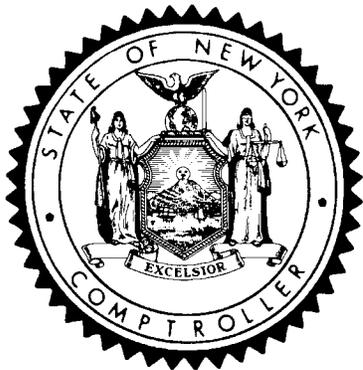


***State of New York***  
***Office of the State Comptroller***  
***Division of Management Audit***  
***and State Financial Services***

**METROPOLITAN TRANSPORTATION  
AUTHORITY**

**NEW YORK CITY TRANSIT  
SELECTED OVERTIME PRACTICES**

**REPORT 98-S-55**



***H. Carl McCall***  
*Comptroller*



# State of New York Office of the State Comptroller

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## Division of Management Audit and State Financial Services

### Report 98-S-55

Mr. E. Virgil Conway  
Chairman  
Metropolitan Transportation Authority  
345 Madison Avenue  
New York, NY 10017

Dear Mr. Conway:

The following is our audit report addressing selected overtime practices at New York City Transit.

We performed this audit according to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution. We list major contributors to this report in Appendix A.

*Office of the State Comptroller  
Division of Management Audit  
and State Financial Services*

July 14, 2000

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# Executive Summary

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## Metropolitan Transportation Authority New York City Transit - Selected Overtime Practices

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### Background

The New York City Transit System (Transit) provides subway and bus service in New York City. Transit's payroll costs total about \$1.1 billion annually, of which about \$171 million (14.5 percent) relates to overtime payments. These overtime payments are made for (1) scheduled overtime, in which overtime is built into the employee's schedule as a part of the employee's routine work assignment, and (2) unscheduled overtime, in which overtime is assigned as needed to cover employee absences or meet special service needs. Our audit addressed the following question about overtime payments made to train operators, conductors, subway station agents, bus operators, and bus maintenance workers for the period January 1, 1997 through December 31, 1998:

- ! Was the need for the overtime justified, were the reported overtime hours documented, and were overtime practices adequately monitored?

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### Audit Observation and Conclusions

We found that additional actions need to be taken by Transit officials if they are to have reasonable assurance that all scheduled and unscheduled overtime is necessary, and all unscheduled overtime hours are worked as reported.

A number of train operators, conductors, bus operators and subway station agents are scheduled to work more than 40 hours per week as part of their routine assignments. This scheduled overtime costs Transit about \$25 million annually. When we asked Transit officials to provide us with an analysis showing that work schedules with built-in overtime are the most cost-effective work schedules available for Transit, they were unable to provide us with any such analysis. We recommend that Transit officials perform a comprehensive cost-benefit analysis of the available scheduling alternatives for their employees to provide assurance that Transit's payroll costs are not unnecessarily increased by this built-in overtime. (See pp. 3-6)

During 1997, the unscheduled overtime for train operators, conductors and subway station agents cost Transit about \$40 million, and the unscheduled overtime for bus operators and bus maintenance workers cost Transit about \$22.5 million. We examined the overtime payments made to a sample of these employees during a week in 1997 and a week in 1998. We found that some of the overtime hours reported by the sampled employees were not adequately documented as worked. We also found that the need for some of the overtime either was not documented or adequately justified. For example, most of the overtime worked by bus maintenance staff involved routine servicing and repairs, and there was no documentation indicating why these activities could not have been performed by the next shift of workers

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or postponed until the next day. We recommend that Transit officials follow up on the inadequately documented overtime hours to ensure that they were actually worked, and improve controls to ensure that unscheduled overtime is not worked unless it is necessary. (See pp. 7-13)

To reduce the overtime incurred when operators and conductors work additional shifts to fill in for absent employees, Transit employs a number of “extra” train operators, conductors and bus operators who are not assigned to specific runs. We examined how these extras were used and found that they were not always used to reduce unscheduled overtime as intended. For example, during one of the two weeks we selected for detailed review, an average of 50 extras per day were reported as unassigned while a corresponding number of the regular train operators and conductors worked unscheduled overtime each day. The cost of this unscheduled overtime during this seven-day period was about \$52,000. If Subway’s inefficient utilization of extras during this seven-day period is indicative of its routine utilization of extras in this area, Transit could save about \$1.35 million annually by increasing its utilization of available extras by only 50 percent. We recommend that Transit officials periodically analyze the use and deployment of extras to ensure that they are used and deployed in an efficient manner. (See pp. 10-11)

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## **Comments of Transit Officials**

Transit officials disagree with many of our findings and recommendations. They also question the accuracy of the data included in our report, the audit team’s objectivity, and the audit methodologies employed during our field work. We address each of their concerns in the appropriate sections of this report, as well as in the State Comptroller’s Notes in Appendix C.

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# Contents

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<b>Introduction</b>	Background . . . . .	1
	Audit Scope, Objectives and Methodology . . . . .	1
	Response of Transit Officials . . . . .	2

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<b>Justification for Scheduled Overtime</b>	Operators and Conductors . . . . .	3
	Subway Station Agents . . . . .	4
	Recommendation . . . . .	6

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<b>Controls Over Discretionary Overtime</b>	Subway Operations . . . . .	7
	Bus Operations . . . . .	11
	Recommendations . . . . .	13

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<b>Appendix A</b>	Major Contributors to This Report
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<b>Appendix B</b>	Response of Transit Officials
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<b>Appendix C</b>	State Comptroller's Notes
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# Introduction

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## Background

The New York City Transit System (Transit), which is a subsidiary of the Metropolitan Transportation Authority, is one of the largest integrated subway and surface transit systems in the world. Each day millions of passengers ride on Transit's subway and buses. The subway tracks and the bus routes each cover about a thousand miles.

Transit employs train and bus operators, train conductors, subway station agents, maintenance workers, supervisory personnel, and administrative and support personnel. The total payroll cost for these employees is about \$1.1 billion annually, of which about \$171 million (14.5 percent) relates to overtime payments. These overtime payments are made for (1) scheduled overtime, in which overtime is built into the employee's schedule as a part of the employee's routine work assignment, and (2) unscheduled overtime, in which overtime is assigned as needed to cover employee absences or to meet special service needs.

