

March 27, 2001

KENNETH C. WEAVER  
CHIEF POSTAL INSPECTOR

JON M. STEELE  
VICE PRESIDENT, NORTHEAST AREA OPERATIONS

SUBJECT: Use of Postal Police Officers on the Central  
Artery/Tunnel Construction Project  
(Report Number OV-MA-01-001)

This management advisory report presents the results of our review of the use of postal police officers to support the Massachusetts Highway Department's Central Artery/Tunnel construction project in Boston, Massachusetts (Project Number 00JR007OV000). We also determined whether the Postal Service appropriately and timely billed the highway department for police services.

---

**Results in Brief**

The review revealed that Postal Service and Inspection Service officials acted within the scope of their authority when performing services for the Central Artery/Tunnel construction project, but that they needed to improve the billing process for postal police services. Specifically, Postal Service officials did not bill the Massachusetts Highway Department using current rates or bill for indirect expenses associated with services provided. In addition, controls were not in place to ensure that the highway department was billed for total labor hours worked. Finally, once bills were issued, Postal Service officials did not ensure that all payments were received from the highway department. As a result, the Postal Service was not compensated for \$26,203 in services provided.

We suggested that Postal Service and Inspection Service officials bill the Massachusetts Highway Department at the correct rates, recover underbilled labor hours, adjust labor rates to include indirect expenses, ensure time cards are

correctly accumulated, and use the automated payroll system as the source for billable hours. We also suggested that the Inspection Service reconcile actual costs incurred to amounts reimbursed by the Massachusetts Highway Department. Management generally agreed with our suggestions, and corrective actions planned and taken adequately address the issues identified in this report. Management's comments, in their entirety, are included in Appendix D of this report.

---

## Background

The Central Artery/Tunnel project is a major construction project managed by the Massachusetts Highway Department. The project, which is estimated to be completed in 2004, will:

- Create an eight- to ten-lane underground expressway directly beneath the existing Central Artery that runs through the center of downtown.
- Extend the Massachusetts Turnpike (I-90) from south of downtown Boston through a tunnel beneath South Boston and Boston Harbor to Logan Airport.

The tunnel extension of the Massachusetts Turnpike affects the Boston Processing and Distribution Center because it requires the dismantling of a bridge used by Postal Service trucks and other vehicles on the property's south end. As a result of the construction, traffic was rerouted onto a new road that was built west of the demolished bridge. The construction project further affects the processing and distribution center because construction workers and equipment have access to Postal Service property for tunnel construction.

The Massachusetts Highway Department contracted with the Postal Service in November 1994 to obtain security, safety, and other related services for the Boston Processing and Distribution Center. This contract directed that postal police officers would provide traffic and pedestrian control, security and safety support, and associated services in support of the project. The Postal Service billed the Massachusetts Highway Department an hourly rate for postal police officer services.

---

**Objective, Scope, and  
Methodology**

Our overall objective was to determine the Postal Service's authority to use postal police officer services for the Massachusetts Highway Department's Central Artery/Tunnel construction project. We also evaluated the appropriateness of rates billed to the highway department for services provided.

To satisfy our objectives, we interviewed various Postal Service and Inspection Service officials from the Postal Service Facilities office, Northeast Division, and Boston Processing and Distribution Center. We also reviewed numerous documents related to the Postal Service's and Inspection Service's involvement in the project, including the Postal Service and Massachusetts Highway Department contract, the Postal Service and Fraternal Order of Police labor agreement, timecards, daily scheduling sheets, overtime lists, overtime reports, invoices, and other related documents. We reviewed documentation covering the period January 1997 through March 2000.

We compared timecards and associated documentation to invoices for four randomly selected months to determine if the Postal Service appropriately billed the Massachusetts Highway Department for services provided by postal police officers. These months included January 1997, November 1997, April 1998, and May 1999.

We conducted our review from April 2000 through March 2001 in accordance with the President's Council on Integrity and Efficiency, Quality Standards for Inspections. We discussed our conclusions and observations with appropriate management officials and included their comments, where appropriate.

