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BY THE U.S. GENERAL ACCOUNTING OFFICE

To The Postmaster General

Postal Service Needs To Strengthen Controls Over Employee Overtime

To strengthen controls over overtime expenditures, the Postal Service needs to:

--Include planned overtime in its budget and work-hour reports.

--Periodically determine whether overtime work can be done on straight time.

--Determine the reasons for overtime before hiring additional employees.

--Maintain better control over employee work schedules.

This is the second in a series of planned reports calling for improved controls over labor costs.

GAO/GGD-83-36
APRIL 6, 1983

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

GENERAL GOVERNMENT
DIVISION

B-204771

The Honorable William F. Bolger
Postmaster General

Dear Mr. Bolger:

This report discloses that the Postal Service needs improved controls over overtime. It contains recommendations to you on pages 10 and 16.

As you know, 31 U.S.C. §720 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

Copies of the report are being sent to the above congressional committees as well as others who have an interest in postal activities. Copies are also being sent to the Director, Office of Management and Budget.

Your continued receptiveness to the results of our work is very much appreciated.

Sincerely yours,

W. J. Anderson

William J. Anderson
Director

GENERAL ACCOUNTING OFFICE
REPORT TO THE POSTMASTER
GENERAL

POSTAL SERVICE NEEDS TO STRENGTHEN CONTROLS OVER EMPLOYEE OVERTIME

D I G E S T

The Postal Service pays employees overtime in accordance with the Fair Labor Standards Act, Postal Service policy, and national labor agreements. Under the act the Postal Service must pay overtime for hours that management "suffers or permits" employees to work in excess of 40 hours a week.

At six postal facilities, GAO found that in fiscal year 1981 employees were paid $56.6 million for 1,795 overtime work years, in addition to $731 million for 25,000 straight time work years. (See p. 1.) About $23 million of the total overtime was paid to 11 percent of the employees who worked 41 percent of the overtime. (See p. 6.) Overtime at the six facilities resulted in additional costs of about $4.2 million. (See p. 1.)

Overtime provides postal management with the necessary flexibility to handle a variable workload and, when properly used, can be a cost effective management tool. However, improper use results in unnecessary costs.

The use of a required list of those desiring overtime contributes to extensive use by some employees.

The Postal Service's control over the use and payment of overtime, about $1 billion a year, could be improved by

--providing facility managers with a work hour budget which discloses the expected amount of overtime,

--identifying employees with constant and high overtime use, and

--reducing the amount of overtime which is retroactively documented or paid without supervisory approval.

The annual budget identifies only total work-hours and managers cannot match planned hours against reported overtime hours for control purposes. (See p. 3).

In the absence of planned overtime hours, managers established a percentage of total work hours as an overtime goal. These goals are based on historical usage and a level that management judges as the "right" amount rather than calculated need. (See p. 5.) Facility managers were not usually concerned about overtime as long as usage remained below facility-wide goals. Consequently, managers did not determine why specific employees or work areas used extensive overtime if facility-wide goals were achieved. At the facilities GAO visited, 536 employees worked an average of about 650 overtime hours each (about 12 hours a week) in fiscal year 1981. (See p. 7.)

Conversely, when overtime goals were exceeded, managers took action without exploring underlying causes. At two of the facilities, the Service's internal auditors have reported that hiring additional letter carriers to reduce overtime, rather than implementing an effective absence control program, caused significant overstaffing of the delivery operations. (See p. 8.) In May 1982, GAO reported to the Postmaster General on the need for stricter control over employee absences. [1]

GAO found a substantial amount of overtime had the required supervisory approval retroactively documented. (See p. 12.) Supervisors' failure to control employee work schedules, as required, was a major contributing factor to retroactive overtime approval.

A 1981 Western Region study projected substantial annual savings if employees did not record their arrival for work more than 3 minutes before starting time and if employees' departure from the workplace was properly monitored. (See p. 13.)

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[1] Postal Service Needs Stricter Control Over Employee Absences (GAO/GGD-82-58, May 21, 1982).

At five of the facilities GAO visited, the Postal Service paid an estimated $470,000 for more than 30,000 overtime hours that had not been authorized or disallowed because (1) overtime entered into the system is paid (i.e., forced) unless disallowed, and (2) supervisors did not retroactively approve or disallow the overtime or timekeepers did not enter the approvals or disallowances into the system as instructed (See p. 14.)

RECOMMENDATIONS TO THE POSTMASTER GENERAL

To strengthen facility managers' control over the authorization and use of overtime, the Postal Service should:

--Include planned overtime hours in the budget and work-hour reports.

--Periodically identify employees with constant and high overtime use to determine whether the work can be done on straight time.

--Determine the underlying causes of overtime before hiring additional employees to reduce overtime.

--Prepare periodic reports on the extent of retroactively approved overtime.

--Monitor retroactively approved and forced overtime to identify supervisors who are not controlling employee work schedules.

--Periodically remind supervisors and timekeepers of their respective responsibilities for maintaining control of employees' work schedules. (See pp. 10 and 16.)

AGENCY COMMENTS AND GAO'S EVALUATION

The Postal Service recognizes the need for better control of overtime but, while informing GAO of planned and recently implemented actions to more effectively control overtime, expressed reluctance about showing anticipated overtime hours in the work-hour budget and reporting them on the work-hour report.

GAO continues to believe that control measures provided by a budget would help facility managers ensure the prudent use of overtime. GAO can not accept the Service's position that disclosure of expected overtime in a work-hour budget would do more to encourage rather than control overtime use. It is encouraging that the Service is willing to reassess its position on the budgeting recommendation after gaining experience with its planned and recently implemented actions to control overtime. (See pp. 10 and 17.)

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ABBREVIATIONS

FLSA	Fair Labor Standards Act
GAO	General Accounting Office
MOD	Management Operating Data

GLOSSARY

Productive work year	2,080 hours straight time, holiday hours worked, and overtime.
Productive straight time work year	2,080 hours of straight time hours worked.
Full-time regular schedule employee	A career employee assigned a regular schedule of five 8-hour days a week.
Part-time regular schedule regular	A career employee assigned a regular schedule of less than 40 hours hours a week.
Part-time flexible schedule	A career employee available to work flexible hours as assigned.
Casual employee	An employee appointed for not more than two 90-day terms in a calendar year and available to work flexible hours as assigned.

