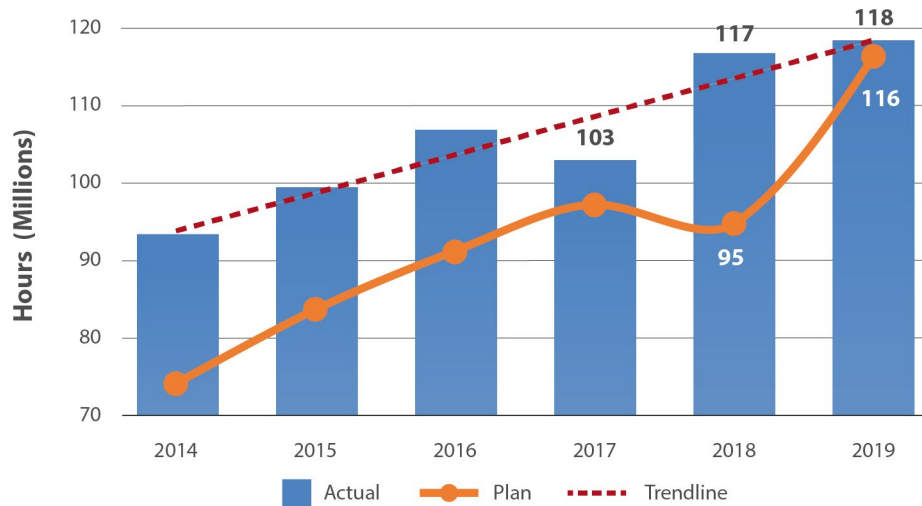
Source: Mainframe payroll files and EDW.

In addition, Figure 6 shows that all seven Postal Service areas' planned regular overtime hours were exceeded by their actual regular overtime use during the six-year period. Specifically, the Southern Area had the highest variance, exceeding planned regular overtime hours by 16.5 million hours, while the Western Area had the lowest variance of about 6.3 million hours.
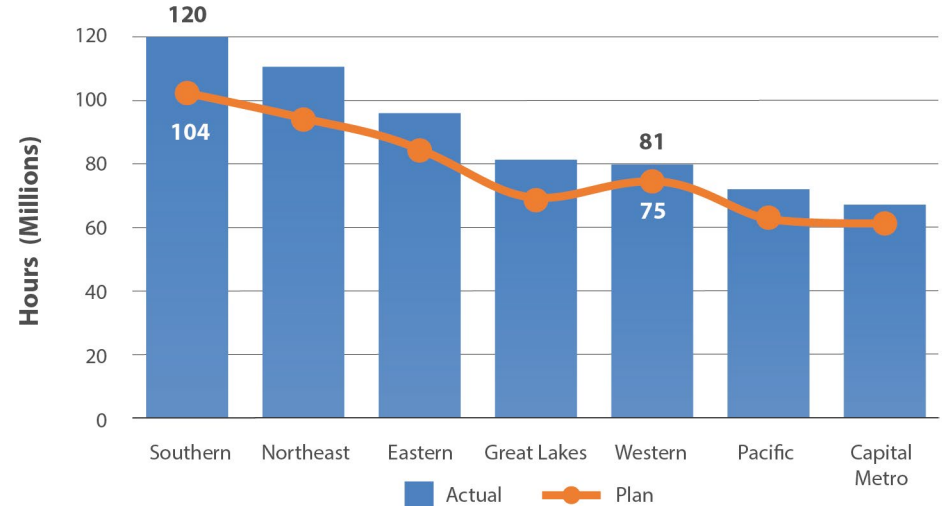
Furthermore, the Postal Service's 67 districts' actual overtime used exceeded planned regular overtime by an average of 1.1 million hours (or 14 percent) during the six-year period. Specifically, their variances ranged from a high of 4.2 million hours above planned regular overtime in the Houston District (Southern Area) to a low of 468,927 hours below planned regular overtime in the San Diego District (Pacific Area). The top ten districts[20] with the highest regular overtime use exceeded their total planned regular overtime hours by between 24 and 46 percent. Only seven districts (or 10 percent) adhered to their planned regular overtime hours. The seven districts had an average of 995,401 regular overtime hours during FY 2019, which was 43 percent lower than the average of the other 60 districts' 1.8 million regular overtime hours.

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20 Of the 67 districts, these 10 districts' difference between planned and actual penalty overtime hours was greater than the upper limit, which includes all amounts greater than one standard deviation from the mean.

Penalty Overtime

Management's penalty overtime usage increased from a low of about 5.2 million hours in FY 2014 to a high of about 11.3 million hours in FY 2019. Management adhered to their total planned penalty overtime during three of the six fiscal years (FYs 2014, 2015, and 2017). However, their penalty overtime usage significantly increased by 45 percent from 6.4 million hours in FY 2017 to 9.3 million hours in FY 2018. Penalty overtime usage further increased by 22 percent to 11.3 million hours in FY 2019 (see Figure 7). The continued upward trend in FY 2019 was generally attributed to a combination of changes in employee complement as well as mail and package volume. In comparison to this upward trend, their planned penalty overtime consistently fluctuated between FY 2014 and FY 2019 as each area used different approaches to budget their penalty overtime, which often included setting challenging targets when compared to the prior year.

Figure 7. Planned and Actual Penalty Overtime Variances – FY 2014 to FY 2019
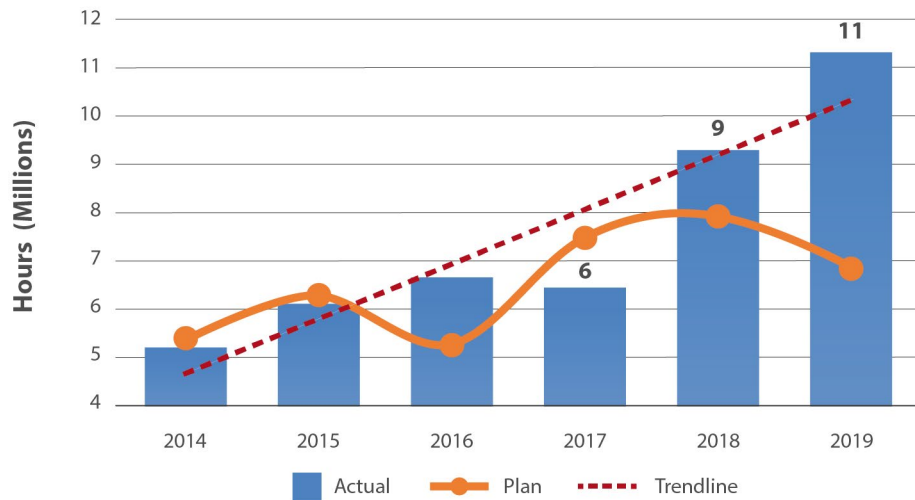
Source: Mainframe payroll files and eFlash.

