



Rochester Genesee Regional Transportation Authority

Management of Employee Overtime

Report 2009-S-103



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of State Government Accountability

December 1, 2010

John G. Doyle Jr.
Chairman
Rochester Genesee Regional Transportation Authority
1372 East Main Street
Rochester, NY 14609

Dear Chairman Doyle:

The Office of the State Comptroller is committed to helping State agencies, public authorities and local government agencies manage government resources efficiently and effectively and, by so doing, providing accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit of the Rochester Genesee Regional Transportation Authority's *Management of Employee Overtime*. This audit was performed pursuant to the State Comptroller's authority under Article X, Section 5 of the State Constitution and Section 2803 of the Public Authorities Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

*Office of the State Comptroller
Division of State Government Accountability*

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State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

Audit Objectives

Our objectives were to determine whether RGRTA is adequately managing employee overtime and if overtime paid to employees is actually worked and necessary.

Audit Results - Summary

We found that Rochester Genesee Regional Transportation Authority (RGRTA) officials have taken steps to manage and control employee overtime. In late 2009, RGRTA negotiated changes to the union contract which gave management more control over employee attendance and absences – factors which contribute to the use of overtime. For example, the number of unscheduled absences before disciplinary action can be taken decreased from 19 to 11. In return for the contract changes the employees received wage increases. RGRTA also instituted a monetary incentive program for dispatchers in its para-transit operations (Lift Line) subsidiary to minimize bus driver overtime in this subsidiary. We also note that RGRTA pension benefits are based on years of service and pay, but are capped at a level at which overtime pay does not increase the pension amount and therefore the cost to RGRTA to fund the pension plan.

In addition, we identified some areas where RGRTA could further improve its monitoring and control of overtime. For example, most of the overtime controls RGRTA implemented so far are directed at unscheduled overtime, while most of the overtime is scheduled in bus driver runs. Bus driver overtime is also driven by employee absenteeism, underutilization of part-time drivers, and a lengthy process to hire new drivers that can take more than 12 weeks. We recommend RGRTA assess alternative methods to attract and retain part-time drivers, such as more desirable work schedules, longevity incentives for part-time drivers based on their duration of service, and perhaps a limited level of benefits. RGRTA should also evaluate offering monetary rewards to employees who use less than a certain number of sick leave days in a specified time period. This could improve attendance and reduce the need for overtime due to absences.

RGRTA budgets overtime hours for the maintenance department shops. We found that the budgets are frequently exceeded, but the reasons for the overages are not always documented. We recommend RGRTA improve its overtime controls by documenting reasons for exceeding the budgeted overtime hours. We also noted that RGRTA has not established repair time standards to track mechanic productivity. Without repair standards, repairs can take too long and result in unnecessary overtime. RGRTA officials told us they had implemented a new

maintenance information system at the end of our audit. However, it will take an additional year or two to accumulate and analyze repair data before standards can be developed.

To determine whether overtime paid to employees is actually necessary and worked, we tested overtime payments to seven of the 15 RGRTA employees with the highest overtime earnings. The seven employees were paid for 621 hours of overtime during four randomly selected pay periods we tested. We found that 537 overtime hours totaling \$17,572 were not justified mainly due to a lack of documentation because the reasons for overtime during the normal workweek of Monday through Friday are not recorded. RGRTA officials told us that the reasons for bus maintenance overtime will be documented in the new maintenance information system.

We made an unannounced visit to the maintenance department and found that some workers routinely start before their regular shift and, therefore are paid overtime, to ensure that buses going out during the early morning hours are properly working. RGRTA should assess reassigning some employees to an alternative work schedule that starts earlier to cover such routine work on straight time. RGRTA officials told us that the union agreement for mechanics prohibits alternative work hours. We believe RGRTA management should pursue more flexible work schedules in future contract negotiations.

RGRTA did not complete a cost analysis to replace an employee on long term military leave. RGRTA paid an employee \$59,000 in overtime to fill in for the employee on military leave and for other tasks. As a result, RGRTA may have paid more than if they had hired or promoted staff.

Our report contains four recommendations to improve the RGRTA's management of employee overtime. Officials generally agreed with our recommendations and have taken steps to implement changes.

