

# Penalty Overtime

## AUDIT REPORT

Report Number 23-065-R23 | September 27, 2023



# Table of Contents

## Cover

<b>Highlights</b> .....	1
Background .....	1
What We Did .....	1
What We Found .....	1
Recommendations .....	1

<b>Transmittal Letter</b> .....	2
---------------------------------	---

<b>Results</b> .....	3
----------------------	---

Introduction/Objective.....	3
Background .....	3
Finding #1: Properly Authorizing Penalty Overtime .....	7
Recommendation #1 .....	9
Recommendation #2 .....	9
Finding #2: Proper Documentation of Unauthorized Overtime .....	9
Recommendation #3 .....	10
Recommendation #4 .....	10
Recommendation #5 .....	10
Management’s Comments .....	10
Evaluation of Management’s Comments.....	11

<b>Appendices</b> .....	13
-------------------------	----

Appendix A: Additional Information.....	14
Scope and Methodology .....	14
Prior Audit Coverage .....	16
Appendix B: Management’s Comments .....	17

<b>Contact Information</b> .....	21
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# Highlights

## Background

During emergencies or to address service needs, the U.S. Postal Service may require employees to perform work in excess of eight paid hours in a day or 40 paid hours in a week. Generally, hourly employees are entitled to regular overtime (OT) after working 40 hours in one week, while certain eligible employees are entitled to penalty overtime under certain conditions within the collective bargaining agreements. OT is paid at one and a half times the employee's hourly rate. However, the Postal Service pays penalty overtime to eligible employees at twice the employee's hourly rate. Workhours are a significant cost to the Postal Service, and management must ensure all hours worked are authorized and accurately recorded to monitor and control their costs.

## What We Did

Our objective was to assess the Postal Service's management of penalty overtime. For this audit, we analyzed nationwide penalty overtime data during fiscal years (FYs) 2020 through 2022. The data included average penalty overtime per employee and the total penalty overtime hours used. We conducted site visits at 22 judgmentally selected facilities where we held interviews to identify underlying causes that contributed to penalty overtime usage at the facilities and the Postal Service as a whole. Additionally, we interviewed headquarters personnel regarding their responsibilities, processes, and procedures on the management of penalty overtime.

## What We Found

Opportunities exist for the Postal Service to improve penalty overtime management and reduce unauthorized penalty overtime hours. Specifically, facility management and lead clerks did not always properly identify and categorize penalty overtime transactions in the Time and Attendance Collection System, as authorized or unauthorized, by the end of the pay week as required. Additionally, facility management did not always properly document unauthorized penalty overtime hours.

## Recommendations

We recommended management (1) implement consistent oversight procedures to ensure penalty overtime transactions are cleared at each facility; (2) reiterate policy on the use and clearing of the report categorizing penalty overtime hours as authorized or unauthorized; (3) reiterate management responsibilities and provide oversight for recording unauthorized penalty overtime hours; (4) develop and implement a tracking mechanism to monitor unauthorized OT and penalty overtime hours; and (5) determine the feasibility of updating the form used to submit unauthorized OT requests to differentiate between unauthorized OT categories.

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

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September 27, 2023

**MEMORANDUM FOR:** JOSHUA D. COLIN  
CHIEF RETAIL AND DELIVERY OFFICER AND  
EXECUTIVE VICE PRESIDENT

ISAAC S. CRONKHITE  
CHIEF PROCESSING AND DISTRIBUTION OFFICER AND  
EXECUTIVE VICE PRESIDENT

KELLY R. ABNEY  
CHIEF LOGISTICS OFFICER AND EXECUTIVE VICE PRESIDENT

CARA M. GREENE  
VICE PRESIDENT, CONTROLLER

A handwritten signature in black ink, reading "Lazerick C. Poland", is centered below the list of recipients.

**FROM:** Lazerick C. Poland  
Acting Deputy Assistant Inspector General  
for Finance, Pricing & Human Capital

**SUBJECT:** Audit Report – Penalty Overtime (Report Number 23-065-R23)

This report presents the results of our audit of Penalty Overtime.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Vasilios Grastos, Acting Director, Human Capital Management, 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 Penalty Overtime. Our objective was to assess the Postal Service's management of penalty overtime. See [Appendix A](#) for additional information about this audit.

## Background

During emergencies or to address service needs, the Postal Service may require employees to work more than eight paid hours in a day or 40 paid hours in a week. Under the Fair Labor Standards Act, non-exempt employees are generally entitled to regular overtime (OT) after working 40 hours in a week. Some Postal Service employees are entitled to penalty overtime under certain conditions spelled out in their collective bargaining agreements (CBA). OT is paid at one and a half times the employee's hourly rate. However, the Postal Service pays penalty overtime to eligible employees at twice the employee's hourly rate, in accordance with applicable CBAs.

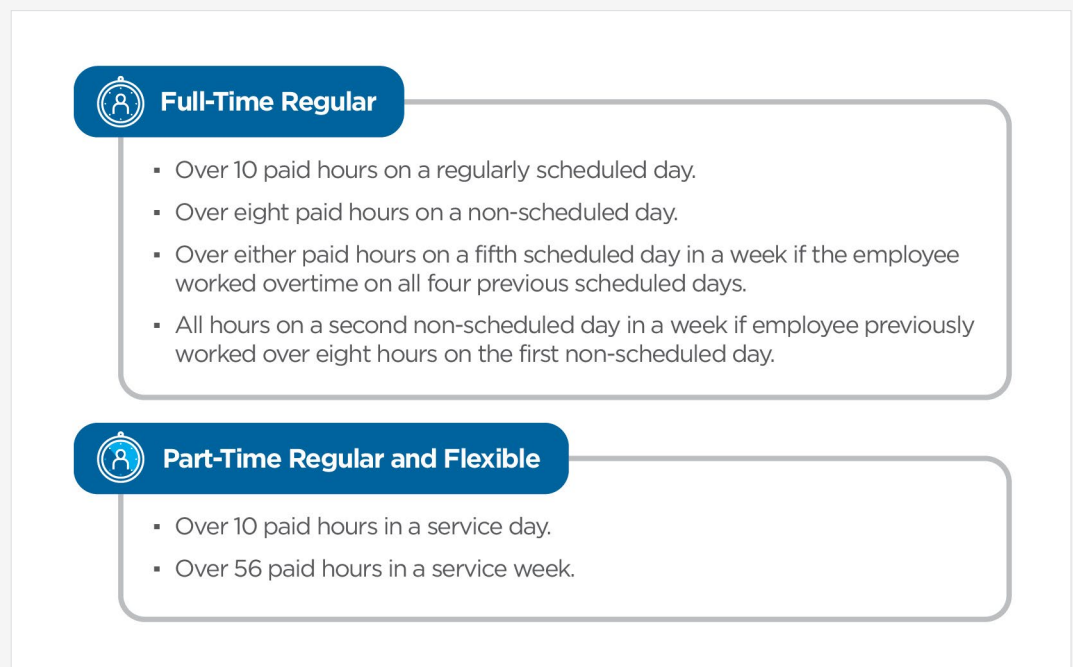
Only certain employee crafts within the Postal Service are eligible to receive penalty overtime. According to the *Employee and Labor Relations Manual (ELM)*,<sup>1</sup> the following employee crafts are eligible for penalty overtime:<sup>2</sup>

