

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

ANNUAL COMPLIANCE REVIEW, 2019

Docket No. ACR2019

SUPPLEMENTAL RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
QUESTION 10 OF CHAIRMAN'S INFORMATION REQUEST NO. 21 -- ERRATA

The United States Postal Service hereby provides a supplemental responses to the above-listed question of Chairman's Information Request No. 21, issued on March 12, 2020. The supplemental portion (which appears in **bold**) only pertains to one subpart (10.e.iv), but for purposes of convenience, all other portions of the response to question 10 are presented again as well. The supplemental portion provides information that was still unavailable when the initial response was filed yesterday, March 19. Each question is stated verbatim and followed by the response.

Respectfully submitted,

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By its attorney:

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10. The following questions relate to a report issued by the Postal Service Office of Inspector General in June 2019.¹

- a. The OIG Mail Processing Overtime Report states that “the Postal Service uses overtime [workhours] to provide flexibility and meet its operational requirements” OIG Mail Processing Overtime Report at 1. Please explain how the use of overtime workhours provides the Postal Service with flexibility to meet its operational requirements.
- b. The OIG Mail Processing Overtime Report also refers to “penalty overtime,” which is “paid, under specific conditions, at double the employee’s hourly rate.” *Id.*
 - i. Please describe the specific conditions that trigger “penalty overtime.”
 - ii. Please explain how the use of penalty, as opposed to regular, overtime workhours provides the Postal Service with flexibility to meet its operational requirements.
- c. The OIG Mail Processing Overtime Report found that in FY 2018, the Postal Service “planned for about 18.5 million overtime workhours and 767,000 penalty overtime workhours . . . [,] [but] [t]he actual overtime workhours used were 26.7 million (44 percent over plan) and the actual penalty overtime workhours used were 1.7 million (126 percent over plan).” *Id.*
 - i. Please explain why overtime workhours and penalty overtime workhours in FY 2018 exceeded the Postal Service’s plan.
 - ii. Please explain how the Postal Service projects the amount of overtime and/or penalty overtime workhours that will be needed in an upcoming fiscal year.
 - iii. Please provide the planned overtime and penalty overtime workhours for FY 2019, along with the actual results. If the actual results exceeded what was planned, please describe in detail the reasons why.

¹ See United States Postal Service, Office of Inspector General, Audit Report: Mail Processing Overtime, June 13, 2019, available at: <https://www.uspsig.gov/document/mail-processing-overtime> (OIG Mail Processing Overtime Report).

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- iv. Please provide the planned overtime and penalty overtime workhours for FY 2020.

- d. In the *FY 2018 Report*, and in CHIRs issued as part of Docket No. ACR2018, the Postal Service referred to a “network-wide job realignment and bidding process” which affected service performance.² The Postal Service specifically asserted that this job realignment and bidding process was “in response to continued decline of First-Class Mail volume, double-digit growth in package volume, and over a million more delivery points” *FY 2018 Annual Report* at 18. The Postal Service asserted that this process “beg[an] with [a] Function 1 Review” *FY 2018 Response to CHIR No. 2*, question 2. The *OIG Mail Processing Overtime Report* alludes to large-scale problems in balancing the Postal Service’s employee complement during FY 2018 which were caused by an “F1 Scheduler,” which it describes as a “modeling tool designed to optimize employee schedules and set a Postal Service-wide standard for establishing complement levels.” *OIG Mail Processing Overtime Report* at 1. Specifically, because “[e]mployee schedules and complement levels were calculated using [a base week] . . . [that] was not representative of mail processing operations for all facilities . . . , it did not always schedule the right people, in the right place, at the right time.” *Id.* This “contributed to [a] decrease in the overall mail processing complement . . . , [but] there were also changes to many employees’ schedules and positions, which required the rebidding of over 53,000 mail processing positions . . . [,] [which,] along with the overall reduction in complement, increased the need for overtime.” *Id.*
 - i. Please explain whether the job realignment and bidding process referred to in the *FY 2018 Annual Report* was related to the rebidding process the *OIG* identified, which the *OIG* attributed to problems with the design and implementation of the “F1 Scheduler.”
 - ii. Please explain what inputs the F1 Scheduler uses, and what its specific output is.
 - iii. The *OIG Mail Processing Overtime Report* states that, as of the time it was published in June 2019, “[t]he Postal Service [was]