CHAPTER 1

INTRODUCTION

In fiscal year 1981, the U. S. Postal Service work force, about 600,000 crafts people and 70,000 management staff, received compensation and benefits totaling $17.5 billion. Of this amount $1.1 billion was for overtime. In 1982 overtime hours decreased by about 8.4 percent but cost remained essentially the same as 1981.

At six facilities we visited, the Postal Service spent $787.7 million for 26,862 productive work years--$731.1 million for 25,067 straight time and $56.6 million for 1,795 overtime work years. Additional costs caused by overtime were $2,366 [1] per year or about $4.2 million for the 1,795 overtime years.

Our analyses of cost and productive work years of straight and overtime are detailed by craft, type of employee, and facility visited in appendixes I, II, III, IV, and V.

HOW OVERTIME IS PAID

The Postal Service pays employees overtime under the Fair Labor Standards Act (FLSA) (29 U.S.C. 207), Postal Service policy, and national labor agreements. FLSA overtime is paid at 150 percent of the "regular" hourly base rate for hours that management "suffers or permits" certain employees to work in excess of 40 hours a week. The "regular" hourly rate consists of employees' salary schedule rates, cost of living adjustments, and out-of-schedule, night, and Sunday premiums. Under Postal Service policy and national labor agreements, employees who are in work or leave pay status for more than 8 hours a day or 40 hours a week are paid "postal" overtime at 150 percent of the base hourly rate. The base hourly rate consists of employees' salary schedule rates and cost of living adjustments. Thus, employees may be paid "postal" overtime if they work less than 8 hours in a day or 40 hours in a week but use paid leave in a day or week that together with hours worked totals more than the prescribed straight time maximums.

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[1] This amount is the difference between the cost of an overtime productive work year of $31,532 and the cost of a straight time productive work year of $29,166. The difference is not 50 percent because employee fringe benefits are not paid for overtime hours. The difference between the cost of an overtime hour and a straight time hour including fringe benefits ranges from about 7 to 12 percent depending on the type of craft employee.

OBJECTIVES, SCOPE, AND METHODOLOGY

We undertook this review to determine how the Postal Service can more effectively control overtime and reduce mail processing and delivery service labor costs. The review was performed in accordance with generally accepted Government auditing standards.

We conducted our review at Postal Service headquarters in Washington, D.C., the Central and Western region headquarters in Chicago, Illinois, and San Bruno, California; the Postal Data Centers in Minneapolis, Minnesota, and San Bruno, California; and the Northern Illinois and the Angeles districts of Oak Brook, Illinois, and Los Angeles, California. Our review also included work at six postal installations--the Chicago Post Office and Bulk Mail Center and the North Suburban Sectional Center Facility in the Chicago metropolitan area and the Los Angeles Post Office and Bulk Mail Center and the Inglewood Post Office in the Los Angeles area.

At these installations we asked Postal Service officials how they determined the need for overtime and how they controlled its use. We reviewed Postal Service policies and timekeeping procedures to determine how overtime is authorized and payment controlled. We also reviewed payroll and management operating reports to determine the use and cost of overtime. From the Postal Data Center files we summarized and identified the levels of overtime usage by craft and type of employee. We interviewed the supervisors of selected employees with significant overtime hours to determine the causes of overtime and the controls that are needed.

CHAPTER 2

IMPROVED CONTROLS OVER THE USE OF OVERTIME ARE NEEDED

Our review of the Postal Service's budgeting and reporting process disclosed that facility managers need better controls over the work force's overtime. The Service needs procedures to provide facility managers with (1) a work-hour budget which discloses the expected amount of overtime, and (2) information identifying constant and high use of overtime by individual employees.

Overtime provides facility managers with the necessary flexibility to handle a variable workload and, when properly used, can be a cost effective management tool. When overtime is improperly used unnecessary costs are incurred. To prevent unnecessary overtime cost, facility managers must constantly monitor overtime used and take corrective action when necessary.

OVERTIME IS AUTHORIZED BUT NOT CONTROLLED BY THE BUDGET

Postal operations are managed through an annual work-hour budget that authorizes the use of overtime but does not identify, for the facility managers, the number of overtime hours authorized. Thus, the budget makes no distinction between straight time and overtime hours and cannot be used to effectively control overtime.

Each spring facility managers prepare a work-hour budget for the next fiscal year by projecting the current fiscal year's total hours used to date to the full fiscal year. The projections are adjusted for anticipated changes in operations for the remainder of the current year and for the budget year. Adjustments are based on expected workload and productivity factors.

To monitor the use of overtime, managers (1) use operating reports that disclose actual hours by operational and labor distribution codes and (2) establish a percentage of total work hours as an overtime goal. The operating report, called the MOD report, is prepared for each day and week and for 13 accounting periods. A work-hour report, prepared for each accounting period, shows usage by labor distribution code.

Although these reports may be useful in analyzing performance and estimating overtime needs for future operating plans, neither report is adequate for controlling overtime.

Overtime reported on the MOD report is not accurate and neither it nor the work-hour report can be used to adequately match actual overtime against expected usage. A percent of total work hours as a goal does not provide effective control over overtime because it is not based on expected usage by work area or operation. Such a goal is based on historical usage and a level which management judges as the "right" amount.

Overtime not accurately reported on the MOD report

Managers at four of the facilities visited used incomplete operational data provided by the MOD report to monitor the use of overtime. Postal Service instructions state that overtime hours reported to management on this report should be within 5 percent of paid overtime.

In February 1981, the Inspection Service reported that paid overtime hours exceeded overtime hours in the MOD report by as much as 43 percent in individual offices. The Inspection Service attributed these differences to different cutoffs for the payroll and MOD systems, the lack of operation codes on employee activity reports, and delays in entering overtime authorizations into the system.

Our analyses of the MOD reports for all 13 accounting periods in fiscal year 1981 also showed that the 5 percent tolerance limit was substantially exceeded. The range of differences in hours and percentages for the 13 accounting periods is summarized below.