Additionally, five of the seven areas' actual penalty overtime use exceeded their planned penalty overtime hours during the six-year period. Conversely, the Pacific and Eastern areas adhered to their planned penalty overtime hours (see Figure 8).

Figure 8. Penalty Overtime Use by Area – FY 2014 to FY 2019
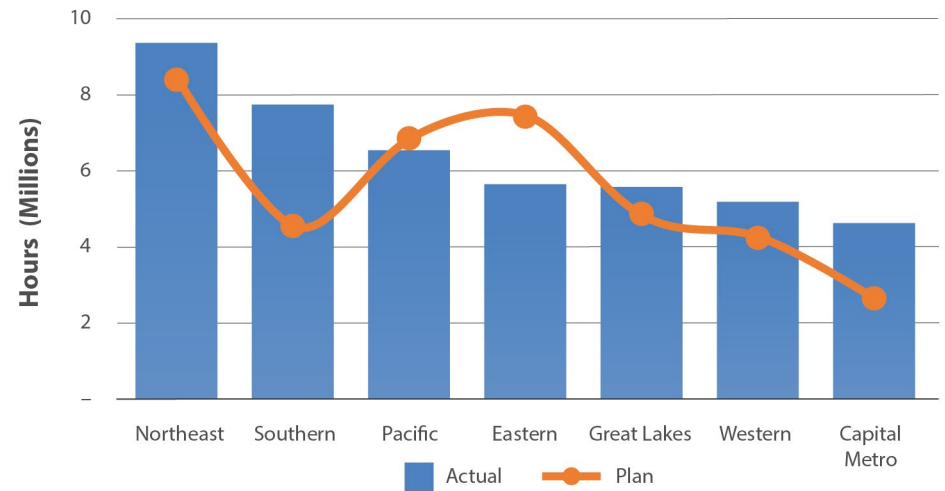
Source: Mainframe payroll files and eFlash.

These two areas had lower averages in five operational metrics[21] compared to the combined average of the other five areas. While the Pacific and Eastern Areas had an average span of control of one additional employee per manager and about 228 million more pieces of mail than the other five areas, these two areas managed to use less unauthorized overtime hours than the other five areas by an average of about 1.2 million (or 39 percent less) hours (see Table 5).

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21 The five operational metrics included: total number of employees; management personnel; overtime hours; unauthorized overtime hours; and penalty overtime hours.

Table 5. Analysis of Operational Metric Averages – Area

Areas' Average	Total Number of Employees	Management Personnel	Span of Control (Employees per Manager)	Regular Overtime Hours	Unauthorized Overtime Hours	Penalty Overtime Hours	Mail Volume (Mailpieces)
Pacific and Eastern	97,993	4,774	21	16,000,071	1,811,695	1,543,160	17,757,475,857
Other Five Areas	111,543	5,528	20	17,264,649	2,982,648	1,641,877	17,529,560,837

Source: EDW and eFlash.

Furthermore, the 67 districts' actual penalty overtime use exceeded their planned penalty overtime by an average of 263,912 hours (or 69 percent) from FY 2014 to FY 2019. Specifically, their variances ranged from a high of 1.4 million hours above their plan in the Triboro District (Northeast Area) to a low of 238,252 hours below their plan in the Northern Ohio District (Eastern Area). The 12 districts[22] with the highest penalty overtime use exceeded their planned penalty overtime hours by between 78 to 260 percent. Conversely, only eleven districts (or 16 percent) adhered to their total planned penalty overtime hours. Most notably, the Northern Ohio District used about 33 percent less than their planned penalty overtime hours during the FY 2014 through FY 2019.

According to management, the overtime budget process begins each year in February when HQ budget personnel establish the agency's annual overtime budget for the upcoming fiscal year and the planned percentage of overtime allocated for each of the seven areas. Next, each area further allocates its overtime budget to its respective districts and facilities and HQ monitors overtime activity using six-week trend and monthly reports. Each month, the budget is opened for two weeks to allow each area to make any necessary adjustments.

According to Postal Service policy, area vice presidents and district and plant managers are responsible for planning, budgeting, and monitoring performance against their operating expense budgets. In addition, management is responsible for minimizing the use of premium pay hours.[23] They are also responsible for establishing internal controls which should result in effective and efficient operations to produce the intended result from the operational process, such as delivering mail. Additionally, the federal government's internal control standard states that effective and efficient operations should be accomplished to minimize the waste of resources.[24]

"The current Postal Service framework for measuring key performance indicators lacks a direct deterrent that prevents management from exceeding their overtime budget."

Performance Indicator

The current Postal Service framework for measuring key performance indicators lacks a direct deterrent that prevents management from exceeding their overtime budget. While the National Performance Assessment (NPA) program does not contain a specific indicator that directly measures overtime use, it contains indicators that measure their percentage to planned TOE and total workhour

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22 Of the 67 districts, these 12 districts' difference between planned and actual penalty overtime hours was greater than the upper limit, which includes all amounts greater than one standard deviation from the mean.
23 Handbook F-2, *Functional Management,* Section 2.3 – Area District and Plant Manager Responsibilities, September 2019.
24 *Standards for Internal Control in the Federal Government* (GAO-14-704G), United States Government Accountability Office, Section OV2.19, Page 13, September 2014.

(TWH), which both encompass overtime. However, these indicators also encompass other factors besides overtime and, as a result, overtime performance has a reduced impact on their NPA rating. For example, the TWH indicator considers both straight time and overtime, and the TOE indicator considers all operating expenses, including both personnel and non-personnel expenses. These indicators influence supervisors and managers to manage to their overall bottom line instead of their individual cost factors.