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## Audit Scope, Objectives and Methodology

We audited selected Transit overtime practices for the period January 1, 1997 through December 31, 1998. We focused on the practices of train operators, train conductors, subway station agents, bus operators and bus maintenance workers, because these employees generally received the majority of overtime payments during the period. The objectives of our performance audit were to determine whether the need for the overtime was justified; the overtime hours worked were documented; and overtime practices were adequately monitored. To achieve these objectives, we interviewed Transit officials and staff, and reviewed selected time and attendance records, overtime requests, overtime approvals, documentation relating to overtime hours worked, staff scheduling plans, and other relevant Transit records. We also observed selected employees in the performance of their assigned duties. In addition, we contacted officials at the Chicago Transit Authority and the Massachusetts Bay Transportation Authority to identify the staff scheduling practices used by those transportation systems.

We performed our audit according to generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations which are included in our audit scope. Further, these standards require that we understand Transit's internal control structure and its compliance with those laws, rules and regulations that are relevant to the operations included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records, and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We

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believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

We use a risk-based approach when selecting activities to be audited. This approach focuses our audit efforts on operations identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, finite audit resources are used to identify where and how improvements can be made. Thus, we devote little audit effort to reviewing operations that may be relatively efficient or effective. As a result, our audit reports are prepared on an “exception basis.” This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

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## **Response of Transit Officials**

A draft copy of this report was provided to Transit officials for their review and comment. Their comments are attached as Appendix B. We address Transit’s concerns in the appropriate sections of this report and in the State Comptroller’s Notes in Appendix C.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Chairman of the Metropolitan Transportation 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.

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## Justification for Scheduled Overtime

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A number of train operators, train conductors, bus operators and subway station agents are regularly scheduled to work more than 40 hours per week as part of their routine assignment (scheduled overtime). When we asked Transit officials to provide us with an analysis showing that the work schedules with built-in overtime currently in use are the most cost-effective work schedules available for Transit, they did not provide us with any such analysis. Transit officials need to perform a comprehensive cost-benefit analysis of the available scheduling alternatives for their employees to provide assurance that payroll costs are not unnecessarily increased by this built-in overtime.

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### Operators and Conductors

The majority of Transit's train operators, train conductors and bus operators are assigned to work eight-hour tours five days per week. For example, some operators and conductors work 7:00 a.m. to 3:00 p.m. Monday through Friday, and others work 3:00 p.m. to 11:00 p.m. Wednesday through Sunday. The five-day work week is mandated by Transit's various negotiated bargaining agreements. However, in an effort to maximize customer service without hiring additional personnel, at least 25 percent of Transit's operators and conductors routinely work tours of more than eight hours per day. In fact, some routinely work tours of more than ten hours per day. These extended tours are intended to ensure adequate coverage during the weekday morning and afternoon rush hours.

Transit officials also informed us that these extended-day work schedules are sometimes based on the length of time it takes to complete a particular run. Rather than have an operator or conductor end his/her tour a great distance from their starting point, their extended work schedules allow them to complete their assigned runs where they started.

In accordance with negotiated bargaining agreements and safety regulations, many of the bus operators assigned to extended tours have extended break periods scheduled during their tours (swing time) to space out their trips and to ensure maximum efficiency. These bus operators are usually paid at straight salary rates for 50 percent of this swing time, are not paid for the other 50 percent of the swing time, and are paid time and half their base hourly rates for any combined work and swing hours in excess of 11 hours per day. Train operators and conductors without swing time are paid time and a half for time worked in excess of eight hours per day.

The payments for overtime and swing time during these extended tours of duty cost Transit about \$25 million annually. We asked Transit officials whether they had prepared any analysis showing that the use of their current

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work schedules, with such extended tours of duty, is the most cost-effective alternative considering Transit's service needs and staff availability. Transit officials did not provide us with any such analysis. They told us that tours are scheduled in accordance with service requirements, employee availability, budget constraints, safety regulations and negotiated bargaining agreements (e.g., the basic working day for employees in the Station Division, according to the union contract, is eight hours). They assured us that all of these factors are considered when tours are scheduled.

We note that Transit officials have made attempts to reduce the costs resulting from extended tours. For example, they proposed hiring part-time operators and conductors to reduce the number of extended tours necessary to cover the morning and afternoon rush hours. However, this proposal, along with unpaid swings, was not accepted during the collective bargaining process.

We acknowledge that many factors and constraints need to be considered during the scheduling process. However, considering the significant costs associated with Transit's extended-hour tours, we believe that it would be prudent for Transit officials to perform a comprehensive cost-benefit analysis of the available scheduling alternatives for operators and conductors. Such an analysis would provide assurance that Transit tours are scheduled in the most cost-effective manner consistent with the needs of Transit's customers, safety regulations, and negotiated bargaining agreements.

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## **Subway Station Agents**

Certain subway station agents are routinely scheduled to work overtime, because they are required to travel to other subway stations to relieve agents at those stations during their lunch periods. Due to the organization and format of Transit's payroll records, we could not readily determine the dollar value of overtime dollars attributable to relief agents per se. Nevertheless, we asked Transit officials whether they had prepared any analysis showing that the work schedules and travel arrangements of these agents are the most cost-effective alternative considering Transit's service needs and staff availability. The officials did not provide us with any such analysis, and our review of agent assignments indicates that a number of the assignments may not be efficient because the travel times may not be minimized.

For example, an agent assigned to the "E" Train line, who is paid for 20 minutes of built-in overtime each day, spends 20 minutes a day traveling to a subway station on the "J" Train line to relieve an agent at that station. In addition, an agent assigned to the "J" Train line, who is paid for 20 minutes of built-in overtime each day, spends 30 minutes a day traveling to a station on the "E" Train line to relieve an agent at that station. If the agent assigned to the "E" Train line relieved the agent on the "E" Train line, and if the agent assigned to the "J" Train line relieved the agent on the "J" Train line,

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the travel times of the two agents might be reduced, and accordingly, the amount of overtime built into the schedule of each agent might also be reduced. We also identified six other agents whose daily travel times, and daily built-in overtime, might be reduced if they relieved agents on the same train line rather than agents on different train lines.