	Range of differences between paid and reported overtime			
	Hours		Percent	
	From	To	From	To
Chicago Post Office	4,204	30,277	5.1	18.7
Inglewood Post Office	4,062	8,817	19.4	38.6
Los Angeles Post Office	14,032	47,400	10.8	25.1
North Suburban Sectional Center Facility	2,082	14,588	6.8	48.1

These differences are caused by different cutoffs for the two reporting systems and retroactively documented overtime that is not recorded in the system that produces the MOD report. Approval of a substantial amount of overtime is documented retroactively. (See p. 12.)

Actual overtime not adequately matched against expected usage

As discussed above, postal operations are managed through a work-hour budget that does not distinguish between straight time hours and overtime hours. In the absence of planned overtime hours to match against reported overtime, managers establish a percentage of total work hours as an overtime goal and match actual usage against the goal. We found that percentage goals are not based on determinations of expected need, but rather on historical usage and a level that management judges as the "right" amount--which can vary from year to year and from manager to manager.

For example, in 1980, the Western Region established an overtime goal of 5.5 percent. In 1981 the region did not establish a formal goal, but the Regional Director of Customer Services established overtime goals of 8 percent for carriers and 6 percent for clerks and supervisors. According to the director, these goals were selected in an attempt to reduce existing overtime rates by 2 to 3 percent below those experienced during the last six accounting periods of fiscal year 1980. Again in 1982, the Western Region did not establish a formal overtime goal, but in a letter to a District manager in January 1981 the Regional Postmaster General indicated that overtime usage approaching 10 percent of total work hours is near the upper acceptable limit.

The Northern Illinois District had a 1981 overtime goal of 4 percent of total work hours for each facility in the district. The North Suburban Sectional Center Facility manager said he likes to keep overtime usage between 4 and 6 percent of total work hours. The Director of Mail Processing at North Suburban prefers overtime usage of 3 to 8 percent of total work hours.

At the Chicago Post Office the Postmaster increased the overtime goal to 5 percent for 1981. In 1980, the goal was 4 percent and the actual usage was 5.6 percent.

The need for a convenient management tool to match expected overtime usage against actual usage can be illustrated from material prepared by the Western Region in response to an August 1981 request by the Deputy Postmaster General for an indepth analysis of overtime. The material disclosed that the Western Region would consider overtime use within the following standards acceptable.

	Percent	
	High	Low
Mail Processing	8	3.5
Customer Services	6	3.5
Delivery	8	5
Maintenance	4	2

In analyzing overtime used by six post offices selected by the Deputy Postmaster General, the Western region found that all six offices required attention in one or more areas. Overtime usage at one of the offices exceeded the parameters in three areas and required immediate attention to determine the causes.

EXTENSIVE USE AND UNDERLYING CAUSES OF OVERTIME NOT IDENTIFIED

At the facilities we visited, management was not concerned about overtime as long as craft or functional overtime usage remained below facilitywide goals. Consequently, managers did not take action to determine why specific employees or work areas used extensive overtime as long as facilitywide goals were achieved. Conversely, managers took action such as hiring additional employees when the goals were exceeded without exploring underlying causes.

About 11 percent, or 3,900, of the 36,300 employees at the 6 facilities visited averaged 5 or more overtime hours a week in fiscal year 1981. These 3,900 employees were paid for 739 of the 1,795 overtime work years, or about 41 percent ($23.3 million) of the total overtime paid ($56.6 million). A summary of the 36,300 employees, stratified by ranges of average overtime hours a week, is tabulated below.

Average overtime hours a week	Number of employees	Percent	Work years	Percent	Average days per employee	Estimated cost (millions)
10 or more	536	1.5	169	9.4	82	$5.3
5 to 10	3,407	9.4	570	31.8	43	18.0
2 to 5	8,886	24.5	713	39.7	21	22.5
Less than 2	17,916	49.4	343	19.1	5	10.8
None	5,529	15.2	-		-	-
Totals	36,274	100.0	1,795	100.0		$56.6

The 536 employees worked an average of about 650 overtime hours or about 12 hours a week. On the average, these employees received overtime pay of about $9,860 in 1981, an amount equal to almost half of their regular annual salary.

It should be noted that selection of employees to work overtime from an overtime-desired list as prescribed in the labor agreement contributes to some employees' extensive overtime hours. This may occur in units where only a few qualified employees desire overtime work.

No action taken where craft or function achieved the overtime goal

In fiscal year 1981, the Chicago Post Office clerks overtime usage averaged only about 4.4 percent of total work hours. Since this was well below the 5 percent facilitywide goal, managers took no action to reduce overtime, although some functional work areas substantially exceeded the goal.

For example, in a carrier station that had a 13.2 percent overtime rate in September 1981 the Chicago Post Office paid 7 clerks about $64,400 for more than 4,000 overtime hours during the fiscal year because:

--Three clerks were temporarily working light duty.

--One position was vacant for 8 months pending removal and replacement of the incumbent.

--Another position had been vacant since December 1977 when the incumbent retired.

In the Chicago truck terminal, which had an overtime rate of 8.6 percent in September 1981, the Chicago Post office paid 8 of 28 clerks who worked from 4:00 p.m. to midnight about $60,000 for 3,900 overtime hours during the fiscal year. One employee worked almost 800 overtime hours on 98 of a possible 104 Saturdays and Sundays in 1981 and was paid a total of $33,142 ($21,091 base salary and $12,051 overtime). The overtime was needed to replace a disproportionate number of employees whose days off were scheduled on weekends.

Action taken to lower overtime percentage without knowing causes

Managers in the Los Angeles, Inglewood, and Chicago post offices hired additional employees to reduce overtime without determining the underlying causes. Consequently, the most appropriate actions were not taken to accomplish objectives.

A December 1981 internal audit report issued by the Inspection Service disclosed significant overstaffing of the letter carrier operations at the Los Angeles Post Office. According to the report, additional carriers had been hired to reduce overtime. The report concluded that a more effective leave control program could eliminate 39 carrier positions. Similarly, at the Inglewood Post Office the inspectors determined that 16 carrier positions authorized to reduce overtime could be eliminated with an effective absence control program and management attention to other problem areas.