- city carriers/city carrier assistants
- clerks/postal support employees
- data center employees
- mail equipment shops/material distribution center employees

Applicable CBAs describe the different contractual requirements for penalty overtime eligibility. Employees in the eligible crafts are subject to different rules for penalty overtime compensation, depending on their classification.<sup>3</sup> See Figure 1 for the penalty overtime compensation eligibility for full-time regular employees and part-time regular/flexible employees.<sup>4</sup>

## Figure 1. Eligibility for Penalty Overtime Compensation

Source: Handbook F-401, *Supervisor's Guide to Scheduling and Premium Pay*.



<sup>1</sup> *ELM* Issue 53, Section 434.133 and Exhibit 434.141c.

<sup>2</sup> Rural carriers, executive administrative schedule, postmasters, nurses, mail handlers, postal career executive service, and postal police are not eligible to receive penalty overtime.

<sup>3</sup> The classifications are full-time regular, part-time regular, part-time flexible, and non-career.

<sup>4</sup> Non-career employees that are able to receive penalty overtime follow the same eligibility requirements as part-time regular and flexible employees.

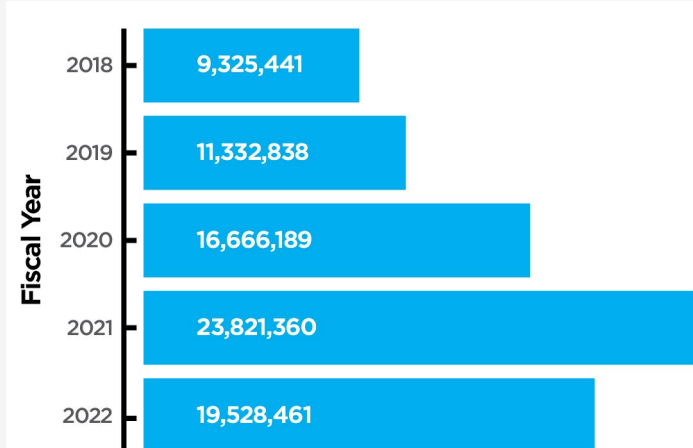
## Penalty Overtime Workhours

Workhours are a significant cost to the Postal Service. In fiscal year (FY) 2022, the Postal Service reduced total workhours by 8.9 million hours compared to FY 2021. Additionally, total overtime hours (including penalty overtime) decreased by 19.7 million hours from the same period.<sup>5</sup>

“From FYs 2020 through 2022, the Postal Service used about 60 million penalty overtime hours, with the most hours accumulated during FY 2021.”

However, prior to these reductions, from FYs 2018 through 2021, the Postal Service had steadily increased the use of penalty overtime hours. See Figure 2 for the breakdown of penalty overtime usage from FYs 2018 through 2022. Specifically, from FYs 2020 through 2022, the Postal Service used about 60 million penalty overtime hours, with the most hours accumulated during FY 2021. Although penalty overtime hours decreased by 4 million hours in FY 2022, they were still higher than FYs 2018 to 2020.

Figure 2. Penalty Overtime Hours in FYs 2018 – 2022



Source: Office of Inspector General’s (OIG’s) Postal Service Employee Availability Dashboard and eFLASH.<sup>6</sup>

<sup>5</sup> Based on data as of July 2023, the Postal Service workhours and OT/penalty overtime hours are lower compared to the same period last year.

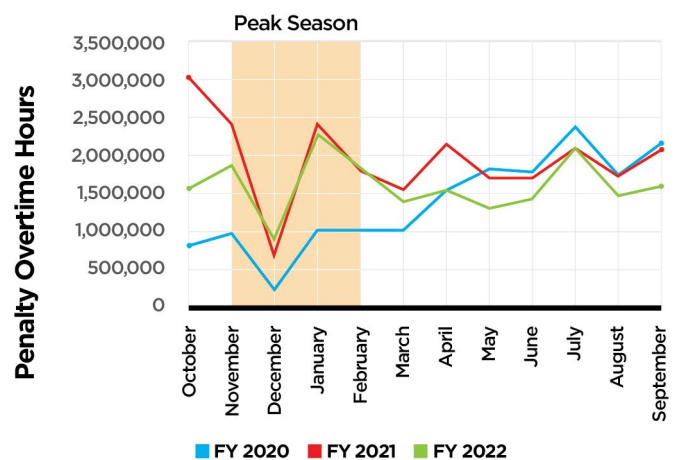
<sup>6</sup> A data warehouse for payroll and non-payroll data.

<sup>7</sup> This is according to the National Association of Letter Carriers (NALC) and American Postal Workers Union (APWU) CBAs. Figure 3 includes penalty overtime data within the holiday season due to date fluctuations when pay periods end for each FY.

<sup>8</sup> Peak mailing season is considered November through January each year, where there is a significant increase in mail volume.