As noted above for operators and conductors, a comprehensive analysis of all aspects of the station agents' work schedules (including travel distances and the scheduled times of lunch breaks) would have to be conducted before it could be determined whether the agents' travel times could be reduced by more efficient scheduling practices. We recommend that such an analysis be conducted by Transit officials to provide assurance that the agents are assigned in the most cost-effective manner available consistent with the needs of Transit's customers.

In response to our draft report, Transit officials asserted that, when preparing for the semiannual job picks, all station agent schedules are reviewed and adjusted by the appropriate responsible managers to ascertain their efficiency and adequacy to meet customer needs. Further, due to contractual constraints on the times agents are required to have their lunch breaks, it is not always possible to schedule reliefs strictly along a train line. However, as noted above, Transit officials did not provide us with any formal analysis to support their assertions.

### **Recommendation**

1. Perform a comprehensive cost-benefit analysis of the available scheduling alternatives for all employees with overtime built into their work schedules to provide assurance that the employees are scheduled in the most cost-efficient and cost-effective manner available consistent with the needs of Transit's customers.

(Transit officials do not concur with this recommendation. They indicate they already do this on a continuing basis. Further, they do not believe that the report has any findings evidencing that their scheduling is not cost-efficient or effective.

Auditors' Comments: As noted in this report, we cannot assess the cost effectiveness or cost efficiency of Transit's current scheduling scheme since they have not documented any alternative scheduling scenarios. The amount of overtime paid to Transit employees with extended work tours warrants such comparative analysis be performed.)



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# Controls Over Discretionary Overtime

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Between January 1, 1997 and September 30, 1998, Transit spent a total of about \$125 million on discretionary overtime for subway operations and about \$65 million on discretionary overtime for bus operations. To provide assurance that discretionary overtime assignments are necessary, the assignments should be formally authorized and justified by appropriate supervisory personnel. (In unforeseen or emergency situations, such as an unscheduled absence by the regularly scheduled employee or an accident, formal prior authorization and justification may not be necessary or practical.) To provide assurance that the overtime hours worked are recorded accurately, the hours worked should be independently documented. In the absence of these controls, overtime payments may be higher than necessary. We found that a number of improvements can be made to Transit's controls over discretionary overtime payments.

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## Subway Operations

As shown in the following table, train operators, train conductors and subway station agents were paid a total of \$40.1 million for discretionary overtime in 1997 and \$24.5 million for discretionary overtime during the first nine months of 1998:

<b>Job Title</b>	<b>1997 (In Millions)</b>	<b>1/1/98 - 9/30/98 (In Millions)</b>
Train Operators	\$16.0	\$11.1
Conductors	\$ 8.2	\$ 4.2
Station Agents	\$15.9	\$ 9.2
Total	\$40.1	\$24.5
Average Per Month	\$3.34	\$2.72

An automated system is used to record the attendance of train operators and conductors. Each employee's normal work schedule is recorded on the system, and a daily printout of the schedule is used as a "sign-in sheet" at the various work units (the employee actually initials the sheet at the start of the shift). If an employee works overtime, the hours prerecorded on the sign-in sheet are not adjusted. Instead, an "exception claim form" (claim form) is prepared by the applicable dispatcher and input into Transit's On-Trac computer system. The claim forms are subsequently forwarded along with the sign-in sheets, to the timekeeping unit. According to Transit officials, the claim form is used to authorize and justify the overtime and to document the overtime hours worked.

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Station agents are not required to sign in or out. Their overtime hours are documented and authorized through the use of a manual exception report that is prepared each day by a supervisory-level employee. This exception report indicates the time-in and time-out for the agents who worked more or less than their normal assigned schedules. The exception report also indicates why the agents worked other than their normal assigned schedules.

To determine whether certain overtime hours reportedly worked by train operators, conductors and station agents were authorized, justified and adequately documented, we examined the records supporting the overtime payments made to a sample of these employees. Our sample consisted of all 49 of the train operators, conductors and station agents who were paid overtime during two selected seven-day periods (September 21 through September 27, 1997, and March 22 through March 28, 1998). We selected these particular weeks in order to span the audit scope period and review operations during at least two different seasons. Together these 49 employees (33 operators or conductors and 16 station agents) were paid a total of about \$14,000 in overtime during the two seven-day periods. Our sample contained a total of 134 separate instances of overtime: the 33 operators or conductors were paid overtime in a total of 78 different instances; and the 16 station agents were paid overtime in a total of 56 different instances.

To confirm the accuracy of the overtime hours reported, we attempted to compare available operator/conductor claim forms and station agent exception reports to the payroll records used to support the employees' paychecks. We were able to reconcile the overtime hours reported to the supporting records for the 56 overtime instances relating to the station agents. However, in 31 of the 78 (40 percent) overtime instances relating to the operators or conductors, involving \$4,270 in overtime payments, the overtime hours reported on the payroll records could not be reconciled to the employees' sign-in sheets and claim forms. In these 31 instances, the claim forms or the sign-in sheets were either missing or incomplete (e.g., the sign-in sheet was not initialed by the employee). As a result, there is no assurance that the overtime hours reported for these 31 instances were actually worked.

We also reviewed 46 of the 134 total instances of overtime in our sample, based on varied employee categories and overtime descriptions, to determine whether they were authorized and justified. A total of 25 of these instances related to operators or conductors, and 21 of the instances related to station agents. We determined that most of the sampled instances were appropriately authorized. We also determined that in all 21 of the instances relating to station agents, and in 8 of the 25 instances relating to operators or conductors, the overtime was justified because it was worked to replace

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employees who were absent due to vacation, sick leave or some other type of leave. In each of these cases, the absence of the originally assigned employee was supported by documentation such as doctors' notes and approved vacation requests. However, in 17 of the 25 instances of overtime reportedly worked by operators or conductors, there was no documentation to support the need for the overtime. As a result, there is no assurance that this overtime was necessary. These 17 instances accounted for 106 hours of reported overtime at a cost of \$2,786. In 5 of the 17 instances, the reported overtime hours were also not supported by employee sign-in sheets and claim forms, as described previously.