Generally, excessive expenses negatively affect the TOE indicator, which affects management's NPA score and their ability to receive an annual pay increase. As shown in Table 6, all seven areas exceeded their planned TOE during FY 2019. However, if all seven areas limited their total overtime use to their planned amounts, they would have met this indicator. For example, in FY 2019, the Capital Metro Area exceeded both its planned TOE and total overtime by more than $24.9 million and $135.6 million, respectively. However, if the area had limited its total overtime use to the planned amounts, its actual TOE would have been $6.02 billion, which is $110.6 million below their planned TOE, and it would have allowed them to successfully meet this indicator.

Table 6. TOE and Total Overtime Costs Above Plan by Area – FY 2019

Area	TOE Planned Costs	TOE Actual Costs	TOE Actual Costs Above Plan	Total Actual Overtime Costs Above Plan	TOE Costs if Area Met Overtime Plan
Capital Metro	$6,132,538,012	$6,157,475,460	$24,937,448	$135,627,455	$6,021,848,005
Eastern	$8,729,127,456	$8,767,813,557	$38,686,101	$51,149,932	$8,716,663,625
Great Lakes	$6,974,932,694	$7,017,959,330	$43,026,636	$188,693,389	$6,829,265,941
Northeast	$8,705,443,442	$8,771,968,506	$66,525,064	$121,202,785	$8,650,765,721
Pacific	$6,378,120,399	$6,435,554,333	$57,433,934	$156,502,505	$6,279,051,828
Southern	$10,953,968,539	$10,965,533,914	$11,565,375	$229,641,122	$10,735,892,792
Western	$9,404,246,076	$9,471,496,534	$67,250,458	$93,837,699	$9,377,658,835

Sources: EDW, eFlash, and OIG analysis.

Reasons for Overtime Use

HQ management did not require supervisors and managers in the field to collect information on their reasons for overtime use. This would have provided analytical data to identify the causes for exceeding their planned overtime and determine if they need to adjust their employee and operational schedules. Although management generally understood the causes for overtime, they did not have a process in place to collect and track data that captured the specific reasons for their overtime use.

For example, as shown in Figure 9, while the Postal Service's annual overtime usage showed the widely known trend of high overtime use during the recurring peak holiday season, it also showed slight increases in usage during the spring and summer months. Data showing the specific drivers of overtime would allow

management to gain a better understanding of overtime trends by performing in-depth data analysis, which would allow them to improve their control of overtime use outside of the peak season and further enhance HQ management's current budgeting and forecasting processes.

Figure 9. Total Overtime Hour Usage Nationwide – FY 2015 to FY 2019
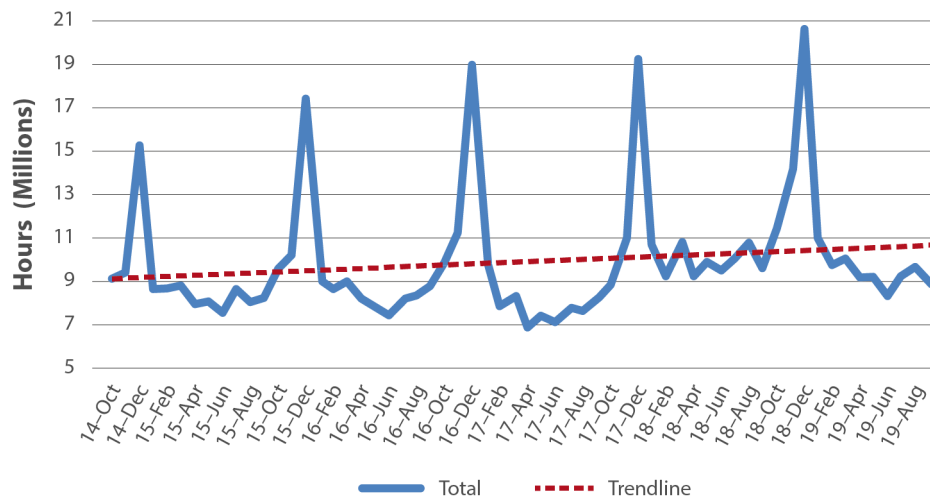
Source: EDW.

Without established oversight controls to limit overtime use, the Postal Service's actual overtime and penalty overtime costs and hours during FY 2018 and FY 2019 exceeded their planned usage by $1.4 billion (37.0 million overtime hours) and $460.7 million (8.9 million penalty overtime hours), respectively. Combined, this resulted in $1.8 billion in total excess overtime costs.

Recommendation #2

We recommend the **Chief Operating Officer and Executive Vice President** modify current policies and procedures, to include performance measures or other oversight controls, to hold appropriate management accountable for not reducing overtime.

Recommendation #3

We recommend the **Chief Operating Officer and Executive Vice President** implement a process to collect and monitor data that identifies the reasons for overtime use to better manage and control overtime costs.

Finding #3: Unauthorized Overtime Hours

Management did not always effectively manage unauthorized overtime, which is the time an employee works over their scheduled tour without prior authorization from a supervisor. Unauthorized overtime, which is a sub-category of total overtime hours, is expensive and impacts the financial profitability of an organization. In FY 2019, 263,694 of the Postal Service's 633,108 career and non-career employees (42 percent) had unauthorized overtime. Of the seven Postal Service areas, five had an increase in unauthorized overtime hours between FY 2018 and FY 2019, as shown in Figure 10.

Specifically, the Northeast Area had the highest increase (37 percent) from 4.8 million hours in FY 2018 to 6.6 million hours in FY 2019.[25] The 6.6 million hours of unauthorized overtime accounted for 32 percent of the Northeast Area's 20.8 million overall overtime hours. The Great Lakes Area had the lowest unauthorized overtime with only 2 percent of its 362,097 overall overtime hours as unauthorized, as shown in Figure 10.

