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Boeing Petroleum Services, Inc. Use of Overtime at the Strategic Petroleum Reserve

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U.S. DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL

BOEING PETROLEUM SERVICES, INC.
USE OF OVERTIME
AT THE STRATEGIC PETROLEUM RESERVE

Report Number: ER-B-93-01
Date of Issue: December 14, 1992

Eastern Regional Audit Office
Oak Ridge, TN 37831

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BOEING PETROLEUM SERVICES, INC.
USE OF OVERTIME
AT THE STRATEGIC PETROLEUM RESERVE

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U.S. DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL
OFFICE OF AUDITS

BOEING PETROLEUM SERVICES, INC.
USE OF OVERTIME
AT THE STRATEGIC PETROLEUM RESERVE

Audit Report Number: ER-B-93-01

December 14, 1992

SUMMARY

The Strategic Petroleum Reserve (SPR) is responsible for purchasing and storing crude oil to mitigate the potential adverse impact of any future disruptions in crude oil imports. Boeing Petroleum Services, Inc. (BPS) operates the SPR under a U.S. Department of Energy (DOE) management and operating contract. The objective of this audit was to determine whether BPS established and used controls to minimize the use of overtime.

The audit disclosed that BPS had established procedures to minimize the use of overtime but did not enforce their use. BPS did not (1) provide timely and adequate written overtime justifications; (2) prepare adequate work schedules; (3) properly implement two employee work shifts; or (4) adhere to DOE overtime budget constraints. These conditions existed because BPS management (a) did not ensure that established procedures were followed and (b) was primarily concerned with ensuring that the Strategic Petroleum Reserve Project Management Office (SPRPMO) contract overtime premium ceiling was not exceeded, rather than minimizing the use of overtime. During the audit, the SPRPMO manager directed BPS to institute tighter overtime controls that should reduce overtime by an estimated \$2.2 million annually. Our report identifies various corrective actions for strengthening internal controls and improving the controls over overtime.

Management of the SPRPMO concurred fully with the finding, associated recommendations, and estimated monetary impact.

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PART I

APPROACH AND OVERVIEW

PURPOSE AND OBJECTIVE

The purpose of the audit was to evaluate the use of overtime by BPS at the Strategic Petroleum Reserve. Specifically, the audit objective was to determine whether BPS established and used controls to minimize the use of overtime.

SCOPE AND METHODOLOGY

The audit was performed at the SPRPMO in New Orleans, Louisiana, from January 13 through August 14, 1992. The period included in the audit was Calendar Years 1990 and 1991. The audit included such tests as determined necessary to satisfy the audit objective and to assess the significant internal controls associated with the management of overtime. The following specific methodologies were used:

- o Review of General Accounting Office (GAO), DOE, and BPS policies and procedures;
- o Review and analyses of payroll records including time cards, overtime forecasts/justifications, and system generated reports;
- o Evaluation of the implementation and monitoring for two work shifts;
- o Comparisons of budgeted overtime and contract overtime premium ceilings to actual overtime amounts;
- o Discussions with responsible SPRPMO and BPS management officials.

The audit was made in accordance with generally accepted Government auditing standards for performance audits, which included tests of internal controls and compliance with laws and regulations to the extent necessary to satisfy the objectives of the audit. Accordingly, we assessed the internal controls for the management of overtime during Calendar Years 1990 and 1991. Internal control weaknesses identified by this audit are

discussed throughout part II of this report. Because the audit was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed.

An exit conference was conducted on December 4, 1992, with SPRPMO and BPS representatives.

BACKGROUND

The SPR was created under the 1975 Energy Policy and Conservation Act, Public Law 94-63. The SPR's mission is to store crude oil to mitigate the impact of future disruption of crude oil imports and to carry out the United States' obligations under the International Energy Program. Legislation authorizes storage of up to 1 billion barrels of oil. The development program was designed to provide a cumulative storage capacity of 750 million barrels at a drawdown rate of 4.5 million barrels a day. As of September 30, 1992, 571.4 million barrels of oil had been stored.

