



Office of Inspector General | United States Postal Service

Audit Report

Controls Over Contract Labor Hours

Report Number 21-109-R21 | September 23, 2021

Time Sheet

	Regular	Overtime	Double time	Travel	Pr
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Highlights

Objective

Our objective was to determine whether the U.S. Postal Service provided advance approval for a supplier to charge overtime hours as required.

The Postal Service established its Enterprise Technology Services indefinite delivery indefinite quantity contract to increase staff to support Information Technology (IT) operations nationwide. The contract defines overtime work as hours in excess of a 40-hour work week. The supplier's contract employees record their workhours in the Program Cost Tracking System (PCTS), a timekeeping application contract employees use to enter hours for tasks performed. IT program managers and contracting officer representatives (COR) review, validate, and approve timecards for invoice payments to the supplier in PCTS.

The Enterprise Technology Services statement of work requires the Postal Service program manager who is funding the specific work to approve overtime hours prior to the supplier's contract employees working overtime. In fiscal years 2019 and 2020, Enterprise Technology Services contract employees worked about 20,000 hours of overtime. As a result, the Postal Service spent about \$2.5 million in overtime costs for the Enterprise Technology Services contract over that time.

Finding

The Postal Service did not always provide advance approval of overtime prior to contract employees working overtime hours, as required. Specifically, we determined that 120 of 198 (61 percent) timecards we reviewed reflecting overtime hours did not have documented advance approval. Additionally,

“The Postal Service did not always provide advance approval of overtime prior to contract employees working overtime hours as required.”

the contracting officer (CO) did not maintain approval documentation in the contract award file as required.

These issues occurred because Postal Service managers did not review the overtime requirements in the statement of work, adhere to the requirement to document and maintain advance approvals, or document verbal approvals given to the supplier. In some instances, managers stated they believed approval in PCTS met the prior approval requirement, while others stated that emails with documented approvals were lost due to various IT issues. Additionally, the CO did not retain overtime approval documentation in the contract award file because the CORs did not provide a copy.

During the audit, management within the Supply Management organization partially implemented corrective actions to address the issues we identified. Specifically, they provided a copy of the overtime approval requirements to management of some CORs and requested they remind their staff and CORs to provide approval documentation to suppliers with a copy to the CO.

We questioned \$750,000 annually in costs that did not comply with contract requirements for documented approval of overtime hours.

Recommendations

We recommend management:

- Reiterate the requirement for all program managers and CORs to review Enterprise Technology Services contract requirements, maintain approval documentation of overtime hours, and provide a copy of the approval documentation to the CO.
- Reiterate to the CO the requirement to store overtime approval documentation in the contract award file.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

September 23 2021

MEMORANDUM FOR: MARK A. GUILFOIL
VICE PRESIDENT, SUPPLY MANAGEMENT

A handwritten signature in black ink, reading "John E. Chisholm", is positioned below the "MEMORANDUM FOR" section.

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

SUBJECT: Audit Report – Controls over Contract Labor Hours
(Report Number 21-109-R21)

This report presents the results of our audit of the U.S. Postal Service's Controls over Contract Labor Hours.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Shirian Holland, Director, Supply Management and Facilities, 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 U.S. Postal Service's controls over contract labor hours (Project Number 21-109). Our objective was to determine whether the Postal Service provided advance approval for a supplier to charge overtime hours as required. See [Appendix A](#) for additional information about this audit.

