



New York Power Authority

Controls Over Overtime

Report 2009-S-110



Thomas P. DiNapoli

Table of Contents

	Page
Authority Letter	5
Executive Summary	7
Introduction	9
Background	9
Audit Scope and Methodology	10
Authority.....	10
Reporting Requirements.....	11
Contributors to the Report	11
Audit Findings and Recommendations.....	13
Need for Overtime	13
Distribution of Overtime	15
Overtime Worked by Employees.....	15
Recommendations	16
Agency Comments.....	17

State of New York Office of the State Comptroller

Division of State Government Accountability

July 15, 2010

Michael J. Townsend
Chairman
New York Power Authority
123 Main Street
White Plains, NY 10601

Dear Chairman Townsend:

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 New York Power Authority's *Controls Over 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*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

Audit Objectives

Our objectives were to determine if the New York Power Authority's (Authority) overtime hours were necessary and if the Authority made efforts to distribute overtime equitably among its employees. Additionally, we sought to determine if overtime hours paid to employees were worked.

Audit Results - Summary

The Authority is the largest state-owned utility in the United States, operating 16 generating facilities and more than 1,400 circuit-miles of transmission lines. In 2009, the Authority employed nearly 1,900 people with payroll costs of over \$154 million, of which over \$10 million were overtime costs. Two hydro-electric facilities, the Niagara Power Project (Niagara) and the St. Lawrence-Franklin D. Roosevelt Power Project (St. Lawrence), have the highest amounts of overtime. These two plants incurred over 50 percent of the Authority's total overtime costs for the three calendar years 2007 through 2009. In 2009, Niagara employees worked 53,553 hours of overtime costing almost \$3 million; St. Lawrence employees worked 45,350 hours of overtime costing over \$2.6 million. Our audit focused on these two facilities.

We determined that overtime hours worked were necessary to maintain minimum staffing levels and to repair operating systems. However, we found that overtime costs could have been reduced if each plant's operations department had been staffed adequately. Currently, both Niagara and St. Lawrence are understaffed.

To meet the minimum staffing requirements at Niagara, the facility requires enough senior operators to fill 21 shifts each week and enough journeyman operators to fill 78 shifts each week. As of March 2010, Niagara only had enough staff to cover 20 senior operator shifts and 65 journeyman operator shifts each week; therefore, a total shortage of 14 shifts a week needed to be covered by overtime. St. Lawrence was short 12 journeyman operator shifts each week. Although both facilities operate an apprenticeship program for new operators, the length of time it takes to complete the program (from three to four years) requires proper planning to prevent staffing levels from dropping precariously low, resulting in unnecessary overtime costs.

We found that overtime hours were being distributed equitably among employees at these two facilities. The Authority's system for distributing overtime provides equal opportunity for all employees within their job titles to work overtime. While we found some employees worked

more overtime than others, this was a result of personal preference rather than a result of the distribution system.

We found adequate controls in place to ensure that employees were present during scheduled and overtime shifts, performing assigned duties, and recording time accurately on their timesheets. We conducted a series of floor checks in which we found employees were present and performing their assigned duties; there was no indication of idleness.

Our report contains two recommendations to help reduce overtime costs and maintain adequate staffing levels. Authority officials agreed with our recommendations and have taken actions to implement them.

This report dated July 15, 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 Authority is one of New York State's leading suppliers of electricity, operating 16 generating facilities and more than 1,400 circuit-miles of transmission lines. In 2009, the Authority had nearly 1,900 full-time and seasonal employees with payroll costs of over \$154 million, including over \$10 million in overtime costs. Two hydro-electric facilities, the Niagara Power Project (Niagara) and the St. Lawrence-Franklin D. Roosevelt Power Project (St. Lawrence), had the highest amounts of overtime from 2007 through 2009. These two facilities incurred over 50 percent of the Authority's total overtime costs for the three years. In 2009, Niagara employees worked 53,553 hours of overtime costing almost \$3 million; St. Lawrence employees worked 45,350 hours of overtime costing over \$2.6 million. We conducted a majority of our testing at these two sites.

Niagara has three main operating facilities: Robert Moses, Lewiston Pump Generating Plant (LPGP) and the Switchyard. These facilities are staffed on a full-time basis, with Robert Moses and LPGP staffed 24 hours a day, 7 days a week. The operations department is staffed 24 hours a day, 7 days a week. Niagara Maintenance department employees work Monday through Friday from 7:00 am to 3:30 pm. St. Lawrence has one main operating facility, a switchyard, seven remote substations, and transmission lines. Its operations and maintenance departments' staff work schedules similar to Niagara. Both Niagara and St. Lawrence have security coverage 24 hours a day, 7 days a week.

Each facility's operations and security departments must maintain minimum staffing levels to run the facilities safely. These levels are agreed upon by management and the unions. The operations departments' daily activities are overseen by operation supervisors, who act as shift management (they are not unionized). The plants are manned by senior and journeyman operators, all of whom are union employees. Barring emergencies, journeyman operators are not used to staff senior operator positions and vice versa. Local units of the International Brotherhood of Electrical Workers (IBEW) represent employees at both Niagara and St. Lawrence. In addition to representing employees and working with management regarding minimum staffing levels, IBEW and management have collectively established the apprenticeship program for new operators.

