

H. CARL McCALL  
STATE COMPTROLLER



110 STATE STREET  
ALBANY, NEW YORK 12236

STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

August 2, 2002

Mr. Peter Kalikow  
Chairman  
Metropolitan Transportation Authority  
347 Madison Ave.  
New York, New York 10007

Re: Report 2002-F-3

Dear Mr. Kalikow:

Pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution, we have reviewed actions taken by officials of the Metropolitan Transportation Authority, New York City Transit as of April 16, 2002 for the Department of Subways and May 7, 2002 for the Department of Buses to implement recommendations contained in our audit report *Metropolitan Transportation Authority, New York City Transit Selected Overtime Practices (Report 98-S-55)* issued on July 14, 2000. That audit examined whether New York City Transit overtime payments to train operators, conductors, subway station agents, bus operators and bus maintenance workers were documented, justified and whether overtime practices were monitored adequately.

**Background**

The New York City Transit System (Transit), a subsidiary of the Metropolitan Transportation Authority, is one of the largest integrated subway and surface transit systems in the world. Transit serves a population of 14.6 million people in a service area of 618 square miles.

Transit employs bus operators, train conductors, subway station agents, maintenance workers, supervisory personnel, and administrative and support personnel. Transit's operating budget was \$4.7 billion for 2001, and \$4.9 billion for 2002. Transit's 2001 payroll cost is about \$2.7 billion annually, of which about \$265 million (9.8 percent) relates to overtime payments. These overtime payments are made for: (1) scheduled overtime, in which overtime is built into 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 work needs. Scheduled overtime is necessary because most service routes cannot be fit into a routine eight-hour shift. Unscheduled overtime is necessary because of unexpected employee absences, and an unanticipated need for repair work either to stations, tracks, buses, or to the subway trains.

## **Summary Conclusions**

Our prior audit concluded that additional actions needed 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. When requested, Transit officials did not provide any analysis showing that work schedules with built-in overtime resulted in the most cost-effective work schedules. We recommended 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. In addition, we found that some of the overtime hours worked by employees were not adequately documented as worked. Also, the need for some of the overtime was not documented or adequately justified. We questioned how effectively Transit deployed "extra" train operators, conductors and bus operators who are not assigned to specific service routes, but fill in to cover unanticipated absences.

Transit officials did not agree with some of our prior audit recommendations, and believe the steps they take to schedule overtime and to budget for unanticipated absences reduce the need for overtime to the most cost-effective amount possible. We met with officials from Transit's Operations Planning who determine the amount of service required for each bus and train route, as well as the number of employees needed to service the routes in the most cost-effective manner. We also met with Budget officials from the Buses Department who are responsible for budgeting both scheduled and unscheduled overtime for each individual bus depot. The explanations and documentation provided appeared both sound and reasonable. On the other hand, Transit officials unanimously rejected our suggestion to consider implementing a four-day workweek, when feasible. Transit officials believe their schedule of five weekdays and two weekend days is the most cost-efficient alternative available. Officials insisted that scheduling four-day workweeks would require one of the weekdays (Monday through Friday) be covered by an overtime shift. Transit officials also believe an agreement with union officials would be required to initiate a four-day workweek. They added that it may also result in costly trade-offs in other work rules that could result in a more expensive operation. They further indicated that the audit recommendation could not have been implemented between the issuance of the prior audit report and the beginning of the follow-up, as there were no collective bargaining sessions in the interim period. Notwithstanding Transit's objections to initiating a four-day workweek, we still believe the suggestion has merit, when practical. We conclude that even though officials have established protocols to monitor overtime, the actual implementation of these controls need improvement. In addition, Transit needs to strengthen its deployment of "extra list" employees in an effort to reduce the amount of overtime incurred.

## **Summary of Status of Prior Audit Recommendations**

Of the five prior audit recommendations made to New York City Transit, four were partially implemented and one was not implemented.

## **Follow-up Observations**

### **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.*

Status – Partially Implemented

Agency Action – Transit officials did not perform a comprehensive cost-benefit analysis of the available scheduling alternatives for all employees with overtime built into their work schedules. Transit's Operations Planning (OP) officials explained how service delivery routes are created, and how they determine the need to hire and deploy personnel to provide services for the Departments of Subways and Buses. They provided a book of procedures and samples of computerized information explaining their scheduling process. While the rationale provided appeared logical, we did not subject the information to the type of rigorous testing necessary to comment more conclusively on their staffing patterns. OP officials explained built-in overtime is an inherent part of the planning process because it reduces the expenses of funding new positions, including providing for the cost of fringe benefits; i.e., medical, dental, workers' compensation, and retirement. Furthermore, this process is strongly influenced by the Unions' Labor Contracts which tends to foster overtime. Our study of Transit's development of built-in overtime schedules indicates they follow a reasonable methodology. OP officials generate, develop and lead the process in determining the number of required assignments and the number of positions essential to provide the necessary bus and subway service.

Budget officials representing the Department of Buses and the Department of Subways explained that calculations are based on the number of assignments required to expedite the service, and the number of anticipated absences they need to fill. They calculate the estimated number of each type of absence (workers' compensation, jury duty, random drug testing, unscheduled sick leave) based on historical data. Our review indicates officials follow a reasonable methodology. However, based on the amount of scheduled and unscheduled overtime actually generated there is still some room for improvement; i.e., individual bus operators and maintenance men are exceeding the overtime cap. In most instances, the overtime cap was almost double the base salary of a bus operator

We met with officials representing the Department of Buses who explained how the overtime amount for each bus depot is determined. Budget officials calculate the estimated amount of built-in overtime based on zero-based budgets. The methodologies provided were both sound and reasonable. Officials provided electronic data processing information supporting how they determine the amount of overtime required for each bus depot.

Officials from the Department of Subways/Rapid Transit Operations (RTO) calculate their needs for built-in overtime based on historical data. Budgeting officials provided a document explaining the processes on how they arrive at a total budgeted amount for overtime. Unlike the Department of Buses, they could not explain the total amount down to the individual components such as train operators, maintenance workers, car cleaners, etc., at the time of the interview. Unlike the Department of Buses which uses a zero base budget for overtime, the Department of Subways uses an incremental budget for overtime using the prior year amount of overtime as a base.

(At our closing conference Department of Buses officials objected to our characterizing the recommendation as partially implemented. They indicated the practices and procedures we described just continue policies that had already been implemented during our prior audit. We note that the partially implemented status is based, in part, on the fact that documentation was provided to support statements by Department of Buses officials, whereas in our prior audit, we did not receive any written analysis. Thus, there is a difference between the prior audit and our follow-up review.)

### **Recommendation 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.*

Status – Partially Implemented

Agency