The SPR consists of six underground crude oil storage sites along the coasts of Louisiana and Texas and one marine terminal at St. James, Louisiana. Five of the storage sites were developed to provide for the initial 750 million barrels of oil (Bayou Choctaw, West Hackberry, and Weeks Island in Louisiana and Bryan Mound and Big Hill in Texas). The sixth site, Sulphur Mines, in Louisiana, is now decommissioned and awaiting sale due to its size and cost effectiveness. Each site is linked through DOE-owned pipelines to commercial crude oil distribution systems and the marine terminal for water-borne distribution.

BPS has been operating the SPR under a management and operating contract since April 1, 1985. Under this contract, which will expire in March 1993, BPS is reimbursed for all allowable costs incurred plus an award fee based on performance. During Fiscal Year 1992, BPS had net expenditures of about \$132 million.

The BPS employment and overtime statistics for Calendar Year 1991 are shown in the following graph.

BPS Employment and Overtime

*Number of Employees
As of December 31, 1991*

*Overtime Hours
for Calendar Year 1991*

OBSERVATIONS AND CONCLUSIONS

BPS had established procedures to minimize the use of overtime but did not enforce their use. Specifically, BPS management was primarily concerned that overtime did not exceed the premium pay ceiling and did not (1) provide timely and adequate written overtime justifications; (2) prepare adequate work schedules; (3) properly implement two employee workshifts; or (4) adhere to DOE overtime budget constraints. We could not determine the extent of unnecessary overtime, but the SPRPMO manager directed BPS during the audit to tighten overtime controls. This action should reduce overtime by an estimated \$2.2 million annually. Please see finding 1 on page 6 for details.

We recommend various corrective actions for strengthening internal controls over the management and use of overtime. In addition, SPRPMO management promptly implemented decisive corrective actions as soon as we brought internal control weaknesses to their attention.

The audit identified internal control weaknesses that SPRPMO should consider when preparing its yearend assurance memorandum on internal controls. These internal control weaknesses are described in part II of this report.

PART II

FINDINGS AND RECOMMENDATIONS

Management and Controls Over the Use of Overtime.

FINDING

BPS procedures prescribe requirements for managing and controlling overtime. However, BPS did not fully enforce these overtime policies and procedures, as it did not: (1) provide timely and adequate written overtime justifications; (2) prepare adequate work schedules; (3) implement two employee work shifts properly; or (4) adhere to DOE overtime budget constraints. These conditions existed because BPS management (a) did not ensure that established procedures were followed and (b) was primarily concerned with ensuring that the SPRPMO contract premium ceiling for overtime was not exceeded, rather than minimizing the use of overtime. In addition, neither SPRPMO nor BPS monitored overtime to ensure that overtime was reasonable and necessary. We could not determine the extent of unnecessary overtime, but during the audit, the SPRPMO manager directed BPS to institute tighter overtime controls that should reduce overtime by an estimated \$2.2 million annually.

RECOMMENDATIONS

We recommend that the Project Manager, SPRPMO:

1. Improve administration of the BPS contract to ensure that overtime costs are minimized. Specifically, SPRPMO should:
 - a. Establish an overtime premium ceiling in consonance with the approved DOE budget; and
 - b. Establish procedures to monitor BPS use of overtime to ensure that overtime is worked only when needed.

2. Direct BPS to:

- a. Enforce BPS policies and procedures for scheduling, justifying, approving, and controlling overtime;
- b. Monitor work shifts after they are implemented to ensure that proposed results are achieved;
- c. Manage overtime within DOE budget constraints; and
- d. Monitor the use of overtime to include analyses to identify adverse trends and to ensure that overtime is the most effective approach to meeting work requirements.

MANAGEMENT REACTION

SPRPMO concurred fully with the recommendations and had already taken some corrective actions and was taking other corrective actions on each recommendation. Detailed comments are included in part III, "Management and Auditor Comments," of this report.