It takes approximately four years for a new employee to complete the apprenticeship program. Each apprentice must be proficient in 122 tasks before being promoted to a journeyman operator. Until an apprentice

completes the program, he or she must have one-on-one supervision by a journeyman or senior operator. At Niagara, the tasks at each of the three main operating facilities may be completed separately. This allows apprentices to work unsupervised at a location where they have completed all tasks before they have accomplished the full apprenticeship. St. Lawrence has one main operating facility and, therefore, apprentices must complete the full apprenticeship before they are allowed to work unsupervised.

Audit Scope and Methodology

We audited the Authority for the period January 1, 2007 through April 13, 2010. To accomplish our objectives, we met with Authority officials to confirm and enhance our understanding of their practices and controls over overtime costs. In addition, we analyzed payroll data received from the Authority, conducted floor checks, reviewed union rules and regulations, and interviewed Authority staff. We conducted a majority of our testing at Niagara and St. Lawrence.

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

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.

Reporting Requirements

A draft copy of our audit observations were provided to Authority officials for their review and comment. Their comments were considered in preparing this report and are included at the end of the report.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Chairman of the Authority 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 were Frank Houston, Walter Irving, Greg Petschke, Heather Pratt, Rick Podagrosi, Kelly Evers Engel, and Andre Spar.

Audit Findings and Recommendations

Need for Overtime Management is responsible for identifying, controlling and reducing risks that can impede an organization from accomplishing its mission. In a period of economic downturn, managing an organization's costs, including overtime, is essential. We reviewed overtime records and spoke with Authority staff and concluded that overtime was necessary to maintain minimum staffing levels and perform repairs to the operating systems. However, we found that overtime costs could have been reduced if both the Niagara and St. Lawrence operations departments had been staffed adequately.

The maintenance departments at Niagara and St. Lawrence generate most of their overtime when they need to repair units within the plant or when major overhauls/upgrades to equipment are needed. If a unit needs to be repaired, the maintenance department does a cost analysis to determine whether it is more cost effective to incur overtime to repair the broken unit or to keep the unit shut down and repair it during normal maintenance hours (i.e., Monday to Friday between 7 a.m. and 3:30 p.m.). At Niagara, the maintenance department also incurs some overtime from the operation of an ice boom on the Niagara River. This overtime is generally for a short time, though that varies with the amount of ice that accumulated over the winter. Given these situations, we found the maintenance departments incur overtime on an as-needed basis and all overtime was justified and necessary when worked. Also, we determined that hiring additional staff would not necessarily mitigate overtime in this area.

For the security departments, overtime is generated primarily to maintain minimum staffing requirements. We found the security department at Niagara had just enough Sergeants to provide minimum staffing levels. Therefore, whenever a Sergeant took leave (e.g., for training, vacations, or sick leave), the shift had to be covered by another Sergeant working overtime. However, we analyzed the amount of overtime hours worked by Niagara's Sergeants and determined it would not be cost beneficial to hire an additional Sergeant, as the overtime needs were not enough to justify an additional position.

Each week, in 2009, the operations departments at Niagara and St. Lawrence incurred an average of approximately 389 hours of overtime (208 at Niagara and 181 at St. Lawrence) costing over \$25,000. This totaled over \$1.3 million for the year. While we found this overtime was

necessary to meet minimum staffing needs, we concluded that these overtime costs can be reduced if the two plants hired additional staff.

Each plant's operations department, which is staffed by senior and journeyman operators, must meet minimum staffing requirements to operate 24 hours a day, 7 days a week. Management stated they have reviewed the staffing requirements and these levels are necessary to keep the plants operating safely and effectively. To meet the minimum staffing requirements at Niagara, the plant requires enough senior operators to cover 21 shifts each week and enough journeyman operators to cover 78 shifts each week. As of March 2010, Niagara only had enough staff to cover 20 senior operator and 65 journeyman operator shifts each week; therefore, a total shortage of 14 shifts a week needs to be covered by overtime. St. Lawrence was short 12 journeyman operator shifts each week.

Currently, the Niagara and St. Lawrence plants have a total of 13 apprentices in their operations departments (6 apprentices at Niagara and 7 at St. Lawrence). An apprentice must receive one-on-one supervision from a journeyman or senior operator. Consequently, in most instances, apprentices cannot fill shift shortages. Plant management stated that when the current 13 apprentices finish their training programs, each site should have enough journeyman operators to meet minimum staffing levels and overtime should decrease accordingly.

However, it will take the current apprentices from one to four years to complete the program. In addition, we identified at least 11 potential vacancies that may occur within the next three years, as employees are eligible to retire. Incurring consistent levels of overtime strains the productivity of staff. Also, if levels drop further it can jeopardize the facilities' ability to meet minimum staff requirements and achieve the Authority's mission to provide clean, efficient, reliable energy with a consistent commitment to safety.