The Postal Service faced significant unforeseen and uncontrollable challenges due to the COVID-19 pandemic in FY 2021, including higher package volumes, employee absenteeism, employee safety, and unanticipated expenses. During FY 2021, the Postal Service used almost 24 million penalty overtime hours, of which 3 million hours occurred in October 2020. Compared to the same period the previous year, the Postal Service used about 74 percent more penalty overtime hours in October FY 2021 than in October FY 2020. See Figure 3 for a comparison of FYs 2020 through 2022 by month, noting that in all three FYs, penalty overtime usage decreased in December. In accordance with the applicable CBAs, penalty overtime is suspended during the holiday season.<sup>7</sup>

Figure 3. Penalty Overtime Usage by Month<sup>8</sup>

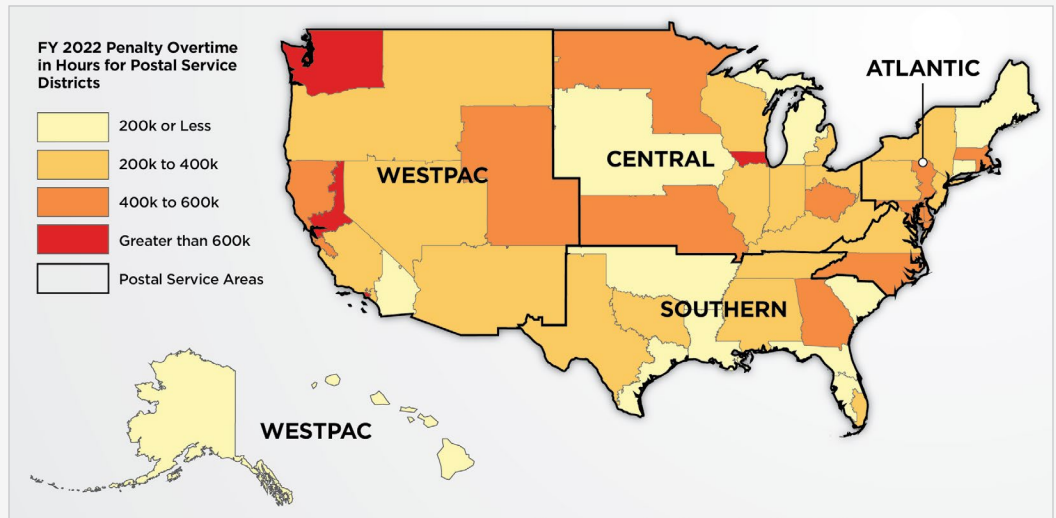


Source: OIG’s Postal Service Employee Availability Dashboard.

In FY 2022, Retail and Delivery Operations accounted for about 16.2 million penalty overtime hours (83 percent), Processing Operations accounted for about 2.4 million penalty overtime hours (13 percent), and Logistics Operations accounted for about 752,000 penalty overtime hours (4 percent). See Figure 4 and Figure 5 for an analysis of the penalty overtime usage by operation and region in FY 2022.

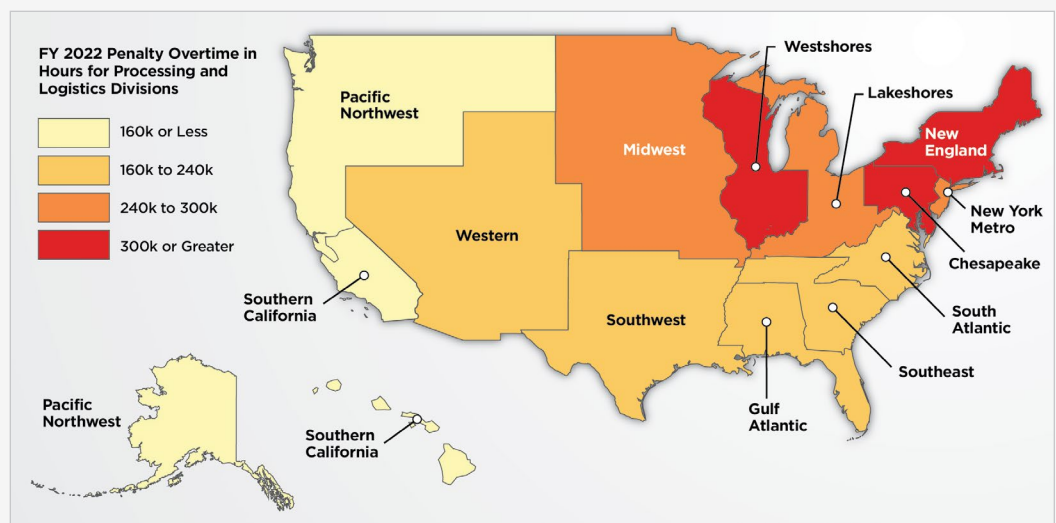
### Figure 4. Retail and Delivery Operations Penalty Overtime Usage in FY 2022

Source: OIG analysis based on OIG’s Postal Service Employee Availability Dashboard.



### Figure 5. Processing and Logistics Operations Penalty Overtime Usage in FY 2022

Source: OIG analysis based on OIG’s Postal Service Employee Availability Dashboard.

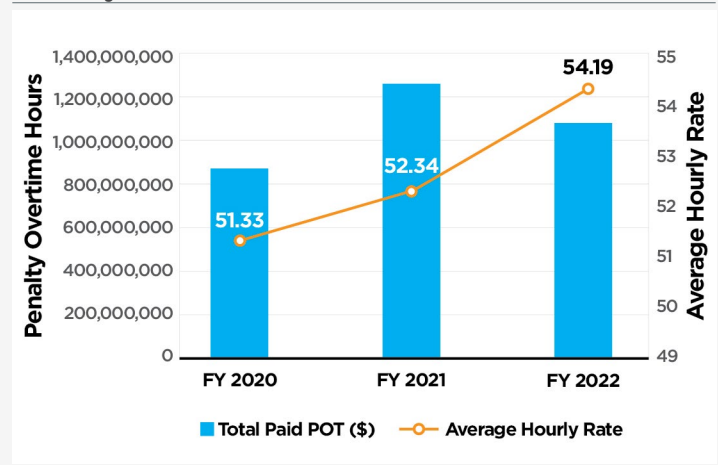


### Penalty Overtime Rates

Because penalty overtime is paid at twice the hourly rate for employees, the average hourly rate for penalty overtime ranged from \$51.33 in FY 2020 to \$54.19 in FY 2022, resulting in a three-year total of about \$3.1 billion dollars paid in penalty overtime hours. See Figure 6 for a comparison of the FYs average penalty overtime hourly rates and the total penalty overtime paid in dollars.