---

**Authority To Use  
Postal Police Officers**

Our review revealed that Postal Service officials acted within the scope of their authority when using postal police officers to perform services for the Central Artery/Tunnel construction project. Titles 39 and 40 of the U.S. Code state that postal police officers are responsible for ensuring the protection of Postal Service persons and property. Pursuant to Title 39, the Postal Service is authorized to act in a business-like manner to include contracting to protect postal operations and recovering related costs. Postal police officers supporting the Central Artery/Tunnel

construction project conducted traffic and pedestrian control only as it affected Postal Service property. As a result, postal police officers acted within the scope of their authority when performing services for the construction project.

---

**Appropriateness of  
Rates Billed**

Postal Service officials did not bill the Massachusetts Highway Department for rate increases specified in the amendment to the labor agreement or for indirect expenses associated with services provided. In addition, Postal Service and Inspection Service officials did not ensure that all labor costs for postal police officers supporting the construction project were recovered. As a result, the Inspection Service was not compensated for \$26,203 in services provided for the Central Artery/Tunnel construction project.

---

**Rate Increases**

Postal Service officials did not correctly bill the Massachusetts Highway Department for services provided by postal police officers. Specifically, Postal Service officials did not bill the Massachusetts Highway Department for rate increases specified in the amendment to the labor agreement because controls did not exist to ensure that rate increases were instituted as required.

The October 1994 Postal Service labor agreement with the Fraternal Order of Police identifies general labor rates for postal police officers. The labor agreement identified a rate to be paid for hours worked from 6:00 a.m. to 6:00 p.m. and a separate rate, including a shift differential, for hours worked from 6:00 p.m. to 6:00 a.m. The Postal Service and Fraternal Order of Police amended the labor agreement in July 1996 to provide rate increases in May 1997 and May 1998 for postal police officers based on changes to the Employment Cost Index.

Postal Service officials billed the Massachusetts Highway Department using October 1994 rates, but did not adjust the rates for the May 1997 increases specified in the amendment to the labor agreement until May 1998. In addition, Postal Service officials did not bill the Massachusetts Highway Department for the May 1998 day rate increase, and did not fully bill the Massachusetts Highway Department for the May 1998 night rate increase. Postal Service officials did not bill the Massachusetts

Highway Department for established rate increases because controls did not exist to ensure that rate increases were instituted as required. As a result, the Postal Service underbilled the Massachusetts Highway Department \$25,735 for the period May 1997 through March 2000 for services provided by postal police officers. See Appendices A and B for detailed calculations related to the underbillings.

---

Indirect Expenses

The Postal Service also did not bill the Massachusetts Highway Department for all indirect expenses incurred, including supervisory support and workers compensation costs, in connection with postal police officer services. The Postal Service contract with the Massachusetts Highway Department permits the Postal Service to bill for indirect expenses in connection with the project. While some indirect expenses were included as part of the initial hourly rates charged for postal police officers, these rates did not cover all indirect costs incurred.

For example, the hourly rates do not cover supervisory costs associated with postal police services. Shift supervisors, or sergeants, devoted about three hours per day supervising postal police officers supporting the construction project. This work included scheduling postal police officers for the project and obtaining last minute replacements for those previously scheduled to work. Additionally, hourly rates do not cover workers' compensation costs associated with employee injuries and claims. Billing for all indirect expenses, including supervision and workers compensation costs incurred, would help ensure that the Postal Service is appropriately compensated for services provided.

---

Labor Hours Billed

The Postal Service and Inspection Service did not ensure that all labor hours charged by postal police officers supporting the construction project were billed. Our review of timecards and invoices disclosed errors that resulted in an underbilling of \$1,326 for the night shift and an overbilling of \$858 for the day shift for the four months sampled. Consequently, the Postal Service underbilled the Massachusetts Highway Department by \$468. While this sample does not permit us to statistically estimate an error rate, it does suggest that problems existed in the billing process. See Appendix C for a detailed explanation of the net underbilling.

The errors occurred because the Inspection Service did not accumulate and provide all project-related timecards to the Postal Service project coordinator. Also, there were no controls to ensure that the coordinator accurately accumulated the hours billed from employee timecards. Specifically, the project coordinator prepared handwritten spreadsheets listing hours by timecard to accumulate total hours worked on the project. This process resulted in an increased risk of calculation and transfer errors. Management controls, such as the use of the payroll system to capture hours paid to postal police officers for services provided in support of the construction project, did not exist to ensure all hours worked were appropriately billed. In addition, Inspection Service officials did not compare the amounts reimbursed to actual costs to ensure that they were appropriately reimbursed for all services provided. Establishing management controls will help ensure that the Postal Service appropriately bills the Massachusetts Highway Department for services provided by postal police officers and that the Inspection Service is ultimately reimbursed for costs incurred.