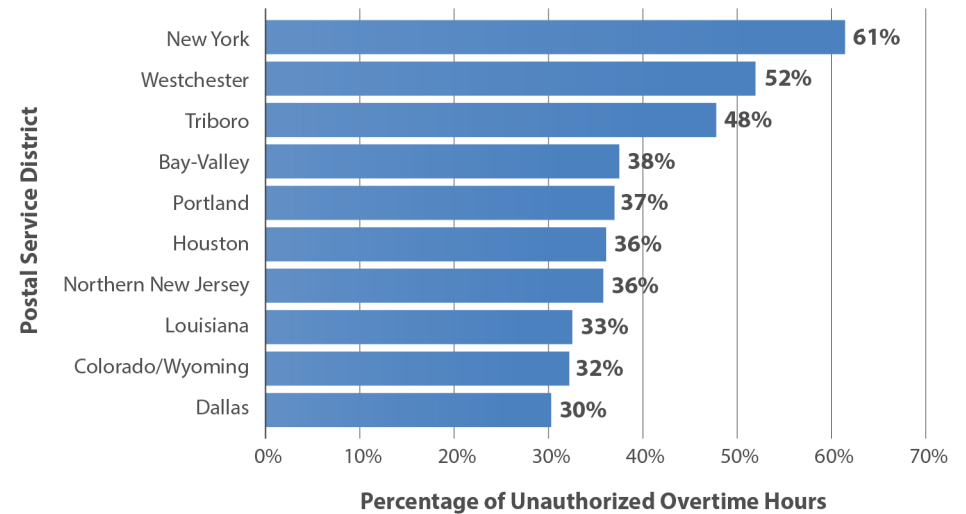25 The Postal Service overtime reports we obtained from the EDW did not include monetary amounts.

Figure 10. Total Unauthorized Overtime Hours by Area – FY 2018 to FY 2019

Source: EDW.

Figure 11. Percentage of Unauthorized Overtime Hours (Top 10 Districts) – FY 2019
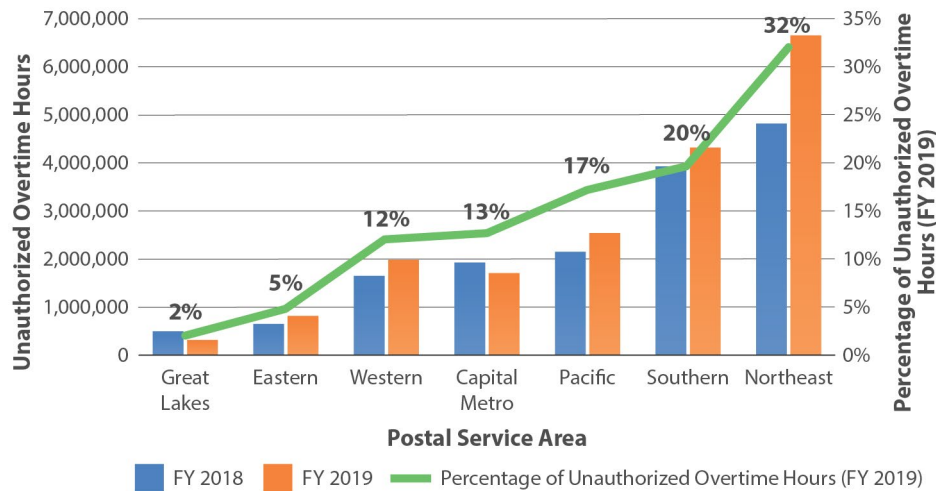
Source: EDW.

Of the top ten Postal Service districts with the most unauthorized overtime during FY 2019 (see Figure 11), four were in the Northeast Area (New York, Westchester, Triboro, and Northern New Jersey). The New York District had the highest unauthorized overtime hours with 1.58 million, which represented 61 percent of its total overtime hours of 2.6 million. In comparison, the nationwide average for unauthorized overtime for all 67 districts was 260,002 hours, which was 84 percent lower than New York's 1.58 million hours. In the New York District, 42 of 116 facilities (or 36 percent) had 100 percent of its overtime hours as unauthorized. Also, 30 of the 116 facilities (or 26 percent) had between 90 and 99 percent of overtime hours as unauthorized.

Supervisors should schedule employees to achieve productivity rates within budgetary constraints.[26] They should also exercise control over the working hours of their subordinates by making sure employees complete their duties and clock out of their tour promptly if additional work is not desired or authorized.[27] Proper location of timekeeping devices and timecard badge racks is important in monitoring employees' adherence to schedules and work assignments. Those devices must be in areas normally in supervisor view. Supervisory presence at clock in and clock out times is essential to control the movement and activity of the workforce.[28] Employees' adherence to assigned work schedules is considered part of their duties. Repeated failures by employees to adhere to their assigned work schedules should be handled with appropriate corrective action.[29] However, once work is performed, that time must be paid as unauthorized overtime, regardless of whether the supervisor approved or disapproved the employee's

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26 Handbook F-401, Section 2.A, Scheduling, Premium Pay, and Unexpected Workhour Liability, page 3.
27 ELM 48, Section 443.223, page 201, March 2020.
28 Handbook F-401, Section 5.A, page 31.
29 Handbook F-401, Section 5.C, page 32.

continuing to work.[30] Supervisors are required to generate and review various Time and Attendance Collection System (TACS) reports to ensure all employee time is accurately finalized.[31]

Management indicated unauthorized overtime was due to inadequate supervisory oversight of their responsibilities to include issues with:

- Proper completion and maintenance of required Postal Service forms

- Adequate access to and control of employee timecards

- Timely review of TACS reports

To help track, control, and monitor unauthorized overtime, some management level personnel implemented best practices. Specifically, the best practice used by management at the Milwaukee P&DC in the Lakeland District (Great Lakes Area) resulted in the facility accruing zero unauthorized overtime workhours in FY 2018. For each tour, the lead manager of distribution operations would approve and post authorized overtime and provide an after-tour overtime call to each supervisor of distribution operations. The document included the employee's name, the operation the employee would report to, and at what time and how many hours the employee was authorized. The managers of distribution operations also made frequent workroom floor observations to engage with the employees, enhancing their accountability and ensuring compliance with the plan.[32]

Additionally, management in the Central Pennsylvania District in the Eastern Area required supervisors at all plants, stations, branches, and associate offices to generate a TACS Unauthorized Overtime Report for each tour daily. Supervisors were required to review this report and approve authorized overtime in TACS. If the overtime was not authorized, supervisors were required to document the occurrence on a Postal Service Form 1017-B. The district's TACS office monitored unauthorized overtime by sending email notifications to facilities with

their number of occurrences and individual employees with unauthorized overtime. If these instances of unauthorized overtime were not reported or remedied, a notification was escalated to the plant manager or post office operations manager. These internal best practices resulted in the district having less than 1 percent of unauthorized overtime as a percentage of total overtime.[33]

Without continuous tracking, controlling, and monitoring of unauthorized overtime use, there are missed opportunities to reduce overtime hours and ultimately cost. In addition, there is an increased risk of fraudulent overtime cost in unauthorized overtime workhours.