DETAILS OF FINDING

GUIDANCE ON THE MANAGEMENT AND CONTROLS OVER THE USE OF OVERTIME

BPS Operating Procedure 6OP-6 and BPS Finance Division instructions provide guidance for scheduling, justifying, approving, controlling, and reporting overtime. These procedures are in compliance with GAO Title 6, "Pay, Leave, and Allowances," and DOE Order 2200.4, "Accounting Overview." Additionally, SPRPMO contract DE-AC96-85PO21431 with BPS requires BPS to manage overtime in accordance with BPS procedures as approved by DOE. Finally, the SPRPMO/BPS contract requires that BPS operate the SPR using its best management skills and prudent business judgment in all matters pertaining to the performance of the contract. Proper application and enforcement of the prescribed procedures would help BPS to manage overtime prudently and ensure that unnecessary overtime costs are avoided.

LACK OF CONTROLS OVER THE USE OF OVERTIME

Nonetheless, BPS did not enforce full compliance with its overtime procedures or its SPRPMO contract to control the use of overtime. Specifically, BPS did not (1) provide timely and adequate written overtime justifications; (2) prepare adequate work schedules; (3) implement two employee work shifts properly; or (4) adhere to DOE overtime budget constraints.

Overtime Justifications

In accordance with GAO Title 6; and DOE Order 2200.4, BPS Operating Procedure 60P-6 requires that overtime approval be granted in writing before the hours are worked whenever feasible and, when not feasible, as soon as possible after the work has been performed.

BPS procedures provide detailed guidance on how to prepare and use overtime justifications. BPS Operating Procedure 60P-6 provides that an overtime justification is a written explanation of why the overtime is necessary. BPS Finance Division instructions require the justifications to include (1) hours worked, (2) tasks to be performed, (3) reason for doing the task on overtime, and (4) proper approvals. The BPS operating procedure requires the supervisor to submit the justification before the hours are worked and to submit a supplemental justification when the actual overtime hours exceed the forecasted hours by "5 percent and 5 hours." The procedure also requires the principal manager to review and approve or disapprove all forecasted overtime. Finance personnel have the responsibility to review overtime justifications for adequacy and reject them if they are not adequate.

Prior written justification of overtime provides management with an adequate basis to (1) schedule personnel, (2) control overtime within budgeted overtime amounts; (3) ascertain whether overtime is actually required to meet programmatic objectives; and (4) determine whether the number of overtime hours are reasonable.

Nonetheless, BPS supervisors did not always submit required justifications. Those justifications that BPS supervisors did submit generally did not provide specific explanations of why overtime was needed.

Required Justifications

The audit disclosed that supervisors did not submit required justifications for more than 11,600 of 109,000 (11 percent) overtime hours worked during a 7-month period. We obtained this information by reviewing a BPS semiannual overtime Supplemental Due Report dated February 10, 1992, which identifies those organizations that had not submitted justifications for overtime worked from June 1 through December 26, 1991.

Specific Explanations

Overtime justifications did not include specific explanations of why overtime was needed for about 60 percent of the forecasted overtime hours, and in many instances, the impact of not using overtime was not shown or was inadequate. We reviewed the weekly overtime forecasts/justifications for the 10 organizations that worked the most overtime hours in Calendar Year 1991. These forecasts/justifications totalled more than 99,700 hours. Our review disclosed that overtime justifications were not specific for 59,500 hours (60 percent). One justification forecasted a requirement of 257.7 hours for "work order backlog reduction." Another justification for 768 overtime hours merely stated: "Overtime is required to complete P.D. 170. Supervision is required to make work tasks safe and completed in a timely manner." Also, when impact statements were used, they generally stated only that overtime was needed to complete work timely.

Despite the lack of specificity, the site managers approved the justifications. The site managers did not believe the level of detail required by the BPS operating procedures was necessary. When justifications lack specificity, management cannot determine whether overtime is necessary and the number of hours requested is reasonable.

We discussed the inadequacy of overtime justifications with BPS finance personnel and were informed that BPS supervisory personnel had previously disclosed similar deficiencies. During July 1991, BPS management attempted to correct the situation by visiting the field sites to explain what documentation was required to support overtime requests. Despite this measure, the problems continued to exist, as site managers continued to

approve overtime justifications that did not comply with the established requirements. In addition, BPS finance personnel stated that they did not have enough time to adequately review the forecasts.