---

**Suggestions**

We suggested the vice president, Northeast Area Operations, and the chief postal inspector:

1. Bill the Massachusetts Highway Department at the current rates for future services and recover \$25,734 in underbilled rates and \$468 in unbilled labor hours.

---

**Management's  
Comments**

Management agreed with our suggestion and stated that they have billed the Massachusetts Highway Department at the current rates since September 2000. Management further stated that they will demand reimbursement for the \$25,734 in underbilled rates and \$468 in unbilled labor hours by March 10, 2001.

---

**Evaluation of  
Management's  
Comments**

Management's actions are responsive to our suggestion.

<b>Suggestion</b>	2. Adjust labor rates to include all indirect expenses associated with postal police services.
<b>Management's Comments</b>	Management agreed with our suggestion and stated that, beginning in September 2000, they adjusted rates billed to include indirect expenses associated with postal police services. Management also stated that the Northeast Area Finance office agreed with the current rates established by the Postal Inspection Service.
<b>Evaluation of Management's Comments</b>	Management's actions are responsive to our suggestion.
<b>Suggestion</b>	3. Ensure all time cards are accumulated and provided to the Postal Service project coordinator and the automated payroll system be used as the source for billable labor hours.
<b>Management's Comments</b>	Management agreed with our suggestion to accumulate and provide time cards to the Postal Service project coordinator, but disagreed with using the automated payroll system as the source for billable hours. Management stated that using the automated payroll system, as the source of billable hours is not feasible because the system cannot produce reports that will isolate project hours. Management also stated that the project coordinator will recalculate labor hours prior to billing, and the reduction of manual time cards will be discussed with the Massachusetts Highway Department.
<b>Evaluation of Management's Comments</b>	Management's actions are responsive to our suggestion. Although management disagreed with using the automated payroll system as the source for billable hours, actions taken and planned by management, including totaling labor hours on time cards before they are provided to the project coordinator, should significantly increase the accuracy of billable hour calculations.

<b>Suggestion</b>	<p>We suggest that the chief postal inspector:</p> <p>4. Reconcile actual costs incurred to amounts reimbursed.</p>
<b>Management's Comments</b>	<p>Management disagreed with our suggestion to reconcile actual costs incurred to amounts reimbursed. Management stated that a reconciliation would not be cost effective due to recent controls instituted and the immaterial value of the underbillings identified in the report. However, to ensure proper billings, management now requires each Postal Service police officer to complete a separate timecard each day for work performed on the Central Artery/Tunnel Project.</p>
<b>Evaluation of Management's Comments</b>	<p>Although management disagreed with our suggestion, actions taken and planned, including controls established to ensure current rates are appropriately billed for postal police services, are responsive to the recommendation. Specifically, these controls should help ensure that the Inspection Service is appropriately reimbursed for future services provided.</p> <p>We appreciate the cooperation and courtesies provided by your staff during the review. If you have any questions, please contact Cathleen Berrick, director, Oversight, at (703) 248-4543, or me at (703) 248-2300.</p> <p>Ronald K. Stith Assistant Inspector General for Oversight and Business Evaluations</p> <p>cc: James K. Belz John R. Gunnels</p>