In response to our draft report, Transit officials claim that our draft report included several exceptions regarding undocumented overtime hours that were not previously reported to them. Therefore, they were unable to follow up on 9 of the 31 instances reported. For the 22 instances they did follow up on, they indicate they were able to substantiate the overtime worked for the noted employees. (All changes between our draft and preliminary reports were provided to Transit officials for their review and comment prior to draft report issuance.)

Transit officials also stated that one of the two seven-day periods we selected for review (the week of March 22, 1998) was not a typical week, because an eight-month special project with unprecedented subway and bus service changes began that week, and service reliability was a top priority. Transit officials further indicated that the audit team did not recognize the exception claim form as acceptable documentation to substantiate that overtime was worked. The need for all overtime should have been properly documented and also supported by the employees' time and attendance records. Further, we do not take exception to Transit's procedures for processing overtime; rather, we recommend that all supporting documents be maintained and periodically examined to help ensure the process is working as intended.

Transit officials also explain that the need for unscheduled overtime is usually predetermined and not evidenced by the documents we reviewed during the audit. We note that our audit testing in this area included backtracking to whatever sources of overtime approvals were conveyed to us by our assigned audit liaisons. Blanket preapprovals for overtime to maintain optimum service levels should be supported by formal studies and analyses illustrating the number of personnel necessary to execute their operations during any given shift on any given day. Transit officials have yet to provide us with justification for the specific exceptions noted herein.

Prior to our audit period, Transit officials initiated a number of improvements to help control overtime costs. For example, the officials increased their monitoring of employee sick leave use and created a class of

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train operators, conductors and bus operators called “extras.” Extras do not have permanent assignments, and are required to be present and available to fill in for employees who are unexpectedly absent or who are given special assignments. Since extras are paid straight-time unless they work more than eight hours per day, they are less costly than regular operators and conductors who are called in and paid overtime to replace absent or reassigned employees.

During one of the selected seven-day periods noted above (March 1998), we examined Transit’s use of extras in Subway Divisions A and B. Division A, comprised of the numbered Subway lines (e.g., the 1 train), and Division B, comprised of the lettered lines (e.g., the A train), provide the majority of Transit’s customer transportation. We found that many of the extra train operators and conductors were not used as intended, and some of the extra train operators may not have been deployed in an efficient manner. For example, an average of 50 extras per day serving Division A operators and conductors, and Division B conductors, were reported as unassigned while a corresponding number of regular operators and conductors worked unscheduled overtime each day. The cost of this unscheduled overtime during this seven-day period was about \$52,000.

During this same seven-day period, all the extra train operators deployed in Division B were reported as assigned, but an average of 45 regular operators a day still worked unscheduled overtime. It therefore appears that an insufficient number of extra operators were assigned to Division B. In response to our draft report, Transit officials explained that 7 of the 50 employees we classified as extras were actually “gap crews” who were assigned to assist with the special project noted above. They also assert that due to the different job titles and specific individual skills of the 50 employees, they could not be used interchangeably between divisions and shifts. We note that the individuals in our sample were all listed by the sampled divisions as extras. Nevertheless, assuming that these employees were classified incorrectly by the divisions, the issue of effective and efficient use of extras still remains. If available extras can only be used for very limited purposes, Transit needs to revisit the training it offers to, and qualifications of, its extras.

In the absence of a comprehensive analysis, we cannot determine whether additional extra train operators should be hired or whether some of the unassigned extra operators in Division A should or could be redeployed to Division B. However, if Subway’s inefficient utilization of extras during this seven-day period is indicative of its routine utilization of extras in this area, Transit could save about \$1.35 million annually by increasing its utilization of available extras by only 50 percent. We recommend that Transit officials

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periodically perform an analysis to determine whether improvements can be made in the use and deployment of extras.

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## **Bus Operations**

Most of the discretionary overtime in Transit's bus operations is worked by bus operators and bus maintenance workers. The time and attendance of bus operators is recorded on an automated system by an independent dispatcher at each depot. The dispatcher is responsible for denoting any deviations from the operator's normal scheduled starting and ending times. The dispatcher prepares a deviation report to support and justify any overtime hours worked by an operator, and this deviation report must be approved by a supervisor. The attendance and overtime of the bus maintenance staff is recorded, justified and authorized in a similar manner.

Bus operators and bus maintenance workers are assigned to one of the 18 depots operated by Transit. We examined the overtime practices of the operators and bus maintenance staff assigned to four of these depots: the Casey Stengel Depot located in Queens, the Flatbush Depot located in Brooklyn, the Gun Hill Depot located in the Bronx, and the Yukon Depot located in Staten Island. We selected these four depots for review because the amount of unscheduled overtime at each depot was relatively high during our audit period and each depot is located in a different borough.

To determine whether certain overtime hours reportedly worked by bus operators and bus maintenance workers assigned to these four depots were authorized, justified and adequately documented, we examined the records supporting the overtime payments made to a sample of these employees. Our sample consisted of all 477 of the bus operators, bus maintenance workers and line supervisors (these employees supervise both bus operators and bus maintenance workers) who were paid overtime during two selected seven-day periods (October 26 through November 1, 1997, and May 31 through June 6, 1998). We selected these particular two weeks to span the audit scope period and at least two different seasons. These 477 employees (235 operators, 229 bus maintenance workers and 13 line supervisors) were paid a total of about \$102,000 in overtime, relating to 1,090 overtime instances, during these two seven-day periods.

To confirm the accuracy of the overtime hours reported, we compared the deviation reports to the payroll records used to support employee paychecks. In general, we found that the payroll records were consistent with the deviation reports. However, in 48 instances, involving \$2,651 in overtime payments, the deviation reports supporting the overtime hours were not signed by a supervisor. All 48 instances related to overtime reportedly worked by line supervisors at the Casey Stengel Depot. In these instances, there is no assurance that the reported overtime hours were actually worked.