The Chicago Post Office's reports show an average city carrier overtime rate of 8.9 percent for the past 3 years (10 percent in 1979, 9 percent in 1980, and 7.7 percent in 1981). To lower this rate, 180 carriers were hired during the period September through November 1981. According to the delivery and collection manager, the decision to hire more carriers was based on a survey of carrier station management. However, this survey did not include a complete analysis of staffing needs and the causes of the high overtime rates. Instead, station management requested additional carriers on the basis of the straight time hours needed to reduce overtime to the target rate.

In April 1982, the Chicago Post Office reported overtime rate for carriers was 7 percent. Our review of selected carrier stations in April and May 1982 showed that the additional staff hired from September through November 1981 did not alleviate some of the need for overtime. For example:

--A carrier at one station worked more than 300 overtime hours making Saturday mail collections and parcel deliveries on his scheduled day off because none of the four carriers assigned to truck routes at this station were scheduled to work on Saturdays.

--At another station two carriers assigned to truck routes worked about 1,600 overtime hours in 1981 because the routes required more than 8 hours for servicing. One of the carriers worked an additional 200 overtime hours on scheduled days off because a replacement driver was not scheduled to work on Saturdays.

--Another carrier had traditionally collected mail for an hour on overtime on each Saturday. No consideration had been given to the possibility of rescheduling another carrier to collect the mail on straight time.

WHY OVERTIME CONTROL IS NEEDED ABOVE THE OPERATING LEVEL

Operating managers' service-oriented goals cause them to be not too concerned about the use of overtime. Operating managers routinely authorize overtime by employees on specified tours of duty or in specified work areas to ensure that mail backlogs are processed and delivered promptly, or to assure that dispatch schedules are met.

In authorizing overtime in this fashion, operating managers give little or no consideration to the number of overtime hours needed, the number authorized and used, and the cost difference between straight time and overtime hours. Consequently, control must be placed at the facility management level to ensure effective use of the more expensive overtime hours.

CONCLUSIONS

The Postal Service's control over overtime could be improved by (1) establishing planned overtime hours, as well as total planned hours, in the work-hour budget and (2) identifying constant and high use of overtime by individual employees. We believe that the work-hour budget and the workhour report are the most appropriate tools available for controlling overtime. Both the budget and the work-hour report use the same labor distribution codes. Total work-hour estimates prepared for most of the functional codes include, but do not identify, the amount of overtime. Also, actual overtime hours for each labor distribution code are included on the work-hour report.

Without planned hours to match against actual overtime, facility managers use percentage goals that are not based on determinations of expected need, but on historical usage and a level that management judges as the "right" amount which can vary from year to year and from manager to manager. Also, since facility management does not become too concerned about overtime until it reaches a certain facilitywide level, extensive overtime by individual work areas and employees is not detected, and the underlying causes of overtime are not always determined before action is taken to reduce the rate.

If an overtime estimate of each labor distribution code was included in the budget it would enable facility managers to consider the need for overtime before it is worked and help them to maintain effective control by matching actual hours against approved budget hours. Current reports by operation, pay location, and individual employees can still be used to help facility management in large post offices, such as Chicago or Los Angeles, to identify overtime with specific work areas.

RECOMMENDATIONS TO THE POSTMASTER GENERAL

To improve control over the use of overtime, we recommend that

--planned overtime hours be included in the work-hour budget and reported on the work-hour report,

--employees with constant and high overtime use be periodically identified for a determination as to whether the work can be done on straight time, and

--facility managers be instructed to not hire additional employees to reduce overtime until its underlying causes are determined.

AGENCY COMMENTS AND OUR EVALUATION

In commenting on the need for control of the use of overtime, the Postmaster General informed us (see app. VI.) of planned interim actions, pending installation of a new source time and attendance reporting system, to identify employees with high overtime usage and determine the cause of overtime before hiring additional employees. He said, however, that instead of showing planned overtime hours in the work-hour budget and reporting them on the work-hour report, the Postal Service will concentrate on giving managers better tools to make effective overtime decisions. The Service is reluctant to disclose expected overtime hours in the budget because it believes that this practice might do more to encourage rather than control the use of overtime. The Service leaves the door open, however, for budgeting overtime if the management tools being provided do not produce the desired control.

The identification of employees with high overtime usage and correction of the causes of such use will help to reduce the extensive use of overtime. Also, decisionmaking tools such as the annual staffing and management resource system and the delivery unit volume recording system, will, if properly implemented, help managers make better decisions on the use of overtime. However, without an estimate of overtime in budget requests, facility managers, as well as regional and headquarters management, can not judge the acceptability of expected usage and must rely on percentage goals to monitor actual use. The manner in which such goals are established and used (see p. 5) makes us believe that a distinction between estimated straight time and overtime hours in the annual work-hour budget would provide more effective control over the use of overtime. We can not accept the Service's position that disclosure of expected overtime in a work-hour budget would do more to encourage rather than control overtime use.

We are encouraged, however, that the Service will assess its position on this matter after gaining experience with the management tools being provided for controlling overtime.

CHAPTER 3

OVERTIME APPROVAL

PROCEDURES NEED TO BE IMPROVED

A substantial amount of overtime is being paid without documenting supervisory approval and with supervisory approval being retroactively documented. According to Postal Service procedures, supervisors must assure that employees are paid for the correct number of hours by maintaining control over work schedules, approving overtime in advance, and reviewing daily activity reports that show employees who worked overtime hours that were not authorized. In addition, timekeepers are required to obtain supervisory approval before entering approval for payment into the payroll system.

OVERTIME APPROVAL RETROACTIVELY DOCUMENTED

Our analysis of payroll and management operating reports at four of the facilities visited [1] indicated that approval of 25 percent of the 1,696 overtime work years used was retroactively documented as shown below.