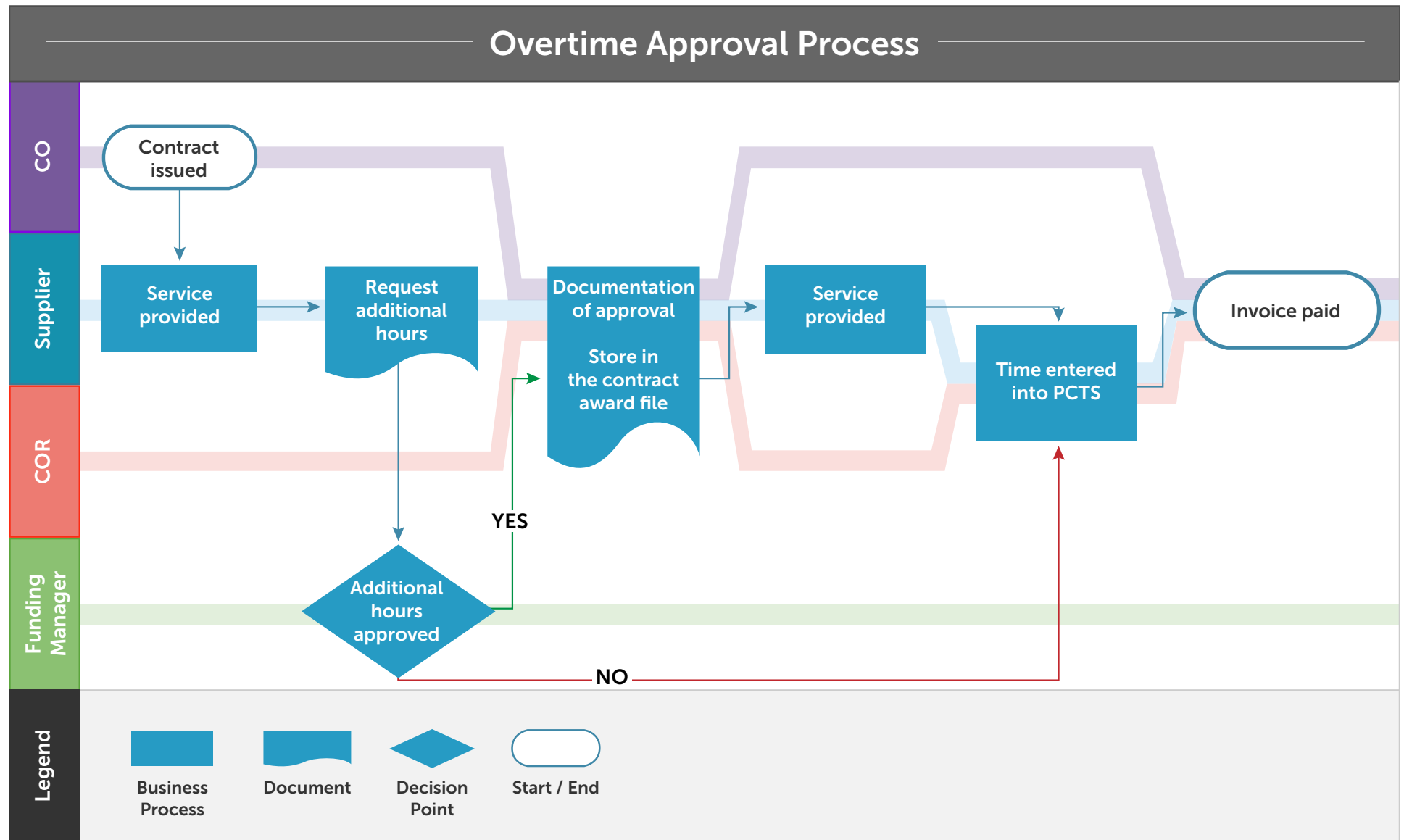
Background

The Postal Service established its Enterprise Technology Services (ETS) indefinite delivery indefinite quantity contract to increase staff to support Information Technology (IT) operations nationwide and to develop and maintain applications. The contract staff have expertise in engineering, architecture, and system administration services to reduce life cycle cost and risks. The contract defines overtime work as hours in excess of a 40-hour work week.

The supplier's contract employees record their work hours with timecards in the Program Cost Tracking System (PCTS), a timekeeping application contract employees use to enter hours for tasks performed. A Supply Management contracting officer (CO) is responsible for administration of the ETS contract and delegates contract administrative responsibilities to contracting officer representatives (COR). Information Technology (IT) program managers and CORs review, validate, and approve timecards for invoice payments to the supplier in PCTS.

The ETS statement of work requires the Postal Service program manager who is funding the specific work overtime hours to give advance approval prior to contract employees working overtime hours. The funding program manager may also serve as the COR (see [Figure 1](#)). In fiscal years (FY) 2019 and 2020, 618 ETS contract employees worked about 20,000 hours of overtime. As a result, the Postal Service spent about \$2.5 million in overtime costs for the ETS contract over that time.

Figure 1. Overtime Approval Process¹



Source: U.S. Postal Service Office of Inspector General (OIG) analysis of ETS contract.

¹ Process role responsibilities are identified by title and corresponding line color.

Finding #1: Overtime Approval

The Postal Service did not always document approval of overtime prior to contract employees working overtime hours, as required. Specifically, we requested approval documentation from CORs and program managers for 198 statistically sampled timecards² reflecting overtime hours. We determined that 120 of the 198 (61 percent) timecards³ we reviewed, reflecting about \$1.5 million in overtime hours, did not have documented advance approval. Additionally, we determined the CO did not retain approval documentation in the contract award file as required.