“The average hourly rate for penalty overtime ranged from \$51.33 in FY 2020 to \$54.19 in FY 2022, resulting in a three-year total of about \$3.1 billion dollars paid in penalty overtime hours.”

### Figure 6. Average Hourly Rate and Total Paid for Penalty Overtime



Source: OIG’s Postal Service Employee Availability Dashboard and National Payroll Hours.

## Penalty Overtime Management

Supervisors schedule employees based on service commitments and workload to achieve desired productivity rates, within budgetary constraints. Non-exempt<sup>9</sup> employees must be paid for all hours worked, whether the workhours are authorized or not. It is the responsibility of the supervisor to minimize the use of OT, including penalty overtime hours, and the occurrence of unauthorized workhours.

Facility management at retail and delivery locations use Postal Service (PS) Form 3996, *Carrier – Auxiliary Control*, to monitor all carrier OT requests during morning operations. Carriers are required to verbally express their concerns about not being able to complete routes within the scheduled timeframe and then request the PS Form 3996 from management. Carriers fill out appropriate sections of the form and detail reasons why the assigned route is overburdened. Facility management completes their appropriate sections of the form and either approves or disapproves the request, giving the carrier a new scheduled time to complete their route, including the amount of approved or disapproved OT and penalty overtime requested hours. Additionally, facility management uses the Retail and Delivery Analytics and Reports (RADAR) system to monitor workhours and OT. RADAR is used to help facility management view and track current OT<sup>10</sup> and penalty overtime<sup>11</sup> for various functions.

At processing, distribution, and logistics locations, any OT, including penalty overtime, is assigned to employees by their supervisor after workload considerations and later entered directly into the Time and Attendance Collection System (TACS)<sup>12</sup> and is not requested through any other forms or documentation. All facility management are responsible for ensuring any OT transactions, including penalty overtime, are authorized within TACS by the end of the pay week.<sup>13</sup>

“All facility management are responsible for ensuring any OT transactions, including penalty overtime, are authorized within TACS by the end of the pay week.”

## Unauthorized Penalty Overtime

Employees must be paid for all hours worked, even if they did not receive authorization to work more hours than they were scheduled. Unauthorized OT, including penalty overtime, occurs when an employee's workhours exceed the number of hours authorized by facility management. Each day, facility management should determine operational needs and authorize OT and penalty overtime using the Overtime Administration tool (OT Admin)<sup>14</sup> or manually via TACS. If an employee works more than their authorized hours, or their time is not indicated as authorized by the close of the pay week, the time appears on the *Missing 091 Transaction Report*.<sup>15</sup> Facility management should complete a PS Form 1017-B, *Unauthorized Overtime Record*, to document unauthorized hours.

Facility management can use the OT Admin tool to authorize OT or penalty overtime hours to adjust an employee's schedule to meet daily operational needs. The Postal Service does not require the use of OT Admin, but encourages its use to reduce grievances, track OT desired lists,<sup>16</sup> and transfer any authorized OT directly into the TACS system. OT transactions from the OT Admin tool will be automatically authorized in TACS if facility management selects "approve all" after finalizing all OT entries for a specific day. If a Postal Service facility chooses not to use OT Admin, all OT transactions

9 An employee who serves in a position that is covered by the overtime provisions of the Fair Labor Standards Act.

10 Includes functions 1, 2, 3a, 3b, and 4 employees and includes the number of OT and penalty overtime hours, routes exceeding eight hours by area. This can be filtered to the facility level.

11 Includes function 2, and also includes city carrier assistants, part-time flexible, and postal support employees. Also includes the number of employees, with specific criteria to receive penalty overtime, per area, and can be filtered down to the facility level.

12 A system used for calculating employee clock rings, manually entering weekly time and reporting time and attendance data.

13 If a facility has a lead clerk, then lead clerks can perform entries within TACS, but facility management is responsible for ensuring all entries are made prior to the pay week closing.

14 OT Admin is a tool facility management can use to equitably distribute OT, reduce grievance activity, and ultimately reduce grievance payouts.

15 A 091 transaction within TACS is used to track whether an employee's OT or penalty overtime is authorized or not, and whether that authorization was scheduled or unscheduled.

16 A list of employees desiring to work OT at a facility, who will get first consideration for OT hours.



must be manually authorized within TACS for each employee by the close of a pay week.

Facility management should run the *Missing 091 Transaction Report* daily to review any uncategorized OT transactions and manually update TACS to identify whether the time was authorized or unauthorized. Every instance of OT, including penalty overtime, should have a corresponding 091 transaction code by the close of the pay week. If a pay week ends with OT transactions not coded as authorized or unauthorized, the time would be uncategorized and considered unauthorized, thus requiring a PS Form 1017-B.<sup>17</sup>

To record OT workhours that were not authorized in advance, the Postal Service uses PS Form 1017-B, which does not differentiate between OT and penalty overtime. The form is automatically generated electronically within TACS once facility management indicates employees worked unauthorized hours. However, if the pay period has closed, facility management must manually generate and record

any unauthorized time on the PS Form 1017-B within TACS. Further, the PS Form 1017-B must be manually generated for any unauthorized hours on the Missing 091 Transaction Report. If an employee has several unauthorized OT transactions, facility management may use the form as a basis for potential corrective action.

### Finding #1: Properly Authorizing Penalty Overtime

Opportunities exist for the Postal Service to improve penalty overtime management and reduce unauthorized penalty overtime hours. Specifically, we found facility management and lead clerks did not always properly identify and categorize penalty overtime transactions in TACS, as authorized or unauthorized, by the close of the pay week using the *Missing 091 Transaction Report*. At 22 sites visited, we found 28,601 of 131,552 (22 percent) penalty overtime hours worked during FY 2022 were not properly authorized. See Table 1 for additional details.