	Overtime work years			Overtime cost	
Location	Total	Approved retroactively	Percent of total	Total	Approved retroactively
				- - -(millions)- - -	
Chicago Post Office	642	186	29.0	$20.4	$5.9
North Surburban Sectional Center Facility	139	48	34.5	4.2	1.4
Los Angeles Post Office	779	151	19.4	24.8	4.8
Inglewood Post Office	136	36	26.5	4.2	1.1
Total	1,696	421	24.8	$53.6	$13.2

Since the above estimates of retroactively documented overtime may have been affected by inaccuracies in the reports used, we analyzed available daily activity reports of 37 employees who were paid for 26,291 overtime hours in 1981. The available reports, which accounted for 21,517 hours, showed

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[1] This work was not done at bulk mail centers in Chicago and Los Angeles because the necessary reports were not available.

that the 37 employees were paid $59,100 for 3,861 retroactively documented overtime hours. Our analysis of the 21,517 hours and cost by location is summarized below and detailed in appendix V.

Location	Number of employees	Overtime hours: Total	Overtime hours: Approved retroactively	Percent of total	Estimated costs of overtime hours: Total	Estimated costs of overtime hours: Approved retroactively
Chicago Post Office	11	9,331	730	7.8	$143,600	$11,200
North Suburban Sectional Center Facility	5	2,607	591	22.7	41,000	9,200
Chicago Bulk Mail Center	5	1,216	360	29.6	19,700	5,900
Los Angeles Post Office	6	5,134	1,402	27.3	78,000	21,100
Inglewood Post Office	5	3,229	778	24.1	48,600	11,700
Los Angeles Bulk Mail Center (note a)	5	-	-		-	-
Total	37	21,517	3,861	17.9	$330,900	$59,100

a/Not available since the center uses manual timecards.

At the three Chicago postal facilities, the above 21 employees were paid about $5,150 for 332 overtime hours that timekeepers entered into the system without supervisory approval. This practice was also occurring at the Los Angeles and Inglewood Post Offices.

To comply with the Fair Labor Standards Act, the Postal Service must pay not only for authorized work hours, but also for unauthorized hours that it "suffers or permits" employees to work. Supervisors' failure to control employees' work schedules is a major contributing factor to retroactively approved overtime. From a 1981 study of work control procedures at 104 Western Region post offices, the region concluded that retroactively approved overtime could be substantially reduced if supervisors did not let employees record their arrival time more than 3 minutes before they are scheduled to report to

work and if employees' departures from the workplace were properly monitored.

At the locations we visited, supervisors did not always ensure that employees complied with their work schedules. For example, for three accounting periods ending April 3, 1981, supervisors at the North Suburban Sectional Center Facility retroactively approved, for a part-time clerk, 67 overtime periods of 20 minutes or less--34 before scheduled starting time, 20 during the prescribed lunch period, and 13 after scheduled working hours.

From our analysis of overtime usage we identified 40 employees at the Chicago, Inglewood, and Los Angeles post offices who worked overtime during each pay period in fiscal year 1981 yet averaged only 40 overtime minutes a week. Each of the 11 Chicago employees (2 maintenance, 4 clerks, and 5 carriers) and 15 of 22 Los Angeles employees (6 clerks and 9 carriers) were assigned to carrier stations.

At the Chicago stations visited, carriers recorded their starting and quitting times on unsupervised and unlocked time recorders when they arrived for work and after returning from their routes at the end of the day. At one carrier station a supervisor whose work schedule is from 4:45 a.m. to 1:15 p.m. is responsible for 72 carriers who service 53 routes. Work schedules of carriers under her supervision range from 4:00 a.m. to 3:30 p.m. Consequently, carriers record the beginning or end of their workdays before or after the supervisor is scheduled to arrive or leave work.

OVERTIME PAID BUT NOT APPROVED

The Postal Service's payroll system will pay employees at required overtime rates for more than an 8-hour workday or 40-hour workweek without having an overtime authorization from the timekeeper. Once entered into the computerized system, overtime will be paid (i.e., forced) unless the timekeeper enters a disallowance.

Because supervisors did not properly instruct timekeepers, or timekeepers did not enter authorizations or disallowances into the system as instructed, employees at five of the facilities visited were paid an estimated $470,000 for more than 30,000 overtime hours that had not been authorized or disallowed. Our analysis by location of the forced hours and cost of overtime paid during fiscal year 1981 is summarized on the following page.

Location	Number of weeks records were available	Paid overtime hours not authorized or disallowed	Estimated cost
Chicago Post Office	43	22,753	$347,900
North Suburban Sectional Center Facility	52	543	7,900
Chicago Bulk Mail Center	36	120	1,900
Los Angeles Post Office	11	5,041	77,000
Inglewood Post Office	47	2,382	35,300
Los Angeles Bulk Mail Center (note a)	-	-	-
Total		30,839	$470,000

a/Not available since the center uses manual timecards.

If unauthorized overtime occurred during the entire year at the same level as during the weeks that records were available, the facilities reviewed paid more then $800,000 in fiscal year 1981 for overtime that was neither authorized nor disallowed.

The need to control overtime was emphasized by the Postmaster General in an August 1980 publication that explained to postal management the Service's policy and instructions for implementing the Fair Labor Standards Act. According to the Postmaster General:

"On this occasion I want to underscore again our commitment to full compliance with the FLSA. Compliance is part of our everyday effort, as is the search for ways to make compliance more cost-effective. This latter point is worth stressing: although the FLSA may be burdensome, there are ways of managing the Postal Service so as to minimize the burden. For example, it is required that we pay for time we are considered to have "suffered" or "permitted" our employees to work, even if the work time was not specifically authorized overtime. Thus, efficient management mandates that we prevent "suffer or permit" time by closely controlling the work hours of all employees. While we pay for "suffer or permit" time worked, even when not authorized, we are not helpless to control unauthorized overtime. The FLSA does not prevent such control."

CONCLUSIONS

We recognize that it is impossible to authorize in advance all overtime worked by postal employees. However, the high postauthorized rates found by our review indicate that supervisors are not fulfilling their responsibilities. The Postal Service's time and attendance procedures place the responsibility for controlling work schedules and for approving or disapproving deviations from schedules solely on first-line supervisors. However, this responsibility is not properly fulfilled when timekeepers approve the payment of overtime without supervisory approval. Also, such timekeeper approvals prevent the overtime from being reported as "forced" overtime. Reports of forced overtime by the payroll system will enable management to identify supervisors who are not adequately controlling work schedules. Controlling employees work schedules will, in turn, reduce overtime adjustments and increase the accuracy of the MOD reports referred to on page 4.

