

H. CARL McCALL
STATE COMPTROLLER



A.E. SMITH STATE OFFICE BUILDING
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

June 28, 1999

Mr. Luiz Kahl
Chairman
Niagara Frontier Transportation Authority
181 Ellicott Street
Buffalo, NY 14203

Re: Report 99-F-13

Dear Mr. Kahl:

Pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution, we have reviewed the actions taken by officials of the Niagara Frontier Transportation Authority (NFTA), as of April 1, 1999, to implement the recommendations contained in our audit report, *Niagara Frontier Transportation Authority Payroll Practices* (Report 97-S-9). Our report, which was issued on May 14, 1998, examined the NFTA's controls over employee time and attendance, the use of its personnel resources, and the necessity and validity of overtime payments.

Background

The NFTA is a public benefit corporation established to continue, develop, and improve transportation services within Erie and Niagara counties. It operates the Buffalo Niagara International Airport, the Niagara Falls International Airport, the Port of Buffalo, the Metropolitan Transportation Center, and the Niagara Frontier Transit Metro System, Inc. NFTA has two operating divisions; the Authority and the Metro. For the fiscal year that ended on March 31, 1998, NFTA reported total operating revenues of \$51.3 million and operating expenses of \$88 million, or an operating deficit of \$36.7 million. NFTA receives Federal, State, and local government subsidies to cover its operating deficits. During the same fiscal year, NFTA spent \$71.2 million, more than 80 percent of its total operating expenses, for salaries and fringe benefits for about 1,542 employees.

Summary Conclusions

Our prior audit identified a number of internal control weaknesses. For example, employee time and attendance records were not always maintained or certified as required, and overtime payments were not always documented adequately. In some instances, it was found that

employees may not have worked all of the overtime hours that were claimed. We also observed several employees who appeared to be idle during their work shifts.

In our follow-up review, we found that the NFTA has made improvements in its internal control system over the time and attendance process, in providing training to monitor employee efficiency, and in monitoring bus driver overtime. However, further improvement can still be made.

Summary of Status of Prior Audit Recommendations

Of the six prior audit recommendations, NFTA officials have implemented two recommendations and have partially implemented three recommendations; one recommendation is no longer applicable.

Follow-up Observations

Recommendation 1

Establish an effective system of internal control to ensure that payroll expenditures are bona fide, necessary and appropriate. At a minimum:

- *perform a risk assessment for the time and attendance cycle to identify existing risks and critical control points;*
- *design control procedures that ensure time records accurately reflect employee time worked and leave used and that address all critical control points identified in the risk assessment;*
- *instruct all employees about the importance and requirements of the timekeeping system; and*
- *monitor and evaluate the system through appropriate communication and feedback to ensure it is working to control and limit risk identified in the risk assessment.*

Status - Implemented

Agency Action - NFTA's Internal Audit Department has completed a risk assessment of the time and attendance cycle. Timesheet procedures were amended and distributed to the senior staff on July 15, 1997, prior to the end of the fieldwork for the prior audit. Controls for signing and approving time records have also been implemented. The Authority and Metro Divisions' Business Office staffs have also met with the various departments to provide instruction and training on the implementation of the time record-completion procedures. The Internal Audit Department has tested the system on four separate occasions since our prior audit to ensure that it is working effectively, and has reported its findings to NFTA's Executive Director and Chief Financial Officer.

Recommendation 2

Establish work expectations and standards for employee productivity during work shifts.

Status - Partially Implemented

Agency Action - NFTA officials have instructed Metro staff on work expectations, although they have not provided guidance on discretionary breaks, as they indicated they would in their 90-day response to our prior audit. Similar instruction has not been provided to Authority staff. Standards for employee productivity have not been developed. The NFTA is currently in the process of developing a Request for Proposal to let a contract for establishing work standards.

Recommendation 3

Instruct supervisors about their responsibilities for ensuring work expectations are met.

Status - Partially Implemented

Agency Action - Most Metro supervisors received training in September 1998 on their responsibilities for ensuring that work expectations are met. Similar training has not been conducted with Authority supervisors, or with the rest of Metro supervisors.

Recommendation 4

Establish a monitoring system to minimize employee non-productivity and to ensure that unit supervisors are aware of employee locations and work status. Ensure employees are assigned work for the entire shift to help minimize idleness.

Status - Partially Implemented

Agency Action - In September 1998, NFTA officials conducted training for most Metro supervisors about monitoring employee productivity. Similar training has not been conducted with Authority supervisors, or with the rest of Metro supervisors. Spot checks are occurring on the Metro side and on a limited basis on the Authority side; however, they are not typically documented. The NFTA plans to purchase a new work order system that will be used to monitor employee productivity.

Recommendation 5

Analyze the reasons for overtime at the bus stations and act accordingly to contain these costs.

Status - Implemented

Agency Action - The NFTA makes monthly comparisons of budgeted with actual amounts of overtime to determine the reasons for overtime, and there has been a conscious effort to contain these costs. In fact, the issue of overtime cost containment is important to the NFTA Board of Directors (Board), who review these monthly reports and responses from managers whose overtime costs exceed budget. Our analysis of fiscal year 1998-99 overtime amounts found that overtime at the three bus stations has decreased about 50 percent since 1996-97.

Recommendation 6

Analyze whether working extended periods of time adversely affects an employee's ability to perform job duties.

Status - No Longer Applicable

Agency Action - No additional action has been taken regarding this recommendation. NFTA officials agree that working extended periods of time affect an employee's ability to perform, and that a study would not be cost-beneficial. The basis for the recommendation was that we found bus operators who worked many hours per week - one for an average of more than 93 hours per week. However, we determined that the operators earned most of their overtime providing instruction, while maintaining their normal routes. This practice was discontinued during our prior audit. In addition, as in the case of the prior recommendation, the NFTA monitors total overtime per month compared with budgeted amounts by department; and large variances are explained to both NFTA management and the Board.

Major contributors to this report were Thomas A. Nowinski and Joanne Kavich.

We would appreciate your written response to this report within 30 days, indicating any actions planned or taken to address any unresolved matters discussed in this report. We also thank the management and staff of Niagara Frontier Transportation Authority for the courtesies and cooperation extended to our staff during this review.

Very truly yours,

Frank J. Houston
Audit Director

cc: Charles Conaway
Lawrence Meckler