**Table 1. Missing 091 Transactions During FY 2022**

Location	Operations	Sum of Missing 091 Penalty Overtime Hours	Total Number of Penalty Overtime Hours	Percent of Penalty Overtime Transactions Missing 091
Tennessee District	Retail and Delivery	17,271	24,459	71%
Southeast Division	Processing	6,280	9,835	64%
Pennsylvania 1 District	Retail and Delivery	25	2,423	1%
Chesapeake Division	Processing and Logistics	1,871	17,130	11%
Ohio 1 District	Retail and Delivery	319	35,654	1%
Lakeshores Division	Processing	990	2,771	36%
Nevada-Utah District	Retail and Delivery	180	25,066	1%
Western Division	Processing	1,665	14,216	12%

Source: TACS *Missing 091 Transaction Report* for FY 2022 and OIG analysis.

<sup>17</sup> This includes prior pay weeks.

According to Postal Service guidance, every instance of penalty overtime an employee has worked should have a corresponding 091 transaction code within TACS by the close of each pay week.<sup>18</sup> For facilities that use OT Admin, facility management is ultimately responsible for assigning and authorizing penalty overtime within OT Admin and ensuring penalty overtime transactions are correctly categorized in TACS. Once all penalty overtime is assigned through OT Admin, facility management should select “finalize,” and then “approve” for all entries, which will automatically authorize all penalty overtime hours into TACS with a 091 transaction code. Supervisors and lead clerks are responsible for entering any additional authorization for penalty overtime via TACS.<sup>19</sup>

For facilities that do not use OT Admin, supervisors and lead clerks must go into TACS daily and manually categorize each employee’s penalty overtime transactions as authorized or unauthorized. If a penalty overtime transaction, regardless of whether it is entered via OT Admin or TACS, is missing a 091 transaction code, it would appear on the *Missing 091 Transaction Report* within TACS. The *Missing 091 Transaction Report* is intended to allow management to track whether an employee’s penalty overtime was authorized or not, and whether authorization was scheduled (planned before penalty overtime occurred) or unscheduled (the result of a last-minute issue). Postal Service guidance states the *Missing 091 Transaction Report* should have no entries at the end of the week.<sup>20</sup> If an employee has several unauthorized OT transactions on the *Missing 091 Transaction Report* at the close of the pay week, a PS Form 1017-B is required to indicate the hours as unauthorized. Facility management may use the PS Form 1017-B as a basis for identifying and holding discussions with employees who have several instances of unauthorized hours and take appropriate corrective action.

Facility management and lead clerks did not always properly identify and categorize penalty overtime transactions in TACS because there is no consistent district, area, or headquarters oversight for categorizing penalty overtime transactions missing 091 transaction codes before the end of the pay week. Postal Service Headquarters management stated official oversight of the missing 091 transaction codes within TACS should be done at the facility level. However, facility management stated the penalty overtime hours are paid regardless<sup>21</sup> of whether they are authorized or unauthorized, and therefore, they do not understand the overall benefit of clearing all missing 091 transactions by the close of the pay week.

During our site visits, we found some post office operations managers (POOMs) and manager of customer services operations (MCSOs), which oversee the sites visited, implemented adequate oversight practices to help track, control, and monitor unauthorized penalty overtime. Specifically, in the Pennsylvania 1 District, POOMs and MCSOs implemented a process requiring facility management to send daily closing emails indicating the facility had completed various administrative tasks. One of the administrative tasks included the completion of the *Missing 091 Transaction Report* from TACS. As a result, we identified only 1 percent of penalty overtime hours were missing 091 transaction codes in the Pennsylvania 1 District. We found similar practices in the Nevada-Utah and Ohio 1 Districts, which also resulted in about 1 percent of penalty overtime hours missing 091 transaction codes. By comparison, the facilities visited within the Tennessee District, which do not send daily closing emails and provide limited oversight, had 71 percent of penalty overtime hours missing 091 transaction codes during FY 2022.

18 Unauthorized OT training dated July 16, 2018.

19 If lead clerks are performing the OT categorization in TACS, then supervisor or manager concurrence should also happen prior to authorization.

20 Current TACS Supervisor Training Course number 31267-01.

21 The Fair Labor Standards Act requires an employer to pay its hourly employees for all hours worked. Therefore, the Postal Service must pay an employee covered by the OT provisions of the Act.

When facility management and lead clerks do not categorize penalty overtime hours with a 091 transaction code, Postal Service management above the facility level is unaware if the hours are accurately authorized or not. It is important for facility management to accurately authorize penalty overtime hours to monitor hours for proper use and control costs for unauthorized hours. We identified about 2.6 million penalty overtime hours in FY 2022 that were not categorized as authorized or unauthorized in TACS with a 091 transaction code before the pay week closed.

As a result of the 2.6 million penalty overtime hours worked without a 091 transaction code, we identified about \$140 million in unsupported questioned costs. Postal Service management cannot definitively determine whether these penalty overtime hours were authorized and has no record of the authorization.

“When facility management and lead clerks do not categorize penalty overtime hours with a 091 transaction code, Postal Service management above the facility level is unaware if the hours are accurately authorized or not.”

analyzed the electronically stored PS Forms 1017-B in TACS for FY 2022 and found 28,601 of 36,543 (78 percent) unauthorized hours did not have an accompanying PS Form 1017-B after the pay week closed. In addition, we reviewed the available unauthorized entries on the PS Form 1017-B and determined 5,199 of 7,660 entries (68 percent) did not include details in the remarks section of the form, as required. The remarks section on the PS Form 1017-B is used to provide details on why the OT or penalty overtime occurred and was considered unauthorized.

A PS Form 1017-B should be completed by facility management for any unauthorized OT, including penalty overtime, when an employee works over the scheduled tour without prior approval from facility management. Facility management is responsible for properly completing the PS Form 1017-B, including remarks for the unauthorized hours.<sup>22</sup> The PS Forms 1017-B should be retained locally for three years for potential corrective action or audit and review purposes. Postal Service Headquarters management stated if OT or penalty overtime is missing a 091 transaction code and the pay week is closed, then the uncategorized time cannot be changed in TACS and is considered unauthorized. For prior closed pay periods, the uncategorized time would require a manual entry in TACS on the PS Form 1017-B to indicate the time was unauthorized.