This report, dated December 1, 2010, is available on our website at: <http://www.osc.state.ny.us>. Add or update your mailing list address by contacting us at: (518) 474-3271 or
Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, NY 12236

Introduction

Background

The Rochester-Genesee Regional Transportation Authority (RGRTA) was created to provide public transportation and other related services by railroad, omnibus, marine and air within the Rochester-Genesee regional transportation district. RGRTA oversees public transportation in Monroe, Genesee, Livingston, Orleans, Wayne, Wyoming and Seneca counties. RGRTA's largest subsidiaries are the Regional Transportation Service (RTS) and Lift Line (para-transit) that generally service Monroe County. Regional rural transit subsidiaries service the surrounding counties. RGRTA is governed by a 13-member Board of Commissioners representing the various municipalities to which RGRTA provides bus services.

RGRTA has four union contracts that include provisions to address the majority of employee overtime. The contracts require that overtime be bid and assigned on the basis of seniority. Also, the Federal Fair Labor Standards Act (FLSA) requires overtime compensation (at time and one-half) for all hours worked over a prescribed threshold (typically 40 hours per week). Overtime is either scheduled, allocated to employees to cover for absences, or is used for work considered outside of the normal routine.

For the year ended March 31, 2009, RGRTA's operating expenditures were \$78.7 million, of which \$53.4 million was for wages (\$32.1 million) and benefits (\$21.3 million). According to RGRTA records, overtime has increased from \$2.8 million in 2005-06 to \$3.5 million in 2008-09. During the year ended March 31, 2009, RGRTA's \$3.5 million in overtime was about 11 percent of wages. Of this amount, RGRTA paid \$2.7 million (about 77 percent) in overtime to bus operators. Most of the bus operator overtime was scheduled within their runs.

Audit Scope and Methodology

We audited RGRTA to determine whether it is adequately managing employee overtime and if overtime paid to employees is actually worked and necessary. Our audit covered from January 1, 2006 through February 25, 2010. To accomplish our objectives, we met with RGRTA officials to confirm and enhance our understanding of their practices for managing, scheduling and approving overtime, as well as the main causes of overtime. We also reviewed RGRTA's union contracts and overtime payment data from RGRTA's payroll system. We judgmentally selected a sample of the highest overtime earners for 2008-09 and audited overtime payments for four pay periods to determine if the overtime was necessary and worked. We reviewed RGRTA time and attendance system and obtained

an understanding of RGRTA operations. We also made an unannounced visit to RGRTA's maintenance department to verify personnel working overtime.

We conducted our performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

Authority

The audit was performed pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution and Section 2803 of the Public Authorities Law.

Reporting Requirements

A draft copy of this report was provided to RGRTA officials for their review and comment. Their comments were considered in preparing this final report and are attached in their entirety at the end of this report.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Executive Director shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

Contributors to the Report

Major contributors to this report include Carmen Maldonado, Steve Goss, Roger C. Mazula, Alexander Marshall, Gayle Clas, and Jeffrey Dormond.

Audit Findings and Recommendations

Management and Control of Employee Overtime

RGRTA officials have taken some steps to manage and control employee overtime. For example, they developed performance measurement tools called the “Transit Organization Performance Scorecard” to measure operations, including metrics related to overtime, such as on-time performance, disabled buses, lost workdays, and hours of unscheduled overtime. As part of this scorecard, RGRTA established a monetary incentive for Lift Line dispatchers who minimize overtime and allocated budgeted hours for overtime to the various maintenance department divisions.

In late 2009, RGRTA and its largest union signed a renegotiated contract which covers most of its bus drivers, mechanics and maintenance staff. In exchange for wage increases, the new agreement gives management more control over employee attendance and absences – factors which contribute to the use of overtime. Examples of some changes include:

- In the past, the first six employees in each Department, that signed up for a day off 20 days in advance were guaranteed the day off, even if it resulted in overtime. The number of employees guaranteed the day off was reduced to two per day for maintenance workers and up to four per day for bus drivers.
- The number of unscheduled absences before disciplinary action can be taken decreased from 19 to 11.
- Contract clauses that limit the various mechanical trades in the garage to specific types of work were eliminated, and this resulted in greater flexibility in the assigning of work to the mechanics, and eliminated some causes of overtime.

We also note that most of RGRTA’s employees are in a private pension plan. Benefits are based on years of service and pay, but the retirement benefits are capped at a level at which overtime pay does not increase the retirement benefit amount. Therefore the cost to RGRTA to fund the pension plan is reduced.