> *"Management did not have complete, accurate, and reliable FY 2019 employee payroll workhours data."*

Recommendation #4

We recommend the **Chief Operating Officer and Executive Vice President** develop an action plan, with milestones, to monitor and reduce unauthorized overtime.

Finding #4: Missing Pay Period Data

Management did not have complete, accurate, and reliable FY 2019 employee payroll workhours data. Specifically, the closed payroll hours data file produced for management and others to use did not contain $1.2 billion in costs associated with 44.3 million employee workhours[34] incurred during Pay Period (PP) 18 of FY 2019. This inaccuracy, which should have been corrected by management, remained undetected for about one month until the OIG's data request and analysis identified the error. After Postal Service management was notified of the error, they took corrective action to restore the specific missing payroll file, which took another month to complete.

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30 Postal Service Form 1017-B, Unauthorized Overtime Record, February 1988.
31 Supervisory Timekeeping Responsibilities memorandum, Chief Operations Officer and Chief Financial Officer, Executive Vice Presidents, pages 1-2, October 23, 2013.
32 *Mail Processing Overtime* (Report Number NO-AR-19-005, dated June 13, 2019).
33 *Unauthorized Overtime Usage in Field Operations* (Report Number HR-AR-12-003, dated March 30, 2012).
34 Workhours represent straight time and regular and penalty overtime hours.

Management does not finalize and close-out the fiscal year payroll file until completing PP 1 of the next calendar year. This occurs to account for adjustments made to payroll for the calendar year. At the time of closing the file, the computer code used to process the data file and related reports are manually updated to incorporate the applicable pay period parameters. Although we could not determine how many individuals used and/or accessed this specific payroll file, we identified 670 individuals, who had access to the computer mainframe application which maintains this file, that could have made managerial decisions based on this incomplete and inaccurate information.

Data is of high quality when it satisfies the requirements of its intended use for clients, decision-makers, downstream applications, and processes. The five main criteria used to measure data quality[35] are:

- Accuracy: All data described needs to be accurate.

- Relevancy: The data should meet requirements for the intended use.

- Completeness: The data should not have missing values or miss data records.

- Timeliness: The data should be up to date.

- Consistency: The data should have the data format as expected and can be cross reference-able with the same results.

According to Postal Service personnel, this error occurred because a contract employee unintentionally omitted PP 18 FY 2019 when manually updating the code used to obtain the employee payroll workhours data. While data testing and validation of this information was conducted when the code was first created, there was no formal process to ensure new workhours data information was correctly entered and complete when the data file parameters were updated.

By not fully accounting for the $1.2 billion in costs associated with the 44.3 million employee workhours incurred during PP 18 of FY 2019, there is an increased risk that management may not have properly planned and effectively made decisions related to workforce requirements.

Management's Comments

Management agreed with findings 1, 2, and 3, and all five recommendations. In addition, management revised the officials responsible for each recommendation to reflect the new organizational changes effective as of August 7, 2020. However, management disagreed with finding 4. Furthermore, management did not indicate in their written response whether they agreed or disagreed with the monetary impact. In subsequent discussions, management indicated they disagreed with the monetary impact.

Management disagreed with finding 4 stating the OIG used a system not designed for tracking or monitoring overtime and not used by anyone directly responsible for planning or monitoring overtime. Management also stated the OIG performed their own ad hoc query instead of using standard reports. Management further asserted their data is complete and accurate.

Management agreed with recommendation 1 and will review the options for efficiency by maintaining complement levels and the utilization of overtime. The target implementation date is March 2021.

Management agreed with recommendation 2 and will review current policies and procedures. Management also stated they will assess the addition of oversight controls. The target implementation date is March 2021.

Management agreed with recommendation 3 and will evaluate current systems for the possible addition of oversight controls that would include operational reasons for overtime use. The target implementation date is March 2021.

Management agreed with recommendation 4 and will develop an action plan for monitoring and reducing unauthorized overtime, incorporating the utilization of current established tools. The target implementation date is March 2021.

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35 *7 Steps to Ensure and Sustain Data Quality*, Stephanie Shen, July 29, 2019, downloaded April 8, 2020.

Management agreed with recommendation 5 and will establish and implement automated processes to update the data file parameters and validate the file for accuracy and completeness. Management maintains that they disagree with the related finding because management uses data from a different system to monitor overtime. The target implementation date is March 2021.

Regarding the monetary impact, management appreciated the OIG's adjustments to the breakdown of regular and penalty overtime before publication. However, management believed Table 3, Table 4, and verbiage on page 16 of the report did not reflect the corrections. Management also stated the adjustment showed the Postal Service kept regular overtime use under plan during Q3 and Q4 of 2019 and held excess penalty overtime below the prior year's total. Management further stated straight time hours were below plan during the period and believes the hours should be netted out against the monetary impact. Initially, management did not address whether they agree or disagree with the monetary impact in their written response. In subsequent discussions, management indicated they disagreed with the monetary impact.

Regarding Appendix A, management stated their requested corrections during the exit conference concerning the negative correlation identified between overtime hours and employee engagement were not included in the revised draft. Management also stated the basis for the assumptions were not congruent with the grand mean scores used by Gallup Online and the Postal Service to interpret employee survey results.

See Appendix C for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations in the report.

Regarding finding 4, the OIG obtained regular overtime and penalty overtime data using an ad hoc query from the Postal Service's mainframe payroll file to obtain available data at the lowest granular level to identify trends and patterns noted at the national level down to the employee level. While management asserts the file is not used by anyone directly responsible for planning or monitoring overtime,

207 (31 percent) of the 670 individuals with access to the application that maintains this file were in managerial positions, ranging from supervisors to area controllers. These individuals could have made decisions based on incomplete and inaccurate information in this readily available file.

Regarding the monetary impact, the OIG revised the language on page 16 to match the adjusted information in the highlights page. The OIG obtained the actual regular and penalty overtime hours shown in Table 3 and Table 4 of the audit report from the Postal Service's mainframe payroll file. This data source allowed the OIG to comprehensively identify the trends at the national level and ultimately down to the employee level to identify underlying patterns.