² *FY 2018 Annual Report* at 18; Docket No. ACR2018, Responses of the United States Postal Service to Questions 1-14 of Chairman’s Information Request No. 2, January 28, 2019, question 2 (*FY 2018 Response to CHIR No. 2*); Docket No. ACR2018, Responses of the United States Postal Service to Questions 1-9 of Chairman’s Information Request No. 13, February 21, 2019, question 2 (*FY 2018 Response to CHIR No. 13*).

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currently rolling out an updated version of the F1 Scheduler.” OIG Mail Processing Overtime Report at 1. However, “changes to the F1 Scheduler were in the development and testing phases . . . and . . . not yet fully implemented . . .” *Id.* at 1-2. Please state whether the updated version of the F1 Scheduler has been fully implemented. If yes, please identify the expected effects in FY 2020. If no, please provide the timeline(s) for implementation and discuss the intended effects of implementation in the response.

- e. The OIG Mail Processing Overtime Report found that in FY 2018 3.4 million overtime workhours, constituting 13 percent of total overtime workhours, were unauthorized. OIG Mail Processing Overtime Report at 2. The report also states that “employees must be paid for this time worked.” *Id.*
 - i. Please explain why employees must be paid for overtime workhours which were unauthorized.
 - ii. Please provide the total number of overtime workhours in FY 2019.
 - iii. Please provide the total number of penalty overtime workhours in FY 2019.
 - iv. Please provide the total number of unauthorized workhours in FY 2019.
 - v. Please explain whether the Postal Service has in place, or plans to put in place, any incentives (or disincentives) directed at employees to prevent employees from performing unauthorized work. If there are no such incentives (or disincentives), please explain why.
- f. The OIG Mail Processing Overtime Report noted that “while area vice presidents, district managers, and plant managers are responsible for planning, budgeting, and monitoring performance against their own operating expense budgets, no performance incentives were in place to effectively manage overtime.” OIG Mail Processing Overtime Report at 2. Please state whether any performance incentives have been put into place since the OIG Mail Processing Overtime Report was issued to motivate managers to effectively manage overtime.

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RESPONSE:

As an initial matter, it is important to understand that, while it would seem contrary to conventional thought, the hourly rate for a full-time career employee working overtime is actually lower than the hourly rate for a full-time career employee working a "straight time" (non-overtime) hour. This is because the Postal Service does not incur additional benefit costs on the overtime hour that are incurred in the straight time hour. In FY 2019, it was 6.38 percent more cost efficient to have a career employee work an overtime hour instead of onboarding an additional career employee and having them work the hour at straight time.

a.

While there are occasions where it is necessary to have an employee work an entire day on their day off to cover a sick call, vacation, or temporary assignment, there are also times when overtime is necessitated by events such as unexpected volume, late arriving volume, or unplanned machine downtime which causes an operation to run late. It is not practical to "build in" these instances which would entail scheduling additional personnel to be on hand at all times to react. This would be counterproductive and cause diminished efficiencies and increased costs in the long run. Additionally, as noted above, having four employees each work two hours of overtime for a total of eight hours is actually more cost effective than onboarding an additional employee and scheduling them for the same eight hours.

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b.i.

Penalty overtime is paid for one of five reasons:

- An employee works overtime for 5 consecutive days in any work week
- An employee works more than eight hours on their scheduled day off
- An employee works their second scheduled day off in a work week
- An employee works more than 10 hours in a shift
- An employee works more than 56 hours in a week

b.ii.

The use of regular overtime hours is preferred over the use of penalty overtime. Penalty overtime is not the default choice and is avoided when possible. Contractual provisions generally require the Postal Service to maximize regular overtime before utilizing penalty overtime.

c.i.

In FY 2018, overtime workhours and penalty overtime workhours exceeded the Postal Service's plan because of several factors, including: workload, inefficiencies, staffing and scheduling changes, short staffing in some functions and geographical areas, and of course, operational impacts such as weather events.

c.ii.