We recognize the contract changes provide RGRTA better control over certain areas of employee attendance and could potentially result in lower overtime costs. However, most of the overtime controls implemented so far have been directed at unscheduled overtime, while most of RGRTA’s overtime is scheduled. We also identified some weaknesses in the control

of overtime in RGRTA's maintenance departments. Therefore, RGRTA needs to take additional actions to improve control over its overtime.

Bus Driver Overtime

Bus driver overtime is routinely built into the bus schedules each quarter at RTS and is the cause of the largest amount of overtime. For example, overtime occurs when a scheduled route is anticipated to take longer than the driver's work day. In addition, there are extra bus runs that take from half an hour to about three hours, called "trippers." Bus drivers select their work schedules quarterly based on seniority. Some of the regular bus routes have downtime that permits drivers to do trippers as well. Full-time drivers that do trippers on a regular route receive a minimum of two hours overtime per run. For example, if a driver has a regular run and three trippers during the week, and two trippers on Saturday, the driver would be paid at least 10 hours overtime for the week.

Having the optimum number of bus drivers is essential if RGRTA is to meet customer service needs efficiently with minimal overtime. In 2009, RGRTA managers analyzed the bus routes, staffing, and employee absence rates at RTS and concluded it needed four drivers. As a result, RTS likely incurred some overtime that could have been avoided if it had the optimum number of drivers. Bus driver overtime is also driven by employee absenteeism, underutilization of part-time drivers, and a lengthy process to hire new drivers that can take more than 12 weeks. We view these areas as opportunities for RGRTA to reduce overtime.

- **Part-Time Drivers**

The union agreements allow RGRTA to use part-time bus drivers up to 50 percent at the Lift Line para-transit subsidiary, and up to 10 percent at RTS. RGRTA can also use part-time bus drivers at its regional rural subsidiaries, most of which are not represented by labor unions. About one-half of the Lift Line bus drivers are part-time, but RTS had only eight such drivers as of November 17, 2009, when it could have up to 32. By increasing the number of part-time bus drivers at RTS and using them for bus runs driven by employees on an overtime basis (trippers), RGRTA could potentially reduce the scheduled bus driver overtime. RGRTA officials agree that it may be beneficial to use more part-time bus drivers, but they told us it has been difficult to attract and retain part-time bus drivers at RTS and the regional rural subsidiaries because of the limited work hours and benefits.

RGRTA should assess alternative methods to attract and retain part-time drivers, such as more desirable work schedules, longevity incentives for

part-time drivers based on their length of service, and perhaps a limited level of benefits.

- Incentives to Reduce Overtime

Lift Line dispatchers have a quarterly monetary incentive program to keep bus driver overtime at a minimum. However RGRTA has not incorporated similar incentives at RTS, where most of the overtime is incurred. RGRTA officials told us that they have tried to implement such a program at RTS but the employees' union rejected the proposal. We encourage RGRTA officials to continue to negotiate for such terms in future union agreements.

RGRTA determined that RTS's bus driver absenteeism rate was 23 percent. While the new union agreement includes greater limits on unscheduled absences, we believe that RGRTA officials could take additional actions to reduce the absenteeism rate and resulting overtime among RTS bus drivers. For example, RTS could evaluate offering monetary rewards to employees who use less than a certain number of sick leave days in a specified time period. This could improve attendance and reduce the need for overtime due to absences.

Maintenance Department Overtime

The maintenance department has seven divisions: garage (days and nights), overhaul shop, body shop, buildings and grounds mechanical, buildings and grounds non-mechanical, service shop and fare box. Overtime work is handed out by seniority to available employees. Technicians accepting overtime should have the necessary skills. Maintenance employees can be asked to begin work two hours early; any work assigned to maintenance employees 30 minutes before their shift is offered by seniority to employees on duty. Garage employees called in for emergency work receive a minimum of five hours overtime pay. We found that RGRTA can improve its overtime controls by documenting reasons for exceeding the budgeted hours and establishing repair time standards to track mechanic productivity.

- Maintenance Overtime Budgets

RGRTA budgets overtime hours for each operating unit as a way to manage and control overtime. The supervisor in each maintenance department is responsible for controlling employee overtime. We reviewed budgeted overtime hours for the seven maintenance divisions for the period April 1, 2005 through December 31, 2009. We found that the maintenance divisions exceeded their budgeted overtime hours for

about 75 percent of the quarterly reporting periods. For the year ended March 31, 2009 the Maintenance Department's actual overtime hours exceeded budgeted hours by 25 percent. Five of the seven maintenance divisions exceeded their budgeted overtime hours by 20 percent to 98 percent. RGRTA officials told us they exceeded the budget because they had ten vacant positions (about ten percent), it was difficult and time consuming to fill positions due to contract requirements, and certified mechanics with verifiable skills were not easily obtained.