## APPENDIX B. UNDERBILLINGS FOR NIGHT SHIFT

Month/ Year	Grade 6 Step 19 Salary	Hourly Rate (Salary Divided by 2080 hr/yr)	Recalculated Rate (Hourly Rate Multiplied by 1.5)	Night Shift Premium (Overtime Rate Plus 10 Percent)	Hourly Rate Billed	Difference of Recalculated Rate and Billed Rate	Hours Billed	Over/ (Under) Billing
May – 97	38,651	18.58	27.87	29.73	29.73	0.00	Included in June's billing	
Jun	39,525	19.00	28.50	30.40	29.73	(0.67)	81.0	(54.27)
Jul	39,525	19.00	28.50	30.40	29.73	(0.67)	42.5	(28.47)
Aug	39,525	19.00	28.50	30.40	29.73	(0.67)	60.5	(40.53)
Sep	39,525	19.00	28.50	30.40	29.73	(0.67)	109.0	(73.03)
Oct	39,525	19.00	28.50	30.40	29.73	(0.67)	149.0	(99.83)
Nov	39,525	19.00	28.50	30.40	29.73	(0.67)	178.0	(119.26)
Dec	39,525	19.00	28.50	30.40	29.73	(0.67)	16.5	(11.06)
Jan - 98	39,525	19.00	28.50	30.40	29.73	(0.67)	496.0	(332.32)
Feb	39,525	19.00	28.50	30.40	29.73	(0.67)	214.5	(143.72)
Mar	39,525	19.00	28.50	30.40	29.73	(0.67)	496.0	(332.32)
Apr	39,525	19.00	28.50	30.40	29.73	(0.67)	387.5	(259.62)
May	39,525	19.00	28.50	30.40	29.73	(0.67)	488.4	(327.23)
Jun	40,618	19.53	29.30	31.25	31.00	(0.25)	429.5	(107.38)
Jul	40,618	19.53	29.30	31.25	31.00	(0.25)	590.0	(147.50)
Aug	40,618	19.53	29.30	31.25	31.00	(0.25)	498.0	(124.50)
Sep	40,618	19.53	29.30	31.25	31.00	(0.25)	614.0	(153.50)
Oct	40,618	19.53	29.30	31.25	31.00	(0.25)	595.0	(148.75)
Nov	40,618	19.53	29.30	31.25	31.00	(0.25)	532.5	(133.13)
Dec	40,618	19.53	29.30	31.25	31.00	(0.25)	559.5	(139.88)
Jan - 99	40,618	19.53	29.30	31.25	31.00	(0.25)	561.0	(140.25)
Feb	40,618	19.53	29.30	31.25	31.00	(0.25)	500.5	(125.13)
Mar	40,618	19.53	29.30	31.25	31.00	(0.25)	664.5	(166.13)
Apr	40,618	19.53	29.30	31.25	31.00	(0.25)	1039.5	(259.88)
May	40,618	19.53	29.30	31.25	31.00	(0.25)	1023.5	(255.88)
Jun	40,618	19.53	29.30	31.25	31.00	(0.25)	981.5	(245.38)
Jul	40,618	19.53	29.30	31.25	31.00	(0.25)	978.0	(244.50)
Aug	40,618	19.53	29.30	31.25	31.00	(0.25)	1000.0	(250.00)
Sep	40,618	19.53	29.30	31.25	31.00	(0.25)	943.0	(235.75)
Oct	40,618	19.53	29.30	31.25	31.00	(0.25)	989.0	(247.25)
Nov	40,618	19.53	29.30	31.25	31.00	(0.25)	866.5	(216.63)
Dec	40,618	19.53	29.30	31.25	31.00	(0.25)	859.5	(214.88)

**Use of Postal Police Officers on the Central  
Artery/Tunnel Construction Project**

**OV-MA-01-001**

Month/ Year	Grade 6 Step 19 Salary	Hourly Rate (Salary Divided by 2080 hr/yr)	Recalculated Rate (Hourly Rate Multiplied by 1.5)	Night Shift Premium (Overtime Rate Plus 10 Percent)	Hourly Rate Billed	Difference of Recalculated Rate and Billed Rate	Hours Billed	Over/ (Under) Billing
Jan - 00	40,618	19.53	29.30	31.25	31.00	(0.25)	782.0	(195.50)
Feb	40,618	19.53	29.30	31.25	31.00	(0.25)	804.0	(201.00)
Mar	40,618	19.53	29.30	31.25	31.00	(0.25)	900.0	(225.00)
<b>Total</b>								<b>(\$5,999.46)</b>
<b>Add: Day Shift</b>								<b><u>(19,736.02)*</u></b>
<b>Total Day and Night Shift</b>								<b>(\$25,735.48)</b>

\* Underbilling for day shift obtained from Appendix A.