According to the ETS statement of work, the Postal Service manager who is funding the specific work must approve supplier overtime hours prior to employees working the overtime. The program manager should maintain documentation of overtime approval and provide a copy to the CO and COR. Additionally, the CO should ensure that overtime

“We determined that 120 of the 198 (61 percent) timecards we reviewed, reflecting about \$1.5 million in overtime hours, did not have documented advance approval.”

approval documentation is kept in the contract award file. The statement of work states that the Postal Service will not pay overtime without the advance approval of the Postal Service manager.

These issues occurred because Postal Service managers did not review overtime requirements in the statement of work, adhere to the requirement to document and maintain advance approvals, or document verbal approvals that were given to the supplier. In some instances, managers stated they believed approval in PCTS met the prior approval requirement while others stated that emails with documented approvals were lost due to various IT issues. Further, some employees stated that the previous manager or COR retired without ensuring

the replacement employee received a copy of the approval documentation (see Table 1). Additionally, the CO did not retain overtime approval documentation in the contract award file because the CORs did not provide the CO a copy.

Table 1. Missing Overtime Approval Documentation

Number of Timecards Missing Documentation	Reasons for Missing Documentation
48	Previous program manager or COR retired without ensuring the documentation was maintained.
46	Verbal approval was given; however, approval was not documented.
16	Program manager or COR believed approval in PCTS met the requirement for prior approval.
7	Program manager or COR did not provide a response.
3	Emails containing approval was lost due to information technology issues.

Source: U.S. Postal Service OIG interviews.

Without adhering to the contract requirements for advance overtime approval, the Postal Service may pay the supplier for unapproved overtime hours, which may also lead to contract price escalation. We questioned⁴ \$1.5 million in overtime costs that did not comply with contract requirements for documented advance approval of overtime hours for FYs 2019 and 2020.

During the audit, Supply Management partially implemented corrective actions to address the issues we identified. Specifically, they provided a copy of the ETS overtime approval requirements to management of some CORs and requested they remind staff to provide documented approval to the supplier with a copy to the CO.

2 We identified a universe of 4,341 timecards with overtime for ETS employees in FY 2019 and 2020.
3 Users log time that they have worked on a project via the time-card option in the PCTS. Typically, users will enter hours for one Postal week at a time.
4 Costs that are called into question because of missing or incomplete documentation, or because of failure to follow required procedures.

Recommendation #1

We recommend the **Vice President, Supply Management**, reiterate the requirements for all program managers and contracting officer's representatives to review the Enterprise Technology Service contract overtime requirements, maintain approval documentation of overtime hours, and provide a copy of the approval documentation to the contracting officer.

Recommendation #2

We recommend the **Vice President, Supply Management**, reiterate to the contracting officer the requirement to store the overtime approval documentation in the contract award file.

Management's Comments

Management generally agreed with the findings, recommendations, and monetary impact in the report.

Regarding recommendation 1, management stated that they will directly contact each program manager and COR under the ETS contracts to ensure contract administration requirements are followed in accordance with the OIG's recommendation.

Regarding recommendation 2, management stated that they will either modify the contracts to update the statement of work to have this documentation maintained in the COR's file or instruct the CO to maintain this documentation of overtime approval in the contract file.

The target implementation date for both recommendations is January 31, 2022.

See [Appendix B](#) 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 and the corrective actions stated should resolve the issues identified in the report.

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

Appendices

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Appendix A: Additional Information

Scope and Methodology

We established a universe of 4,341 timecards with overtime for the ETS indefinite delivery indefinite quantity contract supplier from FYs 2019 and 2020. To review overtime hours by week, we selected a statistical sample of 198 weekly timecards reflecting more than 40 labor hours per week for both fiscal years.

To accomplish our objective, we:

- Identified the universe of supplier's employee workhours for FYs 2019 and 2020.
- Selected a statistical sample of timecards for ETS contractors who worked over 40 hours in a work week.
- Obtained and reviewed the ETS statement of work to document requirements.
- Determined whether or not approval for overtime hours was documented prior to charging overtime.

- Interviewed the CO, CORs, business process leaders, program managers, and other appropriate officials to determine whether proper oversight was performed.

We conducted this performance audit from June through September 2021, 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 finding and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective. We discussed our observations and conclusions with management on September 1, 2021 and included their comments where appropriate.