This occurred because Postal Service Area and Regional management placed a greater emphasis on overall penalty overtime usage and do not specifically monitor unauthorized OT or penalty overtime hours or track the PS Form 1017-B. Additionally, Postal Service policy does not provide instructions to complete the PS Form 1017-B for prior pay weeks if any penalty overtime hours were missing a 091 transaction code. Therefore, facility management was unaware PS Forms 1017-B were

### Recommendation #1

We recommend the **Chief Retail and Delivery Officer**, the **Chief Processing and Distribution Officer**, and the **Chief Logistics Officer**, implement consistent oversight procedures for facility management to verify penalty overtime transactions are being cleared before the pay week closes at each facility using the *Missing 091 Transaction Report*.

### Recommendation #2

We recommend the **Vice President, Controller**, reiterate policy on the use and daily clearing of the *Missing 091 Transaction Report* to ensure penalty overtime hours are categorized as authorized or unauthorized in the Time and Attendance Collection System.

## Finding #2: Proper Documentation of Unauthorized Overtime

Facility management did not always properly complete PS Forms 1017-B to document unauthorized penalty overtime hours. During our 22 site visits, we

<sup>22</sup> Handbook F-21, *Time and Attendance*, Section 146 Approving Entries, dated February 2016.

needed for prior pay weeks if any penalty overtime hours were missing a 091 transaction code.

In August 2020, the OIG issued an audit report<sup>23</sup> and found the Postal Service did not always effectively manage unauthorized OT. The OIG recommended the Postal Service develop an action plan, with milestones, to monitor and reduce unauthorized OT. To address the issues, Postal Service management agreed to develop an action plan for monitoring and reducing unauthorized OT, including penalty overtime, and incorporate the use of current, established tools. Although management implemented the recommendation and developed an action plan in FY 2021 to monitor unauthorized OT, we found the Postal Service no longer provides centralized monitoring of unauthorized OT hours, and facility management was unaware of the previous tool to monitor and reduce unauthorized OT hours. The Postal Service stated the previous tool was discontinued because it contained employee identification numbers and was accessible to anyone with access to the BluePages; however, nothing was implemented to replace the tool.

The Postal Service could benefit from tracking the completion of the PS Forms 1017-B as well as differentiating between the use of OT and penalty overtime on the form. The PS Form 1017-B is used for all unauthorized OT, but because the form does not currently differentiate between regular OT and penalty overtime, it is challenging for all levels of Postal Service management to review and monitor categories of unauthorized OT. Differentiating between penalty overtime and OT would allow for better business decisions and assist the Postal Service in identifying potential problem locations, as it relates to OT and penalty overtime cost, within its organization.

When instances of unauthorized OT are not recorded on PS Form 1017-B, there is a higher risk that Postal Service management will be unable to track and monitor employees' actual unauthorized time. Without proper completion of the PS Form 1017-B, including remarks needed for potential corrective action, there is not a formal record of employees

performing their responsibilities within facility managements' authorized time.

### Recommendation #3

We recommend the **Chief Retail and Delivery Officer, the Chief Logistics Officer, and the Chief Processing and Distribution Officer**, reiterate and clarify management responsibilities to complete the Postal Service Form 1017-B, *Unauthorized Overtime Report*, to include closed pay weeks, and provide oversight to ensure compliance.

### Recommendation #4

We recommend the **Chief Retail and Delivery Officer, the Chief Logistics Officer, and the Chief Processing and Distribution Officer**, develop and implement a tracking mechanism to monitor unauthorized overtime and penalty overtime hours.

### Recommendation #5

We recommend the **Vice President, Controller**, determine the feasibility of updating the Postal Service Form 1017-B, *Unauthorized Overtime Record*, to separate regular unauthorized overtime hours from unauthorized penalty overtime hours.

## Management's Comments

Management agreed with recommendations 2, 3, and 5; however, they disagreed with recommendations 1, 4, and the monetary impact.

Regarding recommendation 1, management stated there is an established oversight process to verify penalty overtime transactions. Management also issued a memorandum reiterating the importance of following these established procedures, including the use of the *Missing 091 Transaction Report*.

Regarding recommendation 2, headquarters will issue a reminder to TACS Coordinators for dissemination to field timekeepers that the *Missing 091 Transaction Report* must be reviewed, and any entries remediated appropriately before the close of the week. The target implementation date is October 31, 2023.

Regarding recommendation 3, management will issue a memorandum reiterating management responsibilities regarding PS Form 1017-B, the use of OT Admin tool, and the RADAR OT Visibility Dashboard. The target implementation date is October 31, 2023.

<sup>23</sup> *Assessment of Overtime Activity, 20-209-R20, August 25, 2020.*

Regarding recommendation 4, management stated the RADAR OT Visibility Dashboard and OT Admin tool is currently being used to satisfy this recommendation.

Regarding recommendation 5, management will assess the feasibility of updating PS Form 1017-B to separate regular unauthorized overtime hours from unauthorized penalty overtime hours. The target implementation date is October 31, 2023.

Management disagreed with the monetary impact of \$140.9 million in unsupported questioned costs as this determination can only be made when local management reviews their *Missing 091 Transaction Report*. Additionally, management considered a missing 091 transaction as uncategorized instead of unauthorized.

Additionally, management expressed disagreement with some statements in the findings. Management disagreed with the reference implying Lead Clerks determine if overtime is authorized and with the assumption that a lack of an 091 transaction automatically classifies the hours as unauthorized.

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

## Evaluation of Management's Comments

The OIG considers management's comments responsive to recommendations 2, 3, 4, and 5, and the corrective actions should resolve the issues identified in the report. However, the OIG considers management's comments unresponsive to recommendation 1 and will seek agreement through the audit resolution process.

Regarding management's disagreement with recommendation 1, as shown in Finding 1, the established oversight process referenced by headquarters management in their response (i.e., the *Missing 091 Transaction Report* review) is not being followed by facility management. Further, there is inconsistent oversight of facility management to ensure they are reviewing the *Missing 091 Transaction Report* each week. Management did not provide any oversight processes or procedures to outline how they will ensure facility management is reviewing the *Missing 091 Transaction Report* weekly.