Work Schedules

BPS Operating Procedure 60P-6 prescribes that managers should avoid scheduling long overtime periods and strive to increase productivity by staggering overtime assignments. In addition, the BPS procedure states that continuous overtime for specific groups could prove detrimental to safety, health, and quality of work. Also, an overtime survey conducted by the American Productivity and Quality Center in Houston, Texas, and published in its January 1989 edition of "Consensus," indicates that a consistent use of overtime adversely affects employee productivity, quality of output, decision-making ability, morale, judgment, and personal life. Furthermore, when overtime is worked routinely, it fosters employee reliance and dependence on overtime wages. Consequently, employee initiatives to reduce overtime hours are diminished.

However, our review disclosed that overtime was approved for employees to perform routine tasks and for extended periods.

Routine Tasks

Overtime might not have been used appropriately. Field site supervisors scheduled or approved overtime for employees to perform routine tasks such as painting, moving office furniture, cutting grass, hanging signs, and cleaning Government vehicles. The following situations exemplify how overtime was worked or approved for routine tasks that could have been deferred or performed with temporary help at less cost to the Government.

Moving Office Furniture. During Calendar Year 1991, one organization approved 668 hours to move office furniture within the New Orleans complex. BPS's explanation was that moving outside of normal work hours was less disruptive. However, this use of overtime was not always reasonable, because personnel in the departments being moved were already disrupted to pack and unpack files and personal belongings prior to and subsequent to the move. BPS agreed that proper coordination of the moves could have reduced the use of overtime.

Also, when circumstances required moves to occur during other than normal work hours, temporary help at a standard rate of about \$9.80 an hour could have been used instead of BPS employees at an average overtime rate of \$17.78 an hour. Help of this type is available from an existing BPS subcontract for temporary labor.

Vacations and Training. Overtime was routinely used to cover scheduled vacations and training. Proper scheduling of employees would include consideration of employee absences and reduce the need for overtime.

Grounds Maintenance. One organization approved 199 hours for cutting grass and controlling weeds. We could find no explanation for using overtime to perform these tasks. Furthermore, if the tasks could not be delayed or performed during scheduled duty hours, temporary help at a standard rate of \$6.75 an hour was available. This would have been more cost effective than paying overtime at a minimum rate of \$19.36 an hour.

Extended Periods

Contrary to BPS procedures, supervisors routinely scheduled and approved overtime for extended periods. Our reviews of overtime reports and payroll documents for Calendar Years 1990 and 1991 revealed the extent to which BPS employees worked overtime routinely and for extended periods. This review was limited to those employees who worked at least 260 hours of overtime.

- o About 250 employees (23 percent of the entire workforce) worked at least 260 hours (average of 5 hours a week) of overtime.
- o These 250 employees earned about \$2.5 million in overtime pay, at an average of \$10,000 per employee. Five of the 250 employees earned at least \$20,000 overtime pay in Calendar Year 1991.
- o These 250 employees worked in 34 of 94 BPS organizations, which shows that the use of routine or extended overtime was widespread.

Field site employees worked most of the overtime hours. A review of payroll reports for December 1991, the month that had the highest amount of overtime worked (about 25,480 hours), disclosed that 11 field site employees were permitted to work a total of 1,958 overtime hours (average 178 hours) to perform maintenance work. Each of these employees worked at least 28 consecutive days, and they generally worked 12 hours or more each day. As an example, one employee accumulated 177 overtime hours by working for 30 consecutive days. He did this by working 15 hours for 1 day, 12 hours for 28 days, and 10 hours for 1 day.

During the period October through December 1991, 11 BPS employees assigned to a paint team worked more than 1,500 overtime hours while painting at Bryan Mound and Big Hill. In addition, payroll records for these individuals showed that they often worked additional overtime to perform routine maintenance work.

Overtime for extended periods was also approved for New Orleans personnel. To illustrate, there were 15 New Orleans employees in Calendar Year 1990 and 11 employees in Calendar Year 1991 who each worked at least 520 hours of overtime. In order to accumulate this much overtime, each of these employees would have had to work overtime an average of 10 hours per week for 52 weeks.

During the audit, we met with the SPR project manager to discuss the reasonableness of maintaining an 11-member BPS paint team on travel to perform routine duties. The SPR project manager informed us that he had recently become aware of the situation and was in the process of taking corrective action. Prior to completing our field work, the paint team was disbanded.