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Transit officials question the logic of our conclusion. They incorrectly state that the employees' signed time sheets are evidence of overtime hours worked. As previously noted, the time sheet signatures only indicate an employee's attendance on the noted day. Any deviations from the employee's normal tour are reported on deviation reports which require a supervisor's signature as evidence of authorization and acknowledgment of any deviations therefrom. Collectively, these documents support a bus operator's time and attendance.

We also reviewed all of the sampled overtime instances to determine whether they were justified. We determined that for 459 of the 1,090 instances, the need for the overtime was not adequately justified. As a result, this overtime, totaling \$61,616 may not have been necessary. Most of these 459 instances of overtime were worked by bus maintenance staff who were performing routine bus servicing and repairs. Transit officials did not document why the servicing and repairs could not be performed by the next shift or postponed until the next day.

Transit officials told us they prepare a maintenance staffing budget for each bus depot based on scheduled bus maintenance intervals, past experience with unscheduled bus breakdowns and several other significant variables. When a maintenance worker is absent, the absent worker must be replaced by another worker on overtime to maintain the optimal maintenance staffing level needed to meet the projected service requirements. However, documentation was not available indicating the optimal staffing levels for the four depots we reviewed. Transit officials told us they were still in the process of compiling the data needed to implement their maintenance staff budgeting system.

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## **Recommendations**

2. Take action to ensure that all overtime-related support documents, such as written approvals, justifications, and documentation of hours worked, are maintained and readily available for managerial review, as well as internal and external audit. For example, periodically independently verify that a sample of overtime payments are properly justified, authorized, and documented.
3. Follow up on the 31 instances of reported overtime that we identified as not supported by payroll records, and the 48 instances of reported overtime that were not certified by supervisors, to ensure that the hours were in fact worked.
4. Justify discretionary overtime in writing, describing the work to be performed, as well as the need for the work to be performed on an overtime basis, including documenting the maintenance staff budget system.
5. Periodically analyze the use and deployment of extras to ensure that they are used and deployed in an efficient manner.

(Transit officials agree with recommendation 2. However, they do not concur with recommendation 3. As discussed in the body of this report, they believe that sign-in sheets are sufficient evidence that the sampled employees worked the overtime hours they were paid for. Transit officials state that recommendation 4 has been implemented through their zero-based budget process which allocates personnel and overtime based on need and unique operating characteristics. Regarding recommendation 5, Department of Subways officials note that they have incorporated their monitoring of extra personnel into their weekly budget meetings and noticeable utilization efficiencies have been realized.)

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# Major Contributors to This Report

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## New York City Transit

February 29, 2000

The Honorable E. Virgil Conway  
Chairman  
Metropolitan Transportation Authority  
347 Madison Avenue  
New York, NY 10017

Re: New York State Comptroller Report # 98-S-55

Dear Chairman  Conway:

This is in response to the issues and conclusions contained in the above-captioned draft audit report on selected overtime practices of Rapid and Surface employees of New York City Transit.

### Introduction

In general, we do not concur with many of the auditors' findings and recommendations. Most of the statistical data provided in the draft differs from the information contained in the preliminary findings that were presented in January 1999. These differences cause us grave concern regarding the accuracy and objectivity of this audit.

\*  
Note  
1

Also, a review of the auditors' workpapers reveals significant errors in the sampling and auditing methodologies utilized. For example, the auditors incorrectly utilized the deviation sheet to extrapolate part of the population they claimed to have sampled. Also, several instances which the auditors identified as overtime expenses were actually other events that did not involve overtime. As a result, these errors served to overstate the amount and frequency of overtime actually incurred. Although the auditors acknowledged their errors and agreed to amend these statistics, we have little confidence that the balance of their findings is not equally flawed.

\*  
Note  
2

The report misleadingly refers to unscheduled overtime as 'discretionary'. Unscheduled overtime is necessary for the performance and support of passenger service. It is the most cost-efficient means of providing required staffing for short-term projects, fluctuating work and absence levels, planned activities such as operating trains between terminals and storage locations, and for unplanned work resulting from service disruptions. This type of overtime is utilized to protect the integrity of passenger service schedules. Unscheduled overtime is tantamount to flexible headcount. Unscheduled overtime is not discretionary.

\*  
Note  
3

MTA New York City Transit is an agency of the Metropolitan Transportation Authority, State of New York  
E. Virgil Conway, Chairman

\* See State Comptroller's Notes, Appendix C

**Appendix B**

The report also incorrectly asserts that we were not able to provide any analysis that work programs (and bus operator runs) containing overtime represented the most cost-effective method of scheduling such work. The Directors of Surface and Rapid Schedules both responded to comments contained in the preliminary audit report in November 1998, and both met with the auditors. The auditors were also provided with a copy of the Transportation Cooperative Research Project report on comparisons between 8 and 10-hour days (as noted in the audit report).

\*  
Note  
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#### Justification for Scheduled Overtime

There are several sound business reasons for scheduling overtime in certain bus operator runs and train-crew work programs, including:

1. Operators/crews can only start and end their tours at certain points on a route. This has to do with efficiency, availability of crew facilities, on-hand dispatching, and other operational necessities. In many cases, operators are not near their reporting point after eight hours of work have elapsed. Within subway operations, the ability to schedule work time over 8 hours often means the inclusion of a third round trip, rather than just two.

Our agency prefers to schedule assignments in such a way as to provide at least 8 hours of work rather than pay "bonus" time for work less than 8 hours. Such payments represents a penalty to the agency for not providing a full 8-hours' work. It is not productive time. Rather, useful work is accomplished during overtime periods.

2. Given the fringe/benefit load of 50+ percent on every full-time employee, it is cheaper to make fewer runs with average work time over 8 hours, as the cost of the overtime is far outweighed by the savings in fringe and benefit payments from employing fewer crew members. The point where the optimum savings occur differs with the negotiated hourly wage and percentage of salary that fringes represent.