Officials stated the past administration attempted to downsize the number of operations positions by not filling vacancies as they occurred. Current management discerned the prior administration's direction was not realistic to maintain operations and began addressing the situation by filling positions. However, at that point, the number of vacancies was significant.

Officials stated they have received authorization to fill 40 additional operations and maintenance positions in 2010 and intend to tie them to positions that are likely to become vacant due to retirement. Also, management has stated they are working with the unions to adjust

the length of the apprenticeship program. We recognize the current administration's efforts to remedy the staffing shortages. However, good internal controls require continuous monitoring from all levels within the organization. Without continuous monitoring and planning for potential vacancies, it is possible for staffing levels to fall below safe levels.

Distribution of Overtime

We found the Authority has implemented an equitable system for distributing overtime among employees. The Authority does not distribute overtime based on seniority, as is common in many other public authorities. Instead, overtime for security, operations and maintenance departments is distributed based on a ranking generated by the total overtime hours worked or offered to employees. The employee with the lowest ranking (i.e., the fewest overtime hours offered or worked) is offered overtime first. Rather than offering the overtime to the most senior employee continuously, this allows overtime to be distributed more equitably. While we noticed some employees worked more overtime than others, this was attributed to personal preference, rather than an inequity in the system. We reviewed overtime ranking lists and found the system is functioning as intended.

Overtime Worked by Employees

Management and supervisors should ensure that authorized overtime hours are actually worked. There are various controls in place at both St. Lawrence and Niagara to ensure employees are working assigned hours. All employees have supervisors on site for every shift worked and all employees are required to display badges upon entering and leaving each location. This enables security to monitor who enters and leaves the facility at all times. All guards must check in with their Sergeant at the beginning and end of each shift. During each shift, employees are required to complete forms, perform and record rounds, tag equipment, fill out work orders, and take various readings. Additionally, operations and maintenance employees have their time tracked and charged to specific work orders.

We found controls at Niagara and St. Lawrence were functioning as intended. We conducted floor checks at both sites, focusing on positions in which the highest overtime earners worked, and found employees were present and performing assigned functions. We did not notice idleness suggesting a lack of work for employees; rather, we noted a dedication to job performance and safety among sampled employees. We conducted floor checks across all shifts (day, evening/swing, and night). We also reviewed time records for the highest overtime-earning employees at both sites and found time was tracked to work orders as required.

- Recommendations**
1. Monitor staffing levels continuously to ensure sufficient staff are hired to maintain adequate staffing levels.
 2. Communicate with union representatives and explore opportunities to shorten the time to complete the apprenticeship program.

(Authority officials agreed with our recommendations and indicated they are taking actions to implement them.)

Agency Comments

123 Main Street
White Plains, NY 10601-3170
914 681.6200



June 28, 2010

Mr. Frank J. Houston
Audit Director
Office of the State Comptroller
Division of State Government Accountability
123 William Street – 21st Floor
New York, NY 10038

Dear Mr. Houston:

I write on behalf of the Power Authority of the State of New York ("Authority") in response to the draft audit report (2009-S-110) entitled "New York Power Authority Controls Over Overtime" ("Report"). The audit was conducted for the period from January 1, 2007 through April 13, 2010.

At the outset, on behalf of Authority and staff, I thank the Office of the State Comptroller ("OSC") for (i) its balanced reporting approach, (ii) OSC's recognition of the cooperation extended by Authority staff to OSC auditors during the audit, and (iii) the approach OSC took in conducting the audit which served to reduce disruptions to NYPA's operations.

We are pleased that the OSC audit found that:

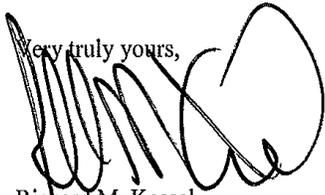
- overtime hours worked were necessary to maintain minimal staffing levels and to repair operating systems;
- overtime hours were being distributed equitably among employees at the Niagara and St. Lawrence hydropower facilities;
- the Authority's system for distributing overtime provides equal opportunity for all employees within their job titles to work overtime;
- there are adequate controls in place to ensure that employees were present during scheduled and overtime shifts, performing assigned duties, and recording time accurately on timesheets; and
- employees were present and performing their assigned duties and there was no indication of idleness.

We note that the Report contains two recommendations: (1) "monitor staffing levels continuously to ensure sufficient staff are hired to maintain adequate staffing levels"; and (2) "communicate with union representatives and explore opportunities to shorten the time to complete the apprenticeship program."

The Authority agrees with the OSC's recommendations and has taken steps to implement them. On the issue of staffing, we should emphasize that the Authority's facilities are staffed to ensure that they are operated and maintained in a safe and reliable manner. In addition, staff overtime is inevitable given that the Authority operates and maintains critical energy infrastructure and related activities around the clock. As indicated in the Report, the Authority is in the process of hiring and training additional staff which should reduce overtime at the hydroelectric facilities. The Authority will report on the progress of its implementation in the 90-day status report.

We respectfully request that this response be made part of and incorporated into the final audit report.

If you have any questions, please do not hesitate to contact me at 914-681-6800.

Very truly yours,


Richard M. Kessel
President and Chief Executive Officer

RMK/tac