RECOMMENDATIONS TO THE POSTMASTER GENERAL

We recommend that the Postal Service require facility managers to

--prepare periodic reports showing the extent of retroactively approved overtime,

--monitor forced overtime to identify supervisors who are not fulfilling their responsibility to control work schedules, and

--periodically remind supervisors and timekeepers of their respective responsibilities for maintaining control of employee work schedules.

AGENCY COMMENTS

In commenting on our draft report, the Postmaster General told us that the Postal Service will prepare periodic reports on the extent of retroactively documented overtime approvals and will monitor forced overtime to identify supervisors who are not controlling work schedules. He also told us that the Postal Service has underway training of field supervisors on their responsibilities under the Fair Labor Standards Act and related scheduling matters.

PRODUCTIVE WORK YEARS AND COSTS BY CRAFT AT FACILITIES REVIEWED FISCAL YEAR 1981

Description	Productive work years	Per productive work year: Percent	Per productive work year: Average days	Cost (millions)
Selected employees				
Clerks				
Straight time	11,994.4			$348.1
Overtime	879.0	6.8	17.8	27.7
Mail handlers				
Straight time	3,122.7			87.7
Overtime	179.1	5.4	14.1	5.5
City carriers (note a)				
Straight time	5,144.6			144.5
Overtime	506.2	9.0	23.3	15.6
Other employees				
Straight time	4,804.5			150.8
Overtime	230.4	4.6	11.9	7.8
Totals				
Straight time	25,066.2			$731.1
Overtime	1,794.7	6.7	17.4	56.6

a/Includes only Chicago, Los Angeles, and Inglewood post offices; the other facilities did not have city carriers.

PRODUCTIVE WORK YEARS AND COSTS
BY TYPE OF EMPLOYEE AT FACILITIES REVIEWED
FISCAL YEAR 1981

Description	Productive work years	Per productive work year: Percent	Per productive work year: Average days	Cost (millions)
Selected employees				
Full time regulars				
Straight time	17,832.5			$520.9
Overtime	1,323.0	6.9	18.0	42.1
Part-time regulars				
Straight time	63.4			1.8
Overtime	1.7	2.6	6.8	.1
Part-time flexible				
Straight time	2,091.7			54.4
Overtime	216.0	9.4	24.3	6.2
Casuals				
Straight time	274.1			3.2
Overtime	23.6	7.9	20.6	.4
Other employees				
Straight time	4,804.5			150.8
Overtime	230.4	4.6	11.9	7.8
Totals				
Straight time	25,066.2			$731.1
Overtime	1,794.7	6.7	17.4	56.6

PRODUCTIVE WORK YEARS AND COSTS AT FACILITIES REVIEWED FISCAL YEAR 1981

	Productive work years			
	Work years	Percent of total	Average days	Cost (millions)
Chicago Post Office				
Straight time	12,029.7			$353.2
Overtime	641.5	5.1	13.2	20.4
North Suburban Sectional Center				
Straight time	2,193.0			61.4
Overtime	139.0	6.0	15.5	4.2
Chicago Bulk Mail Center				
Straight time	919.2			26.0
Overtime	25.7	2.7	7.1	.8
Los Angeles Post Office				
Straight time	7,953.8			234.5
Overtime	779.2	8.9	23.2	24.8
Inglewood Post Office				
Straight time	1,256.5			36.0
Overtime	136.0	9.8	25.4	4.2
Los Angeles Bulk Mail Center				
Straight time	714.0			20.0
Overtime	73.3	9.3	24.2	2.2
Totals				
Straight time	25,066.2			$731.1
Overtime	1,794.7	6.7	17.4	56.6

APPENDIX IV

PRODUCTIVE WORK YEARS AND COSTS
CHICAGO POST OFFICE
FISCAL YEAR 1981

	Productive work years				Cost	
	Straight time	Overtime	Percent of total	Average days	Straight time	Overtime
					---(millions)---	
Clerks						
Full-time regular	4,680.1	231.8	4.7	12.3	$139.3	$7.5
Part-time regular	.9	-	-	-	-	-
Part-time flexible	693.3	18.1	2.5	6.6	18.8	.5
Casual	26.2	.2	.8	2.0	.3	-
	5,400.5	250.1	4.4	11.5	158.4	$8.0
Mailhandlers						
Full-time regular	1,381.0	52.7	3.7	9.6	$39.5	$1.7
Part-time regular	-	-	-	-	-	-
Part-time flexible	2.6	-	-	-	.1	-
Casual	-	-	-	-	-	-
	1,383.6	52.7	3.7	9.5		
City carriers						
Full-time regular	2,782.5	217.7	7.3	18.9	$79.4	$6.9
Part-time regular	-	-	-	-	-	-
Part-time flexible	287.1	42.1	12.8	33.3	7.3	1.2
Casual	31.4	1.4	4.3	11.1	.4	-
	3,101.0	261.2	7.8	20.2	$87.1	$8.1
Other employees	2,144.6	77.5	3.5	9.1	$68.1	$2.6
Total	12,029.7	641.5	5.1	13.2	$353.2	$20.4

APPENDIX IV

PRODUCTIVE WORK YEARS AND COSTS
NORTH SUBURBAN SECTIONAL CENTER FACILITY
FISCAL YEAR 1981

	Productive work years				Cost	
	Straight time	Overtime	Percent of total	Average days	Straight time	Overtime
					----(millions)----	
Clerks						
Full-time regular	1,215.9	63.2	4.9	12.8	$34.7	$2.0
Part-time regular	-	-	-	-	-	-
Part-time flexible	195.5	29.5	13.1	34.1	5.1	.9
Casual	60.6	7.6	11.1	29.0	.7	.1
	1,472.0	100.3	6.4	16.6	$40.5	$3.0
Mailhandlers						
Full-time regular	307.4	13.6	4.2	11.0	$8.6	$.4
Part-time regular	-	-	-	-	-	-
Part-time flexible	24.2	3.9	13.9	36.1	.6	.1
Casual	.8	.1	11.1	28.9	-	-
	332.4	17.6	5.0	13.1	$9.2	$.5
Other employees	388.6	21.1	5.2	13.4	$11.7	$.7
Total	2,193.0	139.0	6.0	15.5	$61.4	$4.2