3. There is a widespread industry problem with recruiting enough qualified people for available operator/crew positions. This has been true for several years now and shows no signs of abating. Coupled with that fact is our agency's unique situation right now, where we are struggling to meet the demands of a substantial and continuing increase in ridership. In this environment, it is more expedient to build the minimum number of runs that are practical and meet contractual obligations, in order to better accommodate a workforce that is generally less than full strength.

The report compares our agency with the Chicago Transit Authority and the Massachusetts Bay Transportation Authority. Both agencies make widespread use of part-time employees. While CTA has a maximum on the number of part-time operators that it can employ, MBTA has no such ceiling and has used a workforce as high as 45% in order to keep runs efficient under a very strict set of work rules. We do not have the contractual right to hire part-time operators or train-crew members. If we did, we could considerably increase the efficiency of our runs and work programs. Both CTA and MBTA make widespread use of unpaid swings, which are not available to us.

\*  
Note  
5

The auditors' report also makes an issue of 10-hour/ 4-day runs, presumably as a solution to overtime. We do not have that right under our contract. However, 10-hour assignments are not a method of solving scheduled overtime for us. At those transit properties that have them, 10-hour runs are used to appeal to employees who favor working fewer days per week. They save overtime only in situations where they are a way around some other restrictive work rule.

\*  
Note  
5

In the area of Subways, we are restricted from scheduling split or swing runs, which would allow us to work some crews over both rush hours. The provision of a 10-hour assignment would not help us with this and it would add to the number of relief jobs, since those crews would now be working only 4 days per week. To an extent, this is true for Buses as well. Overtime payments would be saved by the relaxation of spread penalty rules.

\*  
Note  
5

Moreover, the report recommends that the Management of New York City Transit undertake a "what if" analysis to review the relative cost of 4-day versus 5-day workweeks. We do not currently have the provision for 4-day workweeks in our contract. What wage assumptions in the analysis of a theoretical 4-day workweek are we to make? The specific assumptions made can clearly bias the results. Absent a real set of firm alternative pay practices, such an analysis is not really meaningful.

\*  
Note  
5

Finally, it is worth noting that NYCT participates in transit industry committees on operator and train crew labor practices. Therefore, it is unnecessary to prepare a cost-benefit study in order to understand the ways in which overtime can be reduced. We produce the most efficient run-cut each time we revise a schedule. We will continue to maximize our opportunities to achieve work rule changes through the collective bargaining process.

The following is a discussion of our specific objections and exceptions to the auditors' draft report on controls over discretionary overtime.

**Controls Over Discretionary Overtime**  
**Rapid (The Divisions of Rapid Transit Operations & Stations, Dept. of Subways)**

**Page 5, paragraph 3**

The recommendation that **station agents** be scheduled with built in overtime in a cost-efficient and cost-effective manner is something that the Division of Station Operations does on a continuing basis. In preparation for conducting a semi-annual job pick for all our station agents, all schedules are reviewed and adjusted if necessary by the appropriate and responsible managers to ascertain that they are both efficient and consistent with the needs of our customers.

However, there were previous reductions in lunch relief and/or side window assignments that might have increased the time on some of the lunch relief schedules. Additionally, due to certain contractual constraints on the times when a station agent is required to have a lunch relief during their tour, it is not always possible to schedule strictly along a train line. We are required to provide lunch breaks to station agents between the third and sixth hour of their scheduled work time. As a result, some lunch reliefs may have to travel to other train lines to satisfy this requirement.

\*  
Note  
6

**Page 7, last paragraph**

Most of the questions arose because the overtime information was not on the sign-in sheets and the auditor apparently does not recognize the exception claim form as acceptable documentation to substantiate that overtime was worked. The division strongly disagrees with that assumption, and firmly believes that the currently utilized procedures, utilizing the exception claim form as the central document for recording and processing exception overtime, are superior to those suggested by the audit. The 'sign-in sheet' is not designed for recording detailed overtime information; it is primarily designed for signing in. The exception claim form was designed, and is utilized, for justifying and authorizing overtime.

\*  
Note  
7

The audit report erroneously states that the exception form is forwarded to the timekeeping unit for input. What the report describes is actually a backup procedure that is utilized in the event the On-Trac computer system is temporarily unavailable. Under normal conditions, the supervisor authorizes /approves the overtime; enters that overtime into the On-Trac timekeeping computer system; indicates that it was entered into the system by checking the appropriate box on the exception claim form; and, forwards the exception claim form along with the sign-in sheet to the timekeeping unit.

**Page 8, paragraph 4**

The report lists 31 instances that could not be reconciled. All previous communications, including the 2nd sentence on page 4, paragraph 1 of the revised version of the "third and final" preliminary report (issued January 29, 1999) refers to only 22 instances. We'll be glad to follow up on the additional 9 instances once they are identified.

By utilizing sign-in sheets, exception claim forms, crew assignment sheets, train register sheets, etc., we were able to definitively substantiate the work time of the 22 questioned employees.

\*  
Note  
8

**Page 9, paragraph 1**

The report states that there was no documentation to support authorization and justification (need) for 17 instances of overtime.

All instances of overtime are approved by supervision. The procedures designate approvals at various supervisory and managerial levels depending on the circumstances and magnitude of overtime. They are sufficiently high enough to maintain control without hampering operations.

The auditor has concerns about how the 'need' for overtime is established and recommends implementation of additional procedures to provide assurance that worked overtime is necessary. The overwhelming majority of the 'need' for work is a direct function of the level of train service. This information is well documented in the employee work programs and supplementary schedules that are prepared by Operations Planning. Additional job coverage requirements are filtered through a central crew office.

\*  
**Note**  
**9**

Local field supervision has 'extremely limited' opportunities in creating additional work. The overtime that they sign for has been previously approved, i.e., the need for that work has already been documented elsewhere. The supervisor is simply indicating that the work was performed and who performed the work, not that the work is needed. The same logic is applied to a scheduled train trip on overtime and to many similar overtime instances.