Work Shifts

BPS's contract with DOE provides that BPS should use its best judgment, skill, and care in all matters pertaining to the performance of this contract. Accordingly, BPS determined during 1988 that overtime was excessive, and it studied overtime to develop recommendations and options to reduce the use of overtime. As a result of its study, BPS implemented two employee work shifts for all field site operations personnel to reduce overtime and total payroll costs.

However, BPS did not effectively implement the employee work shifts (5th shift and 12-hour shift) or achieve the proposed reductions in overtime and total payroll costs.

5th Shift

After the 5th shift had been implemented in May 1989, an overall increase in overtime was experienced. The objective of the 5th shift was to reduce overtime for field site operations personnel about 25 percent (from 4,000 to 3,000 hours a month). Instead, the total amount of overtime used each month increased more than 10 percent to about 4,400 hours in Calendar Year 1990 and 4,580 hours in Calendar Year 1991. We were not able to determine that the overall increase was only attributable to improper implementation of the 5th shift. For example, the impact of implementing the 12-hour shift, as discussed below, also had an impact. However, certain problems were noted in BPS' implementation of this method, which did result in higher than planned overtime.

BPS designed the 5th shift to enable about 30 employees to work a rotating schedule that would minimize overtime by maximizing employee availability and use. The 5th-shift employees' work schedules could vary weekly. BPS believed that a rotating schedule would permit management to provide 5th-shift employees to fill in for employees permanently assigned to a crew who were scheduled to be on vacation or in training. However, instead of using 5th-shift employees to maintain the staffing requirements of established crews, the 5th shift became a crew, itself. That is, overtime was worked to cover for absences of 5th-shift employees, and these employees were not used as intended to maintain required staffing levels of established crews.

12-Hour Shift

BPS established several operations crews to work 12-hour shifts and identified minimum and maximum staffing levels for each crew. Each crew had a 4-week work schedule plan whereby each employee would work 3 days (36 hours) for 3 weeks and 4 days (48 hours) for 1 week. Therefore, 8 overtime hours per month were planned for each employee. Twelve-hour shifts are normal within the commercial oil industry.

Overtime costs of \$1.5 million were experienced in Calendar Year 1991, which included an estimated \$356,000 for implementation of the 12-hour shift. We were not able to quantify the specific costs actually experienced relating to the implementation. However, certain problems were noted in BPS' implementation of this method, which did result in higher than planned overtime.

One reason for the increased overtime was that supervisors did not always schedule 5th-shift employees to cover for 12-hour shift employees who were on leave or training. Instead they permitted other 12-hour shift employees who were not scheduled to work that day to work overtime to maintain staffing levels. Another reason was that after implementation of the 12-hour shift each employee was required to work only 156 hours every four weeks rather than 160 hours as previously required. Therefore, implementation of the 12-hour shift resulted in a loss of 4 hours productivity for each employee a month. Furthermore, overtime resulted because supervisors exceeded staffing requirements when scheduling employees.

Overtime Budget Constraints

BPS's contract with SPRPMO provides that BPS use its best efforts to comply with plans and directives as set forth by DOE and to use its best judgment, skill, and care in all matters pertaining to the performance of this contract. An important management tool in evaluating contractor performance is the establishment of budgets. Accordingly, DOE annually included an amount for BPS overtime in the DOE budget. This amount was determined based upon BPS' budget submission, mission requirements, DOE funding limits, and discussions between SPRPMO and BPS management.

However, BPS continually exceeded the amount DOE budgeted for overtime. Although BPS prepared reports that showed budgeted amounts were exceeded, BPS personnel stated that no action was taken as long as the total operating budget (including all labor, materials, and other operating costs) established by the contract was not exceeded. A comparison of the actual overtime paid to budgeted overtime for Fiscal Years 1988 through 1991 follows.