APPENDIX IV

PRODUCTIVE WORK YEARS AND COSTS
CHICAGO BULK MAIL CENTER
FISCAL YEAR 1981

	Productive work years				Cost	
	Straight time	Overtime	Percent of total	Average days	Straight time	Overtime
					---(millions)---	
Clerks						
Full-time regular	191.1	3.4	1.7	4.5	$5.4	$.1
Part-time regular	-	-	-	-	-	-
Part-time flexible	32.0	.7	2.1	5.6	.8	-
Casual	-	-	-	-	-	-
	223.1	4.1	1.8	4.7	$6.2	$.1
Mailhandlers						
Full-time regular	231.0	3.3	1.4	3.7	$6.3	$.1
Part-time regular	-	-	-	-	-	-
Part-time flexible	41.6	1.3	3.0	7.9	1.0	-
Casual	30.8	.5	1.6	4.2	.3	-
	303.4	5.1	1.7	4.3	$7.6	$.1
Other employees	392.7	16.5	4.0	10.5	$12.2	$.6
Total	919.2	25.7	2.7	7.1	$26.0	$.8

PRODUCTIVE WORK YEARS AND COSTS
LOS ANGELES POST OFFICE
FISCAL YEAR 1981

	Productive work years				Cost	
	Straight time	Overtime	Percent of total	Average days	Straight time	Overtim
					---(millions)--	
Clerks						
Full-time regular	3,561.4	374.2	9.5	24.7	$106.6	$12.1
Part-time regular	50.7	1.7	3.2	8.4	1.4	.1
Part-flexible	258.9	31.2	10.8	28.0	7.0	.9
Casual	58.9	5.0	7.8	20.3	.7	.1
	3,929.9	412.1	9.5	24.7	115.7	13.2
Mailhanders						
Full-time regular	647.9	51.8	7.4	19.2	$19.3	$1.7
Part-time regular	3.6	-	-	-	.1	-
Part-time flexible	47.7	4.4	8.4	22.0	1.2	.1
Casual	-	-	-	-	-	-
	699.2	56.2	7.4	19.3	$20.6	$1.8
City carriers						
Full-time regular	1,591.6	172.2	9.8	25.4	$46.0	$5.4
Part-time regular	.1	-	-	-	-	-
Part-time flexible	341.3	61.6	15.3	39.8	8.2	1.8
Casual	-	-	-	-	-	-
	1,933.0	233.8	10.8	28.1	$54.2	$7.2
Other employees	1,391.7	77.1	5.2	13.6	$44.0	$2.6
Total	7,953.8	779.2	8.9	23.2	$234.5	$24.8

PRODUCTIVE WORK YEARS AND COSTS
INGLEWOOD POST OFFICE
FISCAL YEAR 1981

	Productive work years				Cost	
	Straight time	Overtime	Percent of total	Average days	Straight time	Overtime
					---(millions)---	
Clerks						
Full-time regular	695.9	75.5	9.8	25.4	$20.3	2.3
Part-time regular	5.4	-	-	-	.1	-
Part-time flexible	66.4	10.0	13.1	34.0	1.8	.3
Casual	31.9	5.3	14.2	37.0	.4	.1
	799.6	90.8	10.2	26.5	$22.6	$2.7
Mailhandler						
Full-time regular	113.8	11.2	9.0	23.3	$3.3	$.3
Part-time regular	2.7	-	-	-	.1	-
Part-time flexible	13.2	2.3	14.8	38.6	.3	.1
Casual	.5	.1	16.7	43.3	-	-
	130.2	13.6	9.5	24.6	$3.7	$.4
City carrier						
Full-time regular	88.4	8.5	8.8	22.8	$2.6	$.3
Part-time regular	-	-	-	-	-	-
Part-time flexible	22.2	2.7	10.8	28.2	.6	.1
Casual	-	-	-	-	-	-
	10.6	11.2	9.2	23.9	$3.2	$.4
Other employees	216.1	20.4	8.6	22.4	$6.5	$.7
Total	1,256.5	136.0	9.8	25.4	$36.0	$4.2

PRODUCTIVE WORK YEARS AND COSTS
LOS ANGELES BULK MAIL CENTER
FISCAL YEAR 1981

	Productive work years				Cost	
	Straight time	Overtime	Percent of total	Average days	Straight time	Overtime
					---(millions)---	
Clerks						
Full-time regular	151.2	19.1	11.2	29.2	$4.3	$.6
Part-time regular	-	-	-	-	-	-
Part-time flexible	18.1	2.5	12.1	31.6	.5	.1
Casual	-	-	-	-	-	-
	169.3	21.6	11.3	29.4	$4.8	$.7
Mailhandlers						
Full-time regular	193.3	24.8	11.4	29.6	$5.4	$.7
Part-time regular	-	-	-	-	-	-
Part-time flexibl	47.6	5.7	10.7	27.8	1.2 e	.2
Casual	33.0	3.4	9.3	24.3	.4	.1
	273.9	33.9	11.0	28.6	$7.0	$1.0
Other employees	270.8	17.8	6.2	16.0	8.2	$.5
	714.0	73.3	9.3	24.2	$20.0	$2.2