For example, a supervisor signing an exception claim form for an employee that is working on their regular day off on an extra platform job is not justifying a need for the job. The need for that job was justified when it was centrally created. The supervisor is just attesting that the employee actually worked the job.

\*  
**Note**  
**9**

The supervisor also authorizes/approves payment for things such as: no lunch payments, early reports, late clears, student qualification allowances, for traveling back to a reporting location, for writing required reports, etc. The 'need' for these payments are contractually mandatory and supported via other direct or indirect documentation.

It is also important to note that Rapid Transit Operations activities are time sensitive. The train that is scheduled to leave the terminal at 3:00 PM must leave at 3:00 PM. It can not leave one half hour later, or be rescheduled until tomorrow. The supervisor is not given very much latitude here.

The other type of overtime that is not pre-approved or contractually mandated is that which is necessitated because of emergency situations. There again the need is well documented and the performance of the work is not discretionary. As previously stated, the work in Rapid Transit Operations is schedule driven. It must be performed in order to maintain the level of service mandated by the train schedules that have been prepared by Operations Planning. The core of our operations is based on the timely dispatch of scheduled trains and the expeditious movement of these trains between terminals.

\*  
**Note**  
**9**

Rapid Transit Operations currently has procedures in place to regularly monitor overtime expenditures. Line management receives daily overtime reports that list all overtime expenditures for the previous day. Senior management reviews overtime performance at a weekly budget meeting.

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\* See State Comptroller's Notes, Appendix C

**Page 9, paragraph 2**

The auditors were informed that the week of March '98 was not a typical week and not representative of 'extra' personnel utilization because of the Lenox project with unprecedented service changes. Although this explanation was offered for the allocation of extra personnel, the auditors persist in erroneously misapplying this explanation to overtime documentation and justification. At no time was it ever said that overtime justification or documentation is foregone because of special projects.

**Page 9, paragraph 4**

The report states that personnel may have not been used as intended and deployed inefficiently.

During the audit period, available personnel incumbents were temporarily below budgeted levels. As a result, a management decision was made to give priority to filling all positions in Subdivision 'A' first in order to support the unprecedented effort on the Lenox project. A conscientious decision was made to fully staff Subdivision 'A' to budget levels first and to temporarily rely on overtime coverage on Subdivision 'B'. This action was necessary because overtime coverage is somewhat less reliable than regular coverage. The project was too critical and full job coverage was essential. The tremendous success of the Lenox project and overall overtime performance is an indication that the correct decision was made.

\*  
Note  
10

**Page 10, paragraph 1**

The report also indicates that during one of the weeks selected for detailed review (March '98), there was an average of 50 extra tours per day.

On average, seven of the fifty employees identified as extra were not extra. They were gap crews that were assigned to ensure service integrity for the Lenox project. These can not be considered extra because they were unavailable for reassignment.

The report also fails to indicate that the 50 employees identified as extra consisted of employees from two separate subdivisions, two distinct titles, three different tours of duty, various regular days off, and various qualifications. In other words, this number was subdivided into much smaller groups of employees that, in many instances, cases could not be utilized to perform each other's activities. Additionally, extra board availability is further reduced by the limitations on the number of hours worked by employees in safety sensitive operating positions.

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Note  
11

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\* See State Comptroller's Notes, Appendix C

**Controls Over Discretionary Overtime  
Surface (Department of Buses)**

**Page 11, paragraph 2**

The draft report identified 48 instances where the deviation reports were not signed for line supervisors who were paid overtime. While we do not dispute this finding, the conclusion that "there is no assurance that the reported overtime hours were actually worked" is contradicted by information contained in the auditors' own workpapers. The workpapers contained signed attendance sheets evidencing that the employees worked the hours for which they received overtime.

Therefore, it is improper for the auditors to conclude that there was "no assurance" that employees actually worked these overtime hours. The auditors should limit their finding to the fact that the deviation sheets were not signed and avoid making any unsupported inferences. The auditors also included one overtime hour that was necessitated by a change from daylight savings time to standard time.

\*  
**Note  
12**

**Page 11, paragraph 3**

The draft report concluded that overtime was not adequately justified for 459 overtime instances that they reviewed. Most of these instances involved maintenance overtime that the auditors referred to as "routine bus servicing and repairs." The auditors claimed that NYCT did not document why the servicing and repairs could not be performed by other employees or postponed to a subsequent tour. Although the auditors attempted to reflect our staffing and budgeting process, they did not adequately reflect the detailed process we currently utilize to budget maintenance activities and backfill vacancies. The draft report incorrectly concluded that bus maintenance could be routinely deferred when unplanned vacancies occur. The Department of Buses adopted a "Zero-Based Budget" process for allocating personnel and overtime costs approximately two years ago. This ensures that resources are objectively allocated based on need and unique operating characteristics. Moreover, many of the illustrations contained in the auditors' workpapers documented overtime that was incurred by road or tow truck personnel working through their respective meal periods. Nevertheless, the auditors included these instances in what they characterized as "routine bus servicing." The auditors agreed to amend the data contained in their draft report. However, we continue to have serious concerns over the accuracy and relevance of the workpapers we did not review.

\*  
**Note  
13**

Finally, the draft report raised concern over the scheduling of swing runs for bus and train operators. Although the auditors did not disclose any finding evidencing cost inefficiencies in our scheduling process, they recommended that our agency perform a comprehensive analysis to provide assurance that employees are scheduled to work in the most cost-efficient and cost-effective manner. The auditors obviously did not understand the very complex task of schedule development that seeks to balance customer demand in the most cost-efficient manner possible.

\*  
**Note  
4**

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\* See State Comptroller's Notes, Appendix C

**Comments on the recommendations:**

Recommendation 1: "Perform a comprehensive cost –benefit analysis of the available scheduling alternatives for all employees with overtime built into their work schedules to provide assurance that the most cost-efficient and cost-effective manner available consistent with the needs of Transit's customers."

Response: We do not concur. We do not believe there is any finding evidencing that our scheduling process is not cost-efficient or effective.

Recommendation 2: "Take action to ensure that all overtime –related support documents such as written approval, justifications, and documentation of hours worked are maintained and readily available for managerial review, as well as internal and external audit. For example, periodically independently verify that a sample of overtime payments are properly justified, authorized, and documented".