Additionally, RGRTA management decided to use overtime for certain special projects including lift replacement, installation of a backup generator, and for unplanned engine repairs. While the use of overtime hour budgets is a good control, its effectiveness is diminished because RGRTA did not provide documentation explaining the amount of overtime incurred or the reasons why budgets were exceeded. RGRTA needs such documentation as evidence that it is actively monitoring and controlling maintenance overtime, especially considering how frequently the budgeted hours have been exceeded.

- Maintenance Standards

When employees take longer than necessary to perform maintenance tasks, they may incur overtime to finish the task. Bus repair time and preventive maintenance standards are important indicators for assessing employee productivity, and can help control unnecessary overtime. RGRTA mechanics enter actual labor time for preventive maintenance on a job card for input into a vehicle maintenance information system. In our prior audit (Report 2005-F-12 issued February 8, 2006) we found that preventive maintenance was performed within the established standards. However, RGRTA did not establish standards for bus repairs. At the end of our current audit, RGRTA officials told us they purchased a new maintenance information system and put it into operation on May 25, 2010. However, it will take an additional year or two to accumulate and analyze repair data before maintenance standards can be developed.

- Alternative Work Schedules

Buildings and grounds employees' normal work schedule is Monday through Friday throughout the year. In winter months, one cause of employee overtime is snow removal. We found that some agencies, such as the Department of Transportation and the New York State Thruway Authority, reschedule some employees' regular work week during the winter months to provide for snow removal without incurring as much overtime. RGRTA officials told us the use of alternate work schedules for buildings and grounds employees during the winter months could reduce overtime, but such schedule changes are prohibited by the union

agreement. RGRTA should pursue such a change to the union agreement during future negotiations.

Justification of Overtime

To determine whether the overtime paid was actually worked and necessary, we reviewed the records for a sample of seven maintenance workers from the 15 top overtime earners during the year ended March 31, 2009. Our sample included four randomly selected pay periods for each of the seven employees that totaled 621 hours of overtime. We found that maintenance department supervisors do not document the reasons why overtime is needed during the normal workweek of Monday through Friday. As a result, our tests showed that 537 overtime hours totaling \$17,572 were not justified, because of a lack of any documentation for 407 hours (66 percent) and no description of the work done for 130 hours (21 percent). For example, a senior buildings and grounds worker was paid about \$28,000 in overtime during the work week, with no description of the work documented. The remaining 84 hours of overtime (13 percent) were justified.

Without such documentation, RGRTA management lacks assurances that it is only paying for overtime that is actually necessary. RGRTA officials told us that the newly installed maintenance information system will document the reasons for bus maintenance overtime.

We made an unannounced visit to the RTS maintenance department to determine if employees were on overtime and if so, what work was being done. We noted that four of 15 employees on the 7:00 a.m. to 3:00 p.m. shift had started work two to three hours before the start of the shift. A supervisor told us the workers were needed to ensure that buses going out during the early morning hours are properly working. However, we found that one worker came in three hours early in case bus radios needed to be fixed before the morning pullout. It was not clear that any actual repair work was necessary. Furthermore, if mechanics need to routinely arrive early to check bus readiness for the morning, RGRTA should assess whether some employees should be reassigned to an alternative work schedule that starts earlier to cover such routine work on straight time. RGRTA officials told us that the union agreement for mechanics prohibits alternative work hours. We believe that RGRTA management should pursue more flexible work schedules in future contract negotiations.

Other Matters

Hiring Temporary Employees to Cover Extended Absences

A Lift Line dispatcher went on extended military leave and RGRTA paid another dispatcher overtime to fill in. RGRTA officials told us that they had a part-time employee who could have been promoted to full-time.

However, Lift Line managers decided to leave the position vacant for most of the time the employee was on military leave. RGRTA paid the Lift Line dispatcher additional overtime to ride buses of the regional rural subsidiaries to determine whether the bus service meets RGRTA expectations. We noted that RGRTA contracts with a private firm to do this type of work at RTS and Lift Line, and it should have assessed adding the regional rural subsidiaries to the contract instead of paying overtime for the work. Alternatively, this is work that could be done by temporary employees, such as college students or retired persons.