The Postal Service's overtime plan is developed during the annual budget development process, factoring in prior year usage, operational factors, as well as

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national strategic initiatives and local management initiatives to improve efficiencies and reduce costs.

c.iii.

For FY 2019 the planned overtime hours were 116,401,104; actual overtime hours were 136,556,311. The planned penalty overtime hours were 6,894,582; actual penalty overtime hours were 11,381,781. As noted in the response to subpart c.1. above, reasons for this difference included workload, inefficiencies, staffing and scheduling changes, short staffing in some functions and geographical areas, and operational impacts such as weather events. As previously reported, disruptions to the processing, transportation, and delivery network occurred throughout the fiscal year including hurricanes, tropical storms, wildfires, 18 named winter storm events, three mercury spills, and a malicious actor who inducted 16 improvised explosive devices into the network. In almost every instance, recovery required additional work hours, many at overtime or penalty overtime rates.

c.iv.

The planned overtime hours for FY 2020 are 120,981,576. The planned penalty overtime hours for FY 2020 are 8,871,282.

d.i.

Yes, the job realignment and bidding process were related to the rebidding process the OIG identified.

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d.ii.

F1 Scheduler inputs include the following:

- + Total Target Hours are a function of the Base Mail Processing Variance (MPV) Week and the Time and Attendance Reporting System (TARS) (Time and Attendance Collection System (TACS)) data, which divides those work hours into Clerk and Mail Handler Target Hours.

- + Run Plan Generator (RPG) AI Files

- + Legacy Transportation Information Management System (TIMES) reports (Surface Visibility) to suggest staffing for Platform and Expediter

- + Enterprise Data Warehouse (EDW) data

- + Manual staffing inputs for all operations that cannot be modelled via RPG.

F1 Scheduler outputs include:

- + Results from the model consist of Full-time regular and non-career employees; work hours are divided into clerk and mail handler hours.

- + Model result files, which consist of the following:

- Bid Comp Clerk file

- Bid Comp MH file

- Mail Condition Reporting (MCR) vs Results Clerks file

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- MCR vs Results MH file
- Complement Analysis file

+ Area coordinators generate the Complement Analysis file using the following:

- Model result files
- Overtime percentage from the week used in the model
- Current staffing found in WebCOINS

d.iii.

The updated version of the F1 Scheduler has been fully implemented. However, it is important to understand that the model is reprocessed for a facility if operational changes, such as machine reductions or the equipment set is changed within a facility. Therefore, at any given time, there may be facilities that are in the process of implementing an adjusted F1 Scheduler output. The expected results are a facility complement aligned with the workload of the facility.

e.i.

The Fair Labor Standards Act defines the term "employ" to include the words "suffer or permit to work", meaning that if an employer requires or allows employees to work they are employed and the time spent is probably hours worked. Therefore, even if the hours worked were not authorized, if the employees worked they must be paid. If

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the hours were overtime hours, the Postal Service is obligated to pay the employee at the overtime rate.

e.ii.

The total number of overtime workhours for FY 2019 was 136,556,311.

e.iii.

The total number of penalty overtime hours for FY 2019 was 11,381,781.

e.iv.

Inquiries to retrieve what is believed to be the requested information on unauthorized overtime work hours encountered technical difficulties. A supplement response will be filed when the information is retrieved. **Supplemental response: The total number of unauthorized overtime hours for FY 2019 was 28,609,400.**

e.v.

The Postal Service has standard processes in place to deal with and eliminate unauthorized work hours. The Postal Service utilizes forms 1017-B Unauthorized Overtime Record to document unauthorized overtime and the date the notification was provided to the employee along with remarks. An employee is subject to corrective action in situations involving unauthorized overtime. If no work was performed, and the supervisor observed or had reason to know that no work was performed, the supervisor must disallow that time and record it on Form 1017-A Time Disallowance Record. This would be the only scenario by which recorded time could not be paid.

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f.

No specific performance incentives have been put into place, since the OIG Mail Processing Overtime Report was issued, that are directed toward management of overtime.