Boeing Petroleum Service
(In Millions)

<u>Fiscal Year</u>	<u>Actual</u>	<u>Budget</u>	<u>Amount Exceeded Budget</u>
1988	\$ 5.7	\$ 4.7	\$1.0
1989	5.1	4.3	0.8
1990	5.7	4.0	1.7
1991	<u>6.0</u>	<u>4.6</u>	<u>1.4</u>
	<u>\$22.5</u>	<u>\$17.6</u>	<u>\$4.9</u>

As shown above, BPS exceeded the budgeted overtime amount in each of the 4 years, resulting in \$4.9 million in excess overtime during the 4-year period.

NEED FOR INCREASED MANAGEMENT ATTENTION AND REVIEW

These conditions existed because BPS did not enforce its procedures and controls or use its best management skills to monitor the use of overtime. Instead, BPS' primary concern was to not exceed the contract's overtime premium pay ceiling rather than to minimize the use of overtime. Furthermore, SPRPMO had established a ceiling that exceeded approved overtime budget levels.

Monitor Use Of Overtime

The SPRPMO contract and good business practices require that management controls include procedures to generate pertinent information for evaluating performance and addressing potential problem areas. Once potential problems are identified, management has the information needed to evaluate the significance of the problem and take necessary corrective action. BPS prepared overtime reports but did not use them to control overtime costs, evaluate the need for overtime, or determine the appropriateness of performing cost/benefit analyses and overtime trend analyses.

Cost/Benefit Analyses

Cost/benefit analyses would allow BPS management to (1) evaluate the need for overtime; (2) establish a break-even point for using overtime versus subcontracting the tasks; (3) determine optimum manpower and overtime levels for current and long-range plans; and (4) evaluate the effect of overtime use on nonfinancial factors such as employee productivity and safety.

BPS did not prepare cost/benefit analyses for examples cited in this report, even though many employees worked extended overtime at tasks that did not require specialized training or skills. Cost/benefit analyses would have shown that moving furniture, cutting grass, and beautifying sites could have been accomplished more economically by using temporary help in lieu of overtime. Without such analyses, management cannot be assured that overtime is the most cost effective approach to meeting manpower requirements.

Overtime Trend Analyses

Overtime trend analyses provide management the means to better control overtime by (1) identifying periods or organizations that had high or unexpected levels of overtime, (2) investigating reasons for overtime use extremes, and (3) taking corrective action to minimize overtime. Although BPS did perform some trend analyses, we could discern no initiatives resulting from them.

Our analyses of overtime used during Calendar Years 1990 and 1991 showed the following potential adverse overtime trends.

- o Operations and maintenance employees worked considerable overtime. There were about 386 operations and maintenance employees in Calendar Year 1990 and 407 employees in Calendar Year 1991. Each operations employee averaged 294 overtime hours (about 6 hours per week) and each maintenance employee averaged 222 (over 4 hours per week) overtime hours during the 2-year period.
- o Overtime was 43 percent higher during the last 4 months of each calendar year. During September through December of Calendar Years 1990 and 1991, BPS employees

averaged 18,265 overtime hours, while they averaged only 12,746 hours from January through August of these years. However, BPS site management was not aware of this trend and could provide no reasonable explanation for the magnitude of the increase in overtime during these periods.

Effective use of overtime trend analyses would have shown BPS these potential adverse trends and enabled them to take corrective action.

Overtime Premium Pay Ceiling

BPS took no actions to reduce overtime, because the overriding control was the overtime premium pay ceiling established by SPRPMO. BPS annually budgeted for and SPRPMO approved an amount for total overtime based on percentages of estimated direct labor costs. In addition, SPRPMO established a premium pay ceiling and modified the BPS contract to establish an annual allowable cost ceiling for premium pay. So long as BPS's overtime premium pay costs stayed below this ceiling, no reductions of overtime were considered necessary.

Furthermore, SPRPMO's use of an overtime premium pay ceiling as a control over overtime costs was ineffective because the ceiling was too high. The ceiling was set so high that even though BPS consistently exceeded the approved overtime budget, they did not exceed the overtime premium pay ceiling.

IMPACT OF NOT MANAGING AND CONTROLLING OVERTIME

We could not conclusively establish that overtime was not needed, because adequate documentation supporting overtime was not available. Overtime justifications lacked specificity and did not state the impact, if any, of not using overtime. Furthermore, discussions with management did not help us understand why overtime was needed. However, the dramatic decrease in the use of overtime as a result of SPRPMO's actions since the inception of this audit indicates that not all the overtime worked was needed.