Reimbursement of Overtime for Warranty Work

RGRTA mechanics generally do warranty repair work on buses as an overtime assignment. The bus manufacturers will reimburse RGRTA for the cost of making the repairs that are covered by the warranty. However, RGRTA does not identify the number of overtime hours worked on specific buses. This information is needed if RGRTA is to be fully reimbursed for making warranty repairs.

- Recommendations**
1. Pursue innovative ways to reduce employee overtime costs by assessing areas such as, but not limited to, more effective use of part-time employees, attendance incentives, alternative work schedules for mechanics, and hiring temporary employees.
 2. Communicate to all work unit supervisors the need to document the justification for overtime use, including a description of the work done on overtime.
 3. Hold maintenance supervisors accountable for keeping overtime within budgeted hours and document the reasons for budget overruns.
 4. Establish bus maintenance productivity standards to measure performance, to document the need for overtime, and to account for time spent on warranty repairs.

Agency Comments



ROCHESTER-GENESEE REGIONAL TRANSPORTATION AUTHORITY
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Tuesday, September 14, 2010

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Ms. Carmen Maldonado
Audit Director
Office of the State Comptroller
State of New York
110 State Street
Albany, New York 12236

Re: Draft Report 2009-S-103 – Management of Employee Overtime

Dear Ms. Maldonado:

The following comments are provided in response to Draft Report 2009-S-103:

1. Bus Operator Overtime:

- a. Given the fact that over 50% of the Authority's workforce is comprised of bus operators, overtime for this group of employees is naturally a significant expense which is carefully planned and monitored. The vast majority of such overtime, as your report notes, is planned overtime that is included in the scheduling of bus operator runs. To assist in this effort, the Authority will soon be upgrading its run-cutting software package to acquire enhanced functionality for minimizing the amount of scheduled overtime.

The greater use of part-time bus operators can indeed reduce overtime costs; and, while Authority management has previously reduced the number of part-time operators due to the difficulty of recruitment and an immediate need for additional full time manpower, management is continually reviewing the utility/effectiveness of part time personnel to achieve the optimum number of bus operators, both full time and part time, to meet service demands.

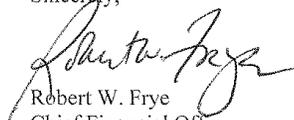
It's important to note that the ratio of benefit costs to hourly wage rate for full time bus operators is approximately 1.4 to 1:00. Therefore, we do not regularly hire additional full time operators simply to reduce overtime costs. There must be an anticipated long term demand for additional operator service hours to justify hiring new full time employees.

2. Maintenance Department Overtime:

- a. During the 2008-09 fiscal year, the overtime budget was exceeded and this was the result of a conscious management decision to not fill vacancies until we could recruit qualified candidates. Once again, the cost differential between paying an overtime rate and hiring an additional full time employee is not significant enough to lightly justify bringing on new employees. Further, as noted in your report, due to the pension benefit structure for both maintenance technicians and bus operators, overtime earnings do not automatically translate into higher pension liabilities for the Authority.
- b. The Authority occasionally assigns staff to capital project work. We do not hire additional employees for this work due to its temporary nature. Often the capital project work must be accomplished on overtime due to the demands of regular work assignments. Such capital work is closely tracked and charged back to the appropriate capital project budget. We believe it appropriate to do so. The Bus Sign project noted in your report is a perfect example of this.
- c. All maintenance supervisors are held accountable for overtime assignments to their employees. Each supervisor is required to maintain a daily log sheet of overtime assignments and the reason for the assignment. Overtime hours are tracked daily/weekly/monthly and compared to budgets.
- d. New software to plan and monitor fleet maintenance costs and activities went live in May, 2010. This software enables the development and application of service standards; and such standards are currently being developed. We do anticipate that it will take approximately one year to fully develop and implement these standards. This will be a very significant leap forward when accomplished.

We appreciate the work of the State Comptroller's Office to assist the Authority in its continuing effort to efficiently and effectively manage employee overtime expenses. Our thanks also to your staff for their courtesy and professionalism while conducting the field work for this audit.

Sincerely,



Robert W. Frye
Chief Financial Officer

cc: John G. Doyle, Jr., Chairman, RGRTA Board of Commissioners
Mark R. Aesch, Chief Executive Officer, RGRTA
Harold Carter, General Counsel, RGRTA
Deborah Griffith, Chief Administrative Officer, RGRTA
Randal Weaver, Chief of Operations, RGRTA