## APPENDIX C. NET UNDERBILLING FROM ERRORS IN ACCUMULATING HOURS WORKED FROM TIMECARDS

Month Worked	Total Hours	Hourly Rate	Wage Cost	Total Hours Recalculated	Difference of Total Hours Less Recalculated Hours Over/(Under) charged	Over/(Under) Charged
A	B	C	BxC=D	G	B-G=H	HxC
<b><u>Day Shift</u></b>						
Jan - 97	52	\$27.87	\$1,449.24	53	(1.00)*	(\$27.87)
Nov - 97	440	27.87	12,262.80	414.1	25.90	721.83
Apr - 98	865.5	27.87	24,121.49	850.91	14.59	406.62
May - 99	1009	28.50	28,756.50	1017.5	(8.50)	(242.25)
<b>Total - Day Shift</b>						<b>\$858.33</b>
<b><u>Night Shift</u></b>						
Jan - 97	27.5	\$29.73	817.58	27.5	0.00	\$0.00
Nov - 97	178	29.73	5,291.94	210.68	(32.68)	(971.58)
Apr - 98	387.5	29.73	11,520.38	401.5	(14.00)	(416.22)
May - 99	1023.5	31.00	31,728.50	1021.5	2.00	62.00
<b>Total - Night Shift</b>						<b>(\$1,325.80)</b>
<b>Net Underbilling</b>						<b>(\$ 467.47)</b>

\* Difference was due to a footing error by the Central Artery/Tunnel coordinator

## APPENDIX D. MANAGEMENT'S COMMENTS



March 12, 2001

Ronald K. Stith  
Assistant Inspector General  
Oversight and Business Evaluations

SUBJECT: Transmittal of Draft Management Advisory Report – Use of Postal Police Officers  
(PPOs) on the Central Artery/Tunnel Construction Project  
(Report Number OV-MA-01-DRAFT)

Northeast Area management and the Inspection Service have prepared this joint response to your draft report dated February 7, 2001, on the above review.

The following suggestions will be implemented as follows:

1. The Massachusetts Highway Department has been billed at the current postal police labor rates since September 2000. A demand for \$25,735 in underbilled rates and \$468 in unbilled labor hours will be made by March 10, 2001.
2. Beginning September 2000 the rates being billed have been adjusted to include indirect expenses associated with postal police services. The current rates being utilized are \$38.71 for day hours and \$40.25 for night hours. The methodology utilized by the Postal Inspection Service to determine these rates was reviewed by Northeast Area Finance, which concurs with the current rates.
- 3a. The postal police are now totaling time cards prior to presentation to the Postal Service project coordinator. The time cards are then totaled a second time by the Postal Service project coordinator prior to billing the Massachusetts Highway Department. This double check should eliminate calculation errors. The use of automated payroll systems, City Time and Attendance Processing System (CTAPS) as the source of billable labor hours is not feasible, since CTAPS does not have the ability to produce reports in a format that will isolate the hours used for this project.
- 3b. Additionally, we will discuss a suggestion to reduce the number of manual timecards utilized monthly with the Massachusetts Highway Department. Currently, PPOs' hours on the project are recorded on a new timecard each day, as required by the Massachusetts Highway Department. By utilizing weekly timecards for each employee, the number of timecards to be manually totaled each month would be greatly reduced.

We do not agree with the suggestion that the Inspection Service should reconcile actual costs incurred to the amounts reimbursed. The Management Advisory Report selected four months at random from January 1997 to March 2000 and compared timecards and associated documentation

to invoices to determine if the Postal Service properly billed the Massachusetts Highway Department for postal police services. This review disclosed a net underbilling of \$468 out of a total of \$115,948. Current procedure is for each PPO to complete a separate timecard each day for work performed on the Central Artery/Tunnel project. Typically, three PPOs are used on the project for each of the three daily shifts. The Northeast Area has instituted the controls described above to ensure that proper billing will occur from now on. Based on these actions and the immaterial value of underbillings, we do not believe it would be cost effective to perform such a reconciliation.

If you have any questions, please contact Joe Mastrolia at (860) 285-7380 or Scott Morrell at (202) 268-6405.

  
J. M. Steele  
Vice President

  
K. C. Weaver  
Chief Postal Inspector

cc: Elizabeth A Doell, Manager Finance, Northeast Area  
Kenneth R Jones, Inspector in Charge, Northeast Division