Alternatively, the actual regular and penalty overtime information used in the monetary impact calculation for FYs 2018 and 2019 was sourced from the National Workhour Reporting System, which was a data source used by management and shared with the OIG after the exit conference. The differences in actual regular and penalty overtime hours reported between the two sources for the two fiscal years were due to overtime hour adjustments and timing. These differences were ultimately immaterial. The monetary impact calculation was primarily based on total overtime hours that exceeded the Postal Service's planned regular overtime and penalty overtime hours during FYs 2018 and 2019.

Regarding Appendix A, management's concern with the negative correlation between overtime hours and employee engagement was already addressed in the draft report prior to the exit conference. In addition, the OIG addressed management's requested correction by adding a footnote, suggested by management during the exit conference, which explains the OIG's methodology for analyzing the cumulative Postal Pulse scores during the six fiscal years reviewed.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. All 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

Click on the appendix title below to navigate to the section content.

Appendix A: Additional Analysis

Correlation Analysis

We compared nationwide overtime hours to 14 operational metrics (variables) to determine if there was a possible association between overtime hours and each of the 14 variables. The correlation analysis is a measurement of the strength of a linear relationship between two variables and will determine if there is a positive or negative statistical relationship.

A positive relationship indicates that as overtime usage increased, the metric also increased or vice versa. Conversely, a negative relationship indicates that as overtime usage increased, the metric decreased. In Figure 12, the "r" in each box signifies the correlation coefficient,[36] which indicates the strength of the relationship between overtime hours and the metric and whether the relationship is positive or negative. A coefficient of 0.70 or greater indicates a strong relationship; 0.30 to 0.70 indicates a moderate relationship; less than 0.30 signifies a weak relationship.

The 14 operational metrics analyzed were leave hours,[37] non-career employee counts, delivery points, package volume, Hotline complaints, Equal Employment Opportunity (EEO) complaints, unscheduled leave, Postal Pulse, grievance counts, grievance payments, NPA, career employee counts, noncareer turnover rate, and the Occupational Safety and Health Administration Injury and Illness (OSHA I&I) rate.

Twelve of the 14 metrics had a positive relationship with overtime hours, indicating that as overtime hours increased, these metrics also increased or vice versa. The remaining metrics — Postal Pulse, a survey that measures employee engagement, and NPA, a collection of metrics to monitor individual and organization performance — had a negative relationship with overtime hours indicating that as overtime usage increased, employee engagement and performance decreased or vice versa.

Figure 12. Correlation Coefficients Between Overtime Hours and 14 Operational Metrics
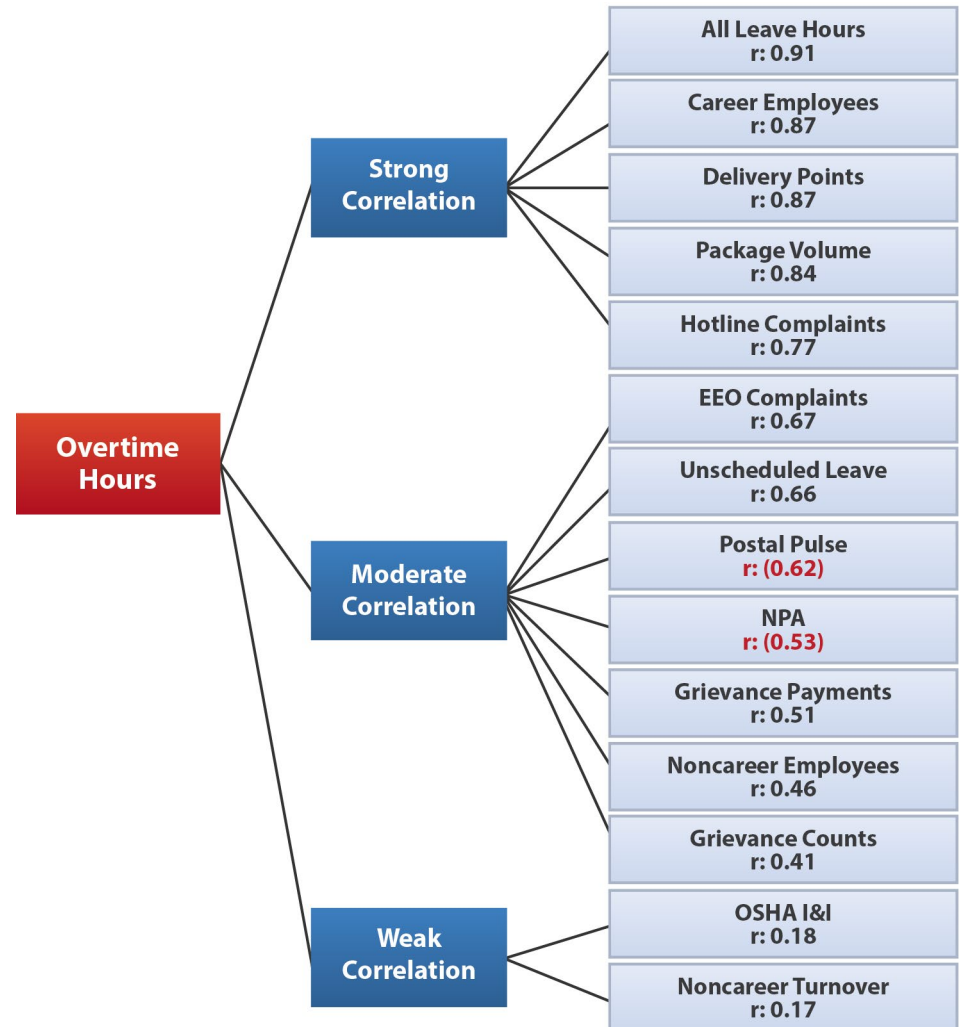
Source: Enterprise Resource Management System, Mainframe payroll files, Staffing and Scheduling Tool, Human Resources Risk Model, Grievance Arbitration and Tracking System-Application System Reporting, Gallup Online, PostalBlue, EDW, and eFlash.

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36   The correlation coefficient value ranges from -1 to +1. The larger the correlation coefficient, the stronger the relationship between overtime hours and the metric.
37   Including sick leave, annual leave, leave without pay, and other leave.

A strong positive relationship existed between overtime hours and five metrics — leave hours (0.91), career employee complement (0.87), delivery points (0.87), package volume (0.84), and hotline complaints (0.77) — indicating when overtime hours increase these metrics also increase and vice versa.