Response: Surface (Department of Buses) agrees. Management will be advised of the concerns raised in this report and reminded to ensure that appropriate approvals are obtained and documented for the assignment of overtime.

RTO (Department of Subways) - currently performs internal audits in order to ensure that overtime is warranted and properly paid. We perform weekly audits both random and focus on a specific line or location, supervisor, account numbers, payment type, etc. These audits serve to adjust incorrect payments, reinforce supervisory timekeeping training, and inform management as to the status of the system.

Recommendation 3: Follow up on the 31 instances of reported overtime that we identified as not supported by payroll records and the 48 instances of reported overtime that were not certified by supervisors, to ensure that the hours were in fact worked".

Response: We do not concur. As previously stated, the auditors' workpapers found sufficient evidence that the employees actually worked the overtime that they were paid and any outstanding questionable items remaining after the audit have been investigated and substantiated.

Recommendation 4: "Justify discretionary overtime in writing, describing the work to be performed, as well as the need for the work to be performed on an overtime basis, including documenting the maintenance staff budget system".

Response: Surface (Department of Buses) - This recommendation is no longer applicable. Our Zero-Based Budget allocates personnel and overtime based on need and unique operating characteristics.

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**Response to New York State Comptroller Report #98-S-55**  
**Page 9 of 9**  
**February 29, 2000**

RTO (Department of Subways) – As stated previously, we believe that this is already being done. Supervisors do not assign discretionary overtime. They assign overtime to perform work that must be covered in support of train movement. When a supervisor signs a document (exception claim form) which states the work being performed and the times during which it is performed it is considered as justification. It is not practical for this type of work to be approved in writing any earlier than it currently is.

Recommendation 5: "Periodically analyze the use and development of extras to ensure that they are used and deployed in an efficient manner".

Response: There was no finding in the Department of Buses for this recommendation.

RTO (Department of Subways) – We currently monitor the redeployment of extra personnel on a weekly basis. This process has been institutionalized into the weekly budget meeting with senior staff. Noticeable utilization efficiencies have been realized.

Sincerely,



Lawrence G. Reuter  
President

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# State Comptroller's Notes

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1. Transit officials are correct in stating that much of the statistical data contained in our draft report differs from that presented in our preliminary findings. The data presented in our preliminary findings was based on information provided to us by Transit during our field work. After issuance of our preliminary findings, Transit officials met with us to offer additional insight on their internal controls, record keeping systems, and overtime-related documents. This additional information necessitated revisions to our work and resulted in the revised data included in our draft and final reports. All revisions were transmitted to Transit officials for their review and comment. Therefore, we are confused as to why Transit officials would question the accuracy and objectivity of our audit.
2. Transit officials incorrectly question the sampling and auditing methodologies we utilized. They cite our use of the deviation sheet to extrapolate part of the population we sampled. They also claim that we incorrectly identified several payroll deviation sheet occurrences as overtime instances. In response to their assertion, we note that all of the sampling and auditing methodologies relied upon to support our findings were performed in accordance with auditing standards. Pursuant to our initial discussions with Transit liaisons, the deviation sheet was used to identify overtime occurrences at one of the sampled depots. As explained in Note 1, after issuance of our preliminary reports, Transit officials met with us to clarify the significance of the information included on these reports. Our draft report included the revised figures based on their clarification. All of the information and data included in this final report was obtained from Transit, and is properly supported in our work papers and available for public scrutiny.
3. "Discretionary" is the terminology for unscheduled overtime given to us by Transit liaisons during our audit. We were asked to use this terminology to differentiate this type of overtime from that which is built-in to operator schedules and, therefore, "nondiscretionary." Nevertheless, we have revised our terminology in the final report.
4. As noted in this report, Transit officials repeatedly explained the methodologies used to develop their tour assignments and staff schedules. However, they have yet to document any assessment or study performed to evidence their current scheduling scenario as the most cost-effective or cost-efficient alternative.
5. Certain matters addressed in the draft report were deleted from the final report. Therefore, some agency comments included in Appendix B may relate to matters no longer contained in this report.
6. We agree that there is a myriad of factors that Transit officials need to address when arranging tour assignments and staff schedules. However, the absence of a formal study or assessment documenting scheduling alternatives provides no assurance that the most cost-effective or cost-efficient schedules are in use.
7. The report paragraph in question accurately describes Subway's overtime documentation process, as described to us and observed by us during our audit field work.

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8. The 31 instances described in the report include the 22 instances cited in Transit's response, and nine additional instances identified by us when following up on Transit's response to our preliminary findings. All 31 instances were provided to Transit officials for their review and comment prior to the issuance of our draft report. Further, the crew assignment sheets and train register sheets noted in Transit's response have not been provided to us for our review.
  9. Transit officials note that the need for overtime work is a direct function of the level of train service (i.e., it is schedule-driven). However, they fail to note the other equally significant factor - - staffing. If sufficient staff is available to meet service needs, overtime may not be necessary. Supervisory approval of overtime, in and of itself, is not sufficient documentation of need. The supervisor should document the specific need for overtime (e.g., employee absences, special runs, etc.) in each instance.
  10. Transit's response does not address the apparent inefficient use of personnel, as described in the report. If on-site supervisors observe the inefficient use of extras, they should take immediate steps to redeploy them in an effective and cost-efficient manner. Transit officials should use our objective observations to help improve their future staffing efforts.
  11. We address this specific Transit response on page 10 of our report.
  12. We were informed by Transit officials that the combination of signed attendance sheets and supervisor-approved deviation reports evidence an employee's attendance and actual hours worked. The attendance sheets indicate that the employee was present on the noted date, and the deviation reports illustrate the overtime hours worked. Thus, our conclusion, that there is no assurance that the reported overtime hours had been worked when there is no supervisory-approved deviation report, is valid.
  13. Transit officials reiterate their zero-based budgeting process, as described on page 12 of the report. However, they have yet to supply us with support for the budgeted positions at the depots sampled for our audit.