APPENDIX V

SAMPLED EMPLOYEES' OVERTIME APPROVAL RETROACTIVELY DOCUMENTED FISCAL YEAR 1981

Employee number	Overtime hours: Total paid	Hours analyzed: Total	Hours analyzed: Approved retroactively	Hours analyzed: Percent of total	Estimated cost of overtime hours analyzed: Total	Estimated cost of overtime hours analyzed: Approved retroactively
Chicago Post Office						
1	1,170	1,132	39	3.4	$17,637	$607
2	1,139	1,123	24	2.1	17,440	373
3	1,078	1,074	177	16.5	16,271	2,682
4	954	943	111	11.8	14,220	1,674
5	812	804	5	0.6	12,486	78
6	783	784	24	3.1	12,176	373
7	770	618	26	4.2	9,319	392
8	767	757	126	16.6	11,469	1,909
9	733	731	44	6.0	11,352	683
10	725	650	70	10.8	10,095	1,087
11	719	715	84	11.7	11,104	1,304
	9,650	9,331	730	7.8	$143,569	$11,162
North Suburban Sectional Center Facility						
12	716	704	54	7.7	$10,673	$819
13	582	561	52	9.3	8,505	788
14	482	464	115	24.8	8,074	2,001
15	439	439	254	57.9	6,124	3,544
16	440	439	116	26.4	7,638	2,019
	2,659	2,607	591	22.7	$41,014	$9,171
Chicago Bulk Mail Center						
17	433	394	162	41.1	$6,079	$2,500
18	322	285	140	49.1	4,970	2,441
19	257	257	22	8.6	3,966	339
20	210	188	20	10.6	3,279	349
21	93	92	16	17.4	1,438	250
	1,315	1,216	360	29.6	$19,732	$5,879

SAMPLED EMPLOYEES' OVERTIME APPROVAL RETROACTIVELY DOCUMENTED FISCAL YEAR 1981

Employee number	Overtime hours: Total paid	Hours analyzed: Total	Hours analyzed: Approved retroactively	Hours analyzed: Percent of total	Estimated cost of overtime hours analyzed: Total	Estimated cost of overtime hours analyzed: Approved retroactively
Los Angeles Post Office						
22	1,315	1,221	256	21.0	$19,011	$3,986
23	1,070	987	210	21.3	15,367	3,270
24	1,100	996	346	34.7	15,508	5,387
25	953	718	186	25.9	10,914	2,827
26	847	768	304	39.6	10,483	4,150
27	739	444	100	22.5	6,735	1,517
	6,024	5,134	1,402	27.3	$78,018	$21,137
Inglewood Post Office						
28	887	805	114	14.2	$12,123	$1,717
29	706	675	141	20.9	10,165	2,124
30	703	679	142	20.9	9,934	2,077
31	625	555	152	27.4	8,503	2,329
32	577	515	229	44.5	7,890	3,508
	3,498	3,229	778	24.1	$48,615	$11,755
Los Angeles Bulk Mail Center (note a)						
33	854					
34	627					
35	559					
36	557					
37	548					
	3,145					
Total	26,291	21,517	3,861	17.9	$330,948	$59,104

a/Retroactively approved overtime not available since the Center uses man timecards.

THE POSTMASTER GENERAL
Washington, DC 20260-0010

February 25, 1983

Dear Mr. Anderson:

This refers to your proposed report entitled, "Postal Service Needs More Effective Control Over Employee Overtime."

Overtime is a valuable tool in the timely movement of mail, the daily volume of which is never wholly predictable. As your report notes, employee fringe benefits are not paid on overtime hours, so the true cost difference per hour between overtime and straight time is about 7-12% depending on the type and craft of employee. When the other costs that may be incurred in bringing people in to work are considered, such as minimum work-hour guarantees, travel time for carriers and the like, overtime often costs less per hour than straight time. However, we agree that overtime needs to be effectively controlled, and we have a number of efforts underway to improve our controls.

Over the next several years, the Postal Service is installing a new source time and attendance reporting system (STARS) that will provide better control over all workhours, including overtime. The system will collect data electronically at about 10,000 employee work stations in some 4,000 locations. These locations account for 75% of our complement and include all the installations that are major users of overtime. STARS will provide every level of postal management with more detailed, timely and accurate information and with tighter controls over workhours, including overtime, than is currently possible. It will provide the means to correct the weaknesses your report has identified, particularly the retroactive documentation of approved overtime.

In the interim, as your report recommends, we will identify employees with high overtime usage, determine the cause of overtime before hiring additional employees, prepare periodic reports on the extent of retroactively documented overtime approval and identify supervisors who are not controlling overtime. We already have field training underway for all supervisors on the Fair Labor Standards Act and related timekeeping, scheduling and premium pay.

We are not yet ready to commit to an overtime line item on local budgets.

We give installations a budget of workhours based upon anticipated work load. Work load projections are based upon mail volume projections, economic trends, local growth patterns and similar factors. The workhours allotted are those that are known to be needed to handle the predicted work load, based on the equipment and other particulars of the installation. If managers use all their workhours, or more, they must be able to justify the usage based upon the actual work they accomplished.

We do not attempt to estimate just how many of these workhours will be straight time and how many will be overtime. Overtime often depends on events that are hard to forecast. For example, overtime may be needed because of the late arrival of incoming mail resulting from transportation problems, or unexpected staff absences because of bad weather or local outbreaks of illness. Rather than try to budget for such events, we prefer to let managers justify their use of overtime after the fact. If managers were given specific overtime budgets, they might tend to use overtime even when not absolutely needed, rather than risk having their overtime allotments cut in future budgets. Or they might sacrifice service, in order to avoid exceeding their overtime budgets. Either way, the results would be undesirable.

Instead of overtime budgets, we concentrate on giving managers better tools to make effective overtime decisions.

We are currently providing our Regions with more comparative cost data emphasizing various tradeoffs not only between overtime and straight time, but between full time, part time and casual employment.

We have developed a computer model Annual Staffing and Resource Management System (ASRMS) which enables sectional center and facility managers to match their workforce with their workload, month by month, using gaming techniques to determine the appropriate complement, hiring schedules, and mix of straight time and overtime.

In the delivery services area, we are implementing a new budgeting approach, basing estimates of future workhour needs on the current situation rather than the same period last year, plus a new delivery unit recording system, (DUVRS) to help station and branch managers make day-to-day decisions on staffing and overtime and to forecast their needs for the next day.

These various measures will help managers control overtime more effectively, and with more experience using these data and gaming techniques, we will be in a better position to reassess your line item budget recommendation.

We appreciate your affording us an opportunity to comment on this report.

Sincerely,

William F. Balger

Mr. William J. Anderson
Director, General Government
Division
U. S. General Accounting Office
Washington, D. C. 20548

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