We assessed the reliability of the PCTS timecard data extracted by tracing a sample to source PCTS timecard approved hours within the system to determine whether the computer data accurately and completely reflected the hours charged and approved. 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 (in millions)
<i>Accenture Information Technology Contracts</i>	Assess contractual compliance and oversight of the Postal Service's Accenture IT contracts for FYs 2018-2019.	20-076-R21	12/29/2021	\$165

Appendix B: Management's Comments

MARK A. GUILFOIL
VP, SUPPLY MANAGEMENT



September 20, 2021

JOSEPH WOLSKI
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Management Response to Draft Audit Report Controls Over Contract Labor Hours
(Report Number 21-109-DRAFT)

Thank you for the opportunity to provide comments on this draft audit report. We have reviewed the Office of Inspector General's (OIG) report on Controls Over Contract Labor Hours. Management generally agrees with the findings, the recommendations, and the monetary impact identified in the report.

Findings

The Postal Service's Enterprise Technology Services (ETS) Indefinite Delivery Indefinite Quantity (IDIQ) contracts (there are multiple ETS contracts under performance with different suppliers) Statements of Work (SOW) uniquely define "overtime hours" as any hours worked by a supplier's employee in excess of 40 hours per week. There are not however intentionally any negotiated premium rates contained within the contracts, as these services are professional in nature and often require sustained efforts by supplier employees in completing work which results in incurred hours in excess of 40 hours in a given week. Such hours are paid under the subject instruments at straight time, and not at any premium billing rate. There is no difference in contractual rates for normal or overtime hours (excess hours). The Postal Service's Supplying Principles and Practices (SPs and Ps) purchasing policy requires contracting officer (CO) advance approval when premium rates will be paid to supplier personnel for any hours in excess of 40 hours per week.

Due to the SOW requirement and resulting administration of the ETS contracts, the OIG found that Postal Service Program Managers did not always provide for advance approval of ETS "overtime hours" prior to contract employees working these hours as required by the contract, and that the CO did not maintain approval documentation in the contract award file. Based on the OIG's audit, management is actively reviewing these two SOW requirements, and discussing cost controls and oversight mechanisms with the internal business partner (IBP) concerning supplier billing and payment under ETS.

Based on the existing requirements, management agrees with the OIG findings. Requirements for Program Managers and Contracting Officer's Representatives (CORs) to approve and document contractor excess hours are clearly written in the SOWs as part of a template approach used in the ETS contracts.

During the audit, management took action to address the initial findings. On August 12, 2021, an e-mail was issued to IBP leadership and a copy was provided to the OIG. The message reiterated the SOW requirements and the need for the IBP leadership to communicate to COR's

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-6201
WWW.USPS.COM

that adherence to contractual requirements are mandatory. Since that date, the contracting officer has received e-mail communications on COR approvals of excess hours (more than 40 hours per week).

Monetary Impact

In response to management's request, we appreciate the OIG providing the audit worksheets for the subject audit which lists the individual contracts reviewed and your specific findings. We reviewed these audit worksheets. We reached out to CORs for approval documentation and did not receive a sufficient number to improve the compliance rate. We therefore do not take exception to the OIG's calculation of monetary impact.

OIG Recommendations

Recommendation 1:

We recommend the **Vice President, Supply Management**, reiterate the requirements for all Program Managers and CORs to review the ETS contract overtime requirements, maintain approval documentation of overtime hours, and provide a copy of the approval documentation to the contracting officer.

Management Response: Management agrees with this recommendation. We will directly contact each Program Manager or COR under the ETS contracts to ensure contract administration requirements are followed in accordance with this recommendation.

Target Implementation Date: January 31, 2022

Responsible Official: Senior Director, Technology Infrastructure, Supply Management

Recommendation 2:

We recommend the **Vice President, Supply Management**, reiterate to the CO the requirement to store the overtime approval documentation in the contract award file.

Management Response: Management agrees with this recommendation. We will either modify the contracts to update the SOW to have this documentation maintained in the COR's file, or instruct the CO to maintain this documentation of overtime approval in the contract file.

Target Implementation Date: January 31, 2022

Responsible Official: Senior Director, Technology Infrastructure, Supply Management

 E-SIGNED by MARK GUILFOIL
on 2021-09-20 10:34:18 CDT

Mark A. Guilfoil
Vice President, Supply Management

cc: Manager, Corporate Audit Response Management

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1735 North Lynn Street
Arlington, VA 22209-2020
(703) 248-2100

For media inquiries, please email
press@uspsoig.gov or call 703-248-2100