Figure 13 shows overtime hours compared to all leave hours (strongest positive correlation) used by employees during the scope period for each of the 67 districts. This strong positive correlation of 0.91 illustrates the measurement of the relationship occurring between two variables occurring at the same time. For example, the Alaska District had about one million overtime hours and about three million all leave hours. Compared to the Alaska District, the Western Pennsylvania and Greater Boston districts had more overtime hours (nine million and 17 million, respectively) and all leave hours (about 18 million and 29 million, respectively). Although there is a strong positive relationship between overtime hours and all leave hours, this does not mean there is a cause and effect relationship between them. Instead, the variables correlate strongly with one another, but may or may not be caused by one another.

Figure 13. All Leave Hours – Scatter Diagram
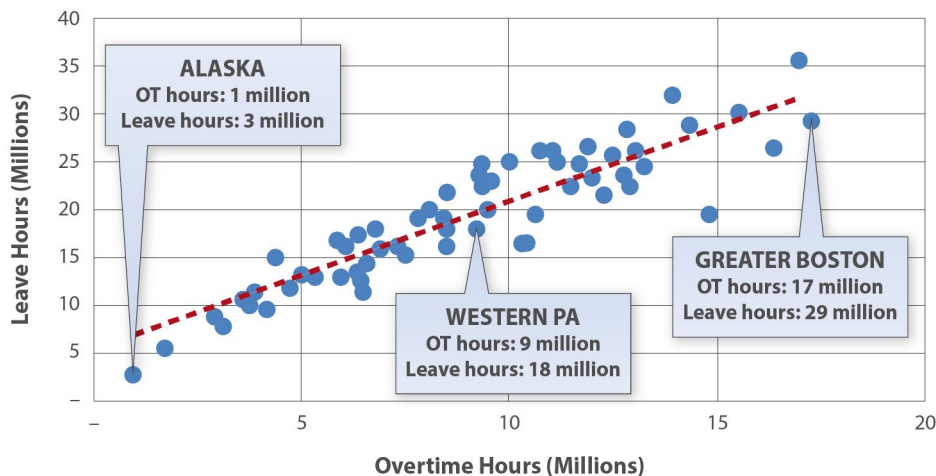
Source: Mainframe payroll files and EDW.

A moderate relationship exists between overtime hours and seven metrics — EEO complaints (0.67), unscheduled leave (0.66), Postal Pulse (-0.62), NPA (-0.53), grievance payments (0.51), non-career employees (0.46), and grievance counts (0.41) indicating there could be a correlation between overtime usage and these metrics.

Figure 14 shows overtime hours compared to employees' Postal Pulse survey results[38] in each of the 67 districts. This negative moderate correlation of 0.62 suggests that there may be a relationship between overtime hours and employee engagement. Although there is a moderate negative relationship between overtime hours and the Postal Pulse survey results, this does not mean there is a cause and effect relationship between them. Instead, the variables correlate moderately with one another, but may or may not be caused by one another.

For example, the:

- Alaska District had the lowest number of overtime hours (about one million hours) with a Postal Pulse score of 21.07.

- Sacramento District with seven million overtime hours had a lower Postal Pulse score of 19.51.

- South Florida District had about 15 million overtime hours with a Postal Pulse score of 18.79.

Figure 14. Postal Pulse Score – Scatter Diagram
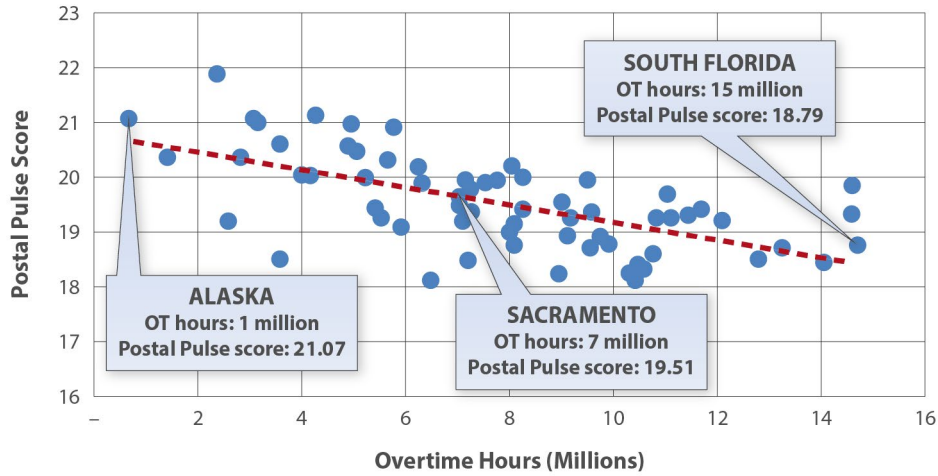
Source: Mainframe payroll files and Gallup Online.

A weak relationship exists between overtime hours and two metrics — OSHA I&I (0.18) and non-career turnover (0.17) — which indicates there is little to no correlation between overtime usage and these metrics.

Appendix B: Additional Information

Scope and Methodology

We reviewed and analyzed workhours to include straight time, and regular and penalty overtime use during FY 2014 through FY 2019. Our review included nationwide overtime usage by all Postal Service employees (current and former).

To accomplish our objective, we:

- Obtained and compiled payroll data for each employee by workhour type.

- Obtained and compiled actual and planned workhour data for each area and district by workhour type.

- Analyzed the overtime data to identify trends, risk areas, and anomalies.

- Conducted correlation analysis to illustrate the statistical relationships of overtime hours to operational metrics nationwide.

- Conducted interviews with Postal Service management to identify tools and required training for managing overtime and determine how overtime is budgeted and distributed throughout the agency.

- Conducted site visits: Richmond, VA, and Greensboro, NC, P&DCs and the Jacksonville, FL, Network Distribution Center.

We conducted this audit from March through August 2020 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 this assurance. We discussed our observations and conclusions with management on July 23, 2020, and included their comments where appropriate.

We assessed the reliability of the overtime workhours data by validating the data with supporting documentation obtained from the TACS. We determined that, except for the payroll data representing PP 18 of FY 2019, the data were sufficiently reliable for the purposes of this report. After notifying Postal Service management of the missing data from PP 18 of FY 2019, we obtained the complete data, verified it as reliable, and used it for our report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact (millions)
Postal Vehicle Service Driver Overtime-Houston District	Assess the effectiveness of the Postal Service's use of overtime for Postal Vehicle Service drivers in the Houston District.	NL-AR-19-01	12/11/2018	$3.3
Mail Processing Overtime	Assess the Postal Service's management of mail processing overtime during FY 2018.	NO-AR-19-005	6/13/2019	$358.4
Compensation, Benefit, and Bonus Authority in Calendar Year 2018	Determine whether the Postal Service complied with applicable maximum total compensation provisions of the Postal Accountability Enhancement Act, related policies and guidelines, and related Internal Revenue Service regulations in CY 2018.	19BG009FT000-R20	12/11/2019	None
National Operational Assessment – Customer Service and Delivery Operations	Assess the Postal Service's Customer Service and Delivery Operations to identify opportunities for savings and streamlining operations.	19RG002DR000-R20	12/12/2019	$963.2

Appendix C: Management's Comments

UNITED STATES
POSTAL SERVICE

August 17, 2020

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Assessment of Overtime Activity (Report Number 20-209-DRAFT)

Thank you for the opportunity to review and comment on OIG Audit: Assessment of Overtime Activity-Project Number 20-209-DRAFT. Postal Management is committed to minimizing costs by using the appropriate mix of work hours based on complement and the assessment of relative cost for each work hour type. In some instances, the usage of Overtime (OT) or even Penalty Overtime (POT) may be necessary to meet service standard commitments and obligations for mail delivery or to serve as a more cost effective option than if straight time were used as in some instances the cost of an overtime hour is less than the cost of a straight-time hour due to benefits and the flexibility offered by overtime.

Postal Management appreciates the adjustments made to the Monetary Impact (MI) based on discrepancies identified in the OIG's interpretation of workhours and the breakdown of "Regular" Overtime vs. "Penalty" Overtime. However, it does not appear all charts/verbiage were updated in the report to reflect those corrections. (i.e. Table 3/Table 4 and verbiage Page 16). It should likewise be noted that the correction revealed a $600M calculation difference and ultimately showed that the Postal Service not only was able to keep Regular Overtime under planned for both Q3 and Q4 of 2019 but was likewise able to hold excess Penalty Overtime hours under the prior year's total. Also, it should be noted that straight time hours were below plan during the period discussed by the OIG and therefore management believes this should be netted out against the monetary impact.

Management disagrees with Finding #4: Missing Pay Period Data and the OIG's assertion that management could have made decisions based on incomplete and inaccurate information. The OIG used a system not designed for tracking or monitoring overtime and not used by anyone directly responsible for planning or monitoring overtime. In addition to using a different system from the one used by Postal management, the OIG performed their own ad hoc query instead of using standard reports. The data used by Postal management is complete and accurate.

In addition, Management found that corrections requested during the Exit Conference that suggested a negative correlation existed in the relationship between overtime hours and employee engagement were not included in the revised Draft (Page 26). The data used as the basis for these assumptions is not congruent with the Grand Mean scores used by Gallup and the Postal Service to interpret employee survey results.

The Postal Service acknowledges that opportunities exist in the oversight of work hours. As volumes and mail mix change however, increasing complement with the intent of reducing overtime may not be the best long-term solution. The appropriate use of overtime continues to give Management the greatest latitude to utilize its resources at the least possible cost while controlling future salaries and benefits of new employees.

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Recommendation #1: We recommend the **Chief Operating Officer and Executive Vice President** address staffing issues at facilities operating below their authorized complement or with excessive vacancies and identify opportunities for savings at locations with high overtime users by determining the optimal point that hiring new staff becomes more cost-efficient than overtime.

Management Response/Action Plan:
Management agrees with the recommendation. Management will review the options for efficiencies by maintaining complement levels and the utilization of overtime.

Target Implementation Date:
March 2021

Responsible Official:
Chief Human Resource Officer and Executive Vice President
Chief Finance Officer and Executive Vice President

Recommendation #2: We recommend the **Chief Operating Officer and Executive Vice President** modify current policies and procedures, to include performance measures or other oversight controls, to hold appropriate management accountable for not reducing overtime.

Management Response/Action Plan:
Management agrees with the recommendation. Management will review current policies and procedures, and assess for the addition of oversight controls.

Target Implementation Date:
March 2021

Responsible Official:
Chief Logistics & Processing Operations Officer and Executive Vice President and Chief Retail & Delivery Operations Officer and Executive Vice President

Recommendation #3: We recommend the **Chief Operating Officer and Executive Vice President** implement a process to collect and monitor data that identifies the reasons for overtime use to better manage and control overtime costs.

Management Response/Action Plan:
Management agrees with the recommendation. Current systems will be evaluated for the possible addition of overtime controls that would include operational reasons for overtime use.

Target Implementation Date:
March 2021

Responsible Official:
Chief Technology Officer and Executive Vice President
Chief Information Officer and Executive Vice President
Chief Finance Officer and Executive Vice President
Chief Logistics & Processing Operations Officer and Executive Vice President
Chief Retail & Delivery Operations Officer and Executive Vice President

Recommendation #4: We recommend the **Chief Operating Officer and Executive Vice President,** develop an action plan, with milestones, to monitor and reduce unauthorized overtime.

Management Response/Action Plan:
Management agrees with the recommendation. An action plan will be developed for monitoring and reducing unauthorized overtime, incorporating the utilization of current, established tools.

Target Implementation Date:
March 2021

Responsible Official:
Chief Logistics & Processing Operations Officer and Executive Vice President and Chief Retail & Delivery Operations Officer and Executive Vice President

Recommendation 5:
We recommend the **Chief Financial Officer and Executive Vice President** establish and implement automated processes to update the data file parameters and validate the file for accuracy and completeness.

Management Response/Action Plan: Management agrees with the recommendation. Though we disagree with the related finding on the basis that management uses data from a different system to monitor overtime, we will nonetheless establish and implement automated processes to update the data file parameters on the file used by the OIG and validate the file for accuracy and completeness.

Target Implementation Date:
March 2021

Responsible Official:
Manager, Accounting Services

David E. Williams
Chief Logistics and Processing Officer

Kristin A. Seaver
Chief Retail and Delivery Officer

Joseph Corbett
Chief Financial Officer

cc: *Manager, Corporate Audit Response Management*

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