Early in the audit, the SPRPMO manager expressed his concerns about the extensive use of overtime. After our discussions, he reduced the overtime premium ceiling and directed BPS to immediately institute tighter controls that would

require justifications to show why overtime was necessary and who was working the overtime. After these controls were instituted, overtime decreased 70 percent. To illustrate, during the first 22 weeks of Fiscal Year 1992 (October 3, 1991 through February 27, 1992), the average weekly overtime pay was \$96,388. In the 21 weeks after our meeting (March 5 through July 23, 1992), the average weekly overtime decreased to \$28,545 a week.

The actions initiated by SPRPMO and BPS to reduce overtime should reduce annual overtime costs by an estimated \$2.2 million. We computed this amount by comparing the \$5.6 million average of overtime costs during Fiscal Years 1988 through 1991 to BPS' proposed Fiscal Year 1993 \$3.4 million overtime budget. This annual estimate is an average of \$65,385 per week as compared with the average of \$28,545 that has been recently experienced.

SPRPMO concurred with the estimated monetary impact. As a result of this audit, DOE and BPS management focused attention upon the amount of BPS overtime being used during the maintenance work at Bryan Mound. The DOE Project Manager insisted that BPS take steps to reduce overtime, and BPS responded by doing so. SPRPMO further stated that dramatic decreases in overtime resulted in Calendar Year 1992 from the attention and direction provided by DOE and BPS management: "It would appear that overtime is presently under control and should remain so through the duration of the present contract and continuing into the subsequent new contract."

PART III

MANAGEMENT AND AUDITOR COMMENTS

In responding to the tentative findings and recommendations, SPRPMO concurred fully with the finding, associated recommendations, and estimated monetary impact. A summary of SPRPMO's comments and our reply follow.

Management and Controls Over the Use of Overtime.

Recommendation 1.a. SPRPMO should establish an overtime premium ceiling in consonance with the approved DOE budget.

Management Comments. SPRPMO concurred and stated that it already implemented an informal procedure whereby there is internal coordination between the contracting officer and budget officials to ensure that the overtime premium ceiling is in agreement with the approved DOE budget. A formal written procedure will be developed in the near future.

Recommendation 1.b. SPRPMO should establish procedures to monitor BPS use of overtime to ensure that overtime is worked only when needed.

Management Comments. SPRPMO concurred and stated that it already established internal procedures whereby a regular monthly review of BPS overtime is performed. This review results in a report of usage, prepared by the Financial Planning and Project Control Branch, that is provided to the Project Manager and assistant project managers of the SPRPMO, for their use in determining whether overtime was properly utilized.

Recommendation 2.a. Enforce BPS policies and procedures for scheduling, justifying, approving, and controlling overtime.

Management Comments. SPRPMO concurred and stated that BPS procedures are in place and that DOE has directed BPS in various conferences held on this issue to place increased emphasis in enforcing its procedures. Formal written direction was given to BPS on December 4, 1992.

Recommendation 2.b. Monitor work shifts after they are implemented to ensure that proposed results are achieved.

Management Comments. SPRPMO concurred and stated that the Project Manager has already requested BPS to continue its monitoring of work shifts for effectiveness and results. Formal written direction was given to BPS on December 4, 1992.

Recommendation 2.c. Manage overtime within DOE budget constraints.

Management Comments. SPRPMO concurs and the Project Manager has already directed BPS to manage its overtime within new constraints. Formal written direction was given to BPS on December 4, 1992.

Recommendation 2.d. Monitor the use of overtime to include analyses to identify adverse trends and to ensure that overtime is the most effective approach to meeting work requirements.

Management Comments. SPRPMO concurred and stated that the BPS Business Management and Administration Division currently provides overtime reports, to include trend analysis, to its Project Manager and other division heads on a monthly basis. Formal written direction was given to BPS on December 4, 1992.

Auditor Comments. The actions taken and planned by the SPRPMO are responsive to the recommendations.

END

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2/10/93