Regarding management's disagreement with recommendation 4, the use of the RADAR OT Visibility Dashboard and OT Admin tool should satisfy the intent of the recommendation; however, the RADAR OT Visibility Dashboard was not updated or made available to facility management or the OIG until the conclusion of this audit. During the audit exit conference, the Manager of Delivery Policy and Practices informed Postal Service leadership and the OIG that RADAR was updated to include unauthorized overtime and penalty overtime hours, which the OIG has verified. We appreciate the Postal Service updating the RADAR OT Visibility Dashboard to monitor and track authorized and unauthorized overtime in response to our audit and consider this recommendation closed with the issuance of the report.

Regarding management's disagreement with the monetary impact, the hours that management considers as uncategorized cannot be authorized in TACS after the pay week is closed. We understand that situations may arise where categorization of hours may not happen immediately, but the hours should be categorized by facility management before the close of the pay week in TACS. The only option for these hours after the close of the pay week is to be categorized as unauthorized. Postal Service Headquarters management, as well as facility management, were unable to identify which hours were authorized or unauthorized throughout the audit for closed pay weeks, which is the amount reflected in our monetary impact.

Regarding management's disagreement on a statement related to Lead Clerks, we do not state Lead Clerks determine if overtime is authorized. We understand Lead Clerks perform data entries and do not make authorization decisions. A footnote was included in the report to explain how manager or supervisor concurrence should occur prior to any data entries categorization for the overtime or penalty overtime hours.

Regarding management's disagreement on a statement related to categorizing missing 091 transactions as unauthorized hours, we understand that a lack of an 091 transaction does not

automatically classify the hours as unauthorized. However, if the pay week closes, then the only available option to categorize these hours is as unauthorized. After the pay week closes, there is no way to categorize hours missing an 091 transaction as authorized.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendations 1, 2, 3, and 5 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. We consider recommendation 4 closed with the issuance of this report. We view the disagreements on recommendation 1 as unresolved and plan to pursue it through the audit resolution process.

# Appendices

<b>Appendix A: Additional Information</b> .....	14
Scope and Methodology .....	14
Prior Audit Coverage .....	16
<b>Appendix B: Management's Comments</b> .....	17

# Appendix A: Additional Information

## Scope and Methodology

The scope of our audit was Postal Service's penalty overtime hours during FYs 2020 through FY 2022 nationwide. We reviewed Postal Service's policies and procedures surrounding penalty overtime to determine if penalty overtime was effectively managed.

We conducted site work in the Atlantic, Central, Southern, and Western-Pacific Areas, as well as the Eastern and Western Regions, using the following methodology:

- We analyzed FYs 2020 through FY 2022 penalty overtime data obtained from the OIG's Postal Service Employee Availability Dashboard and calculated increases from each fiscal year, average penalty overtime per employee, and total penalty overtime hours used. The data was then sorted by the greatest increase in penalty overtime hours from FY 2020 to FY 2022, indicating an upward trend in penalty overtime usage across all three FYs by district.
  - We identified the districts with the largest increase from FY 2020 through FY 2022 and a median district to ensure all information was gathered.
  - For each district visited, we performed five to six site visits between retail and delivery and processing facilities. In total, we visited 22 facilities. See [Table 2](#) for sites visited during the audit.
- Reviewed CBAs between the Postal Service and the labor unions regarding penalty overtime.
  - Obtained and analyzed data for trends and patterns:
    - Nationwide penalty overtime
    - Number of craft employees using penalty overtime during the audit scope period
    - Costs associated with using penalty overtime
  - Judgmentally selected sites to identify underlying causes that contributed to penalty overtime usage at the facilities and the Postal Service as a whole.
  - Requested, received, and analyzed unauthorized penalty overtime data from the Postal Service during the audit scope period.
  - Interviewed headquarters personnel, district officials, and facility management to understand and clarify policies and procedures surrounding the management of penalty overtime.

To accomplish our objective, we:

- Identified, reviewed, and documented the Postal Service's policies regarding penalty overtime.
- Reviewed the policies, procedures, and any applicable data regarding unauthorized penalty overtime.

We conducted this performance audit from February 2023 through September 2023 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on September 5, 2023, and included their comments where appropriate.



**Table 2. Fieldwork Site Visits**

Area <sup>24</sup>	District	Site
Atlantic	Pennsylvania 1	Allison Park Post Office
		Ambridge Post Office
		Baden Post Office
		Aliquippa Post Office
Central	Ohio 1	Cleveland Heights Branch
		Beachwood Branch
		Lakewood Branch
		Station B Branch
Southern	Tennessee	Cleveland Post Office
		Eastgate Station
		Hixson Post Office
		North Station
		Red Bank Station
Western-Pacific	Nevada-Utah	Cottonwood
		Murray Branch
		Sugarhouse Station
		West Valley Post Office
Eastern	Chesapeake	Warrendale Processing and Distribution Center (P&DC)
		Pittsburgh Network Distribution Center
Eastern	Southeast	Chattanooga P&DC
Western	Western	Salt Lake City P&DC
Western	Lakeshores	Cleveland P&DC

Source: Site visits based on OIG’s Postal Service Employee Availability Dashboard.

In planning and conducting the audit, we obtained an understanding of penalty overtime internal control structures to help determine the nature, timing, and extent of our audit procedures. We reviewed the management controls for overseeing the program and mitigating associated risks. Additionally, we assessed the internal control components and underlying principles, and we determined that the

following five components were significant to our audit objective:

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring

<sup>24</sup> Retail and Delivery is split into four areas (Atlantic, Central, Southern, and Western-Pacific) and has 50 districts.

We developed audit work to ensure that we assessed these controls. Based on the work performed, we identified internal control deficiencies that were significant within the context of our objectives. Our recommendations, if implemented, should correct the weaknesses we identified.

We assessed the reliability of the Missing 091 Transaction data for FY 2022 and unauthorized OT data for FY 2020 through FY 2022 by testing the accuracy and validity of the data. We compared the data provided by the Postal Service to what the

audit team pulled directly out of TACS. In addition, we interviewed knowledgeable Postal Service officials about the data. We determined the data were sufficiently reliable for the purposes of this report.

### Prior Audit Coverage

While the OIG has conducted audits in the past that mentioned penalty overtime, there have been no audits conducted specifically on penalty overtime nationwide. Below are the prior audits conducted around OT:

Report Title	Objective	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Mail Processing Overtime</i>	To assess the U.S. Postal Service's management of mail processing overtime during FY18.	NO-AR-19-005	June 13, 2019	\$358
<i>Assessment of Overtime Activity</i>	To assess the Postal Service's controls over managing overtime.	20-209-R20	August 25, 2020	\$667
<i>Overtime Administration System</i>	To assess whether the Overtime Administrative System was achieving its intended goals to help managers and supervisors assign overtime more efficiently and consistently.	21-251-R22	April 29, 2022	\$14

# Appendix B: Management's Comments



September 19, 2023

JOHN CIHOTA  
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Penalty Overtime (23-065)

Thank you for providing the Postal Service with an opportunity to review and comment on the findings and recommendations contained in the draft report – *Penalty Overtime*.

## **Finding 1 – Properly Authorizing Penalty Overtime:**

Management agrees with the finding that some supervisors or managers are not entering 091 transactions to definitively authorize overtime, including hours that might result in penalty overtime.

Management disagrees with the reference implying Lead Clerks determine if overtime is authorized. Lead Clerks perform data entry only and do not make authorization decisions.

Management respectfully disagrees with the monetary impact of \$140.9 million in unsupported questioned costs as this determination can only be made when local management reviews their Missing 091 Transactions Report to determine if overtime is authorized. The lack of an 091 transaction means the hours are uncategorized, not unauthorized, therefore there is no way to apply a monetary impact.

## **Finding 2 – Proper Documentation of Unauthorized Overtime:**

Management agrees that facility management did not always properly complete PS Forms 1017-B to document unauthorized penalty overtime hours.

Management disagrees with the assumption that a lack of an 091 transaction automatically classifies the hours as unauthorized. The lack of an 091 transaction means the hours are uncategorized, not unauthorized.

Following are our comments on the five recommendations.

### **Recommendation 1:**

We recommend the **Chief Retail and Delivery Officer**, the **Chief Processing and Distribution Officer**, and the **Chief Logistics Officer**, implement consistent oversight procedures for facility management to verify penalty overtime transactions are being cleared before the pay week closes at each facility using the *Missing 091 Transaction Report*.

Management Response/Action Plan:

Management disagrees with this recommendation.

Management has an established oversight processes to verify penalty overtime transactions. Management has issued a memo reiterating the importance of following these established procedures, including the use of Missing 091 Transaction Report.

Target Implementation Date: N/A

Responsible Official:

N/A

Recommendation 2:

We recommend the **Vice President, Controller**, reiterate policy on the use and daily clearing of the Missing 091 Transaction Report to ensure penalty overtime hours are categorized as authorized or unauthorized in the Time and Attendance Collection System.

Management Response/Action Plan:

Management agrees with this recommendation.

HQ TACS will issue a reminder to TACS Coordinators for dissemination to field timekeepers that the Missing 091 Transaction report must be reviewed, and any entries remediated appropriately before the close of the week in TACS.

Target Implementation Date: 10/31/2023

Responsible Official: Executive Manager, Payroll

Recommendation 3:

We recommend the **Chief Retail and Delivery Officer**, the **Chief Logistics Officer**, and the **Chief Processing and Distribution Officer**, reiterate and clarify management responsibilities to complete the Postal Service Form 1017-B, *Unauthorized Overtime Report*, to include closed pay weeks, and provide oversight to ensure compliance.

Management Response/Action Plan:

Management agrees with this recommendation.

Management will issue a memo reiterating management responsibilities regarding PS Form 1017-B, use of OT Admin tool and RADAR OT Visibility Dashboard. Management requests closure of recommendation 3 with issuance of the final report.

Target Implementation Date: 10/31/2023

Responsible Official:

Chief Retail and Delivery Officer, the Chief Processing and Distribution Officer, and the Chief Logistics Officer

Recommendation 4:

We recommend the **Chief Retail and Delivery Officer**, the **Chief Logistics Officer**, and the **Chief Processing and Distribution Officer**, develop and implement a tracking mechanism to monitor unauthorized overtime and penalty overtime hours.

Management Response/Action Plan:

Management disagrees with this recommendation.

Radar report and OT Admin is currently being used to satisfy this recommendation. Management requests closure of recommendation 4 with issuance of the final report.

Target Implementation Date: N/A

Responsible Official: N/A

Recommendation 5:

We recommend the **Vice President, Controller**, determine the feasibility of updating the Postal Service Form 1017-B, *Unauthorized Overtime Record*, to separate regular unauthorized overtime hours from unauthorized penalty overtime hours.

Management Response/Action Plan:

Management agrees to assess the feasibility of this recommendation.

It has been determined the impact of updating the PS Form 1017-B is not effective for the following reasons:

A modification to the 1017-B programming to differentiate overtime from penalty overtime hours would require changes to the 091 authorization process in TACS, which would impact the data sent to TARS and other downstream systems. This cost and multi-system impact is not supported by an established need to manage Postal operations, particularly in light of recent enhancements to the RADAR reporting tool. Further, the additional manual effort required by front line supervisors to research and enter the different values for overtime vs. penalty overtime 091 authorizations or 1017-B forms is not an efficient use of critical resources needed to move the mail.

Target Implementation Date: 10/31/2023

Responsible Official: Executive Manager, Payroll

E-SIGNED by Joshua D Colin  
on 2023-09-19 15:25:15 CDT

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Dr. Joshua Colin  
Chief Retail & Delivery Officer & EVP

E-SIGNED by Isaac S Cronkhite  
on 2023-09-20 07:48:33 CDT

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Isaac Cronkhite  
Chief Processing & Distribution Officer & EVP

E-SIGNED by KELLY R ABNEY  
on 2023-09-19 16:09:29 CDT

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Kelly Abney  
Chief Logistics Officer & EVP

E-SIGNED by Cara M Greene  
on 2023-09-19 14:47:10 CDT

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Cara M. Greene  
Vice President, Controller

cc: *Corporate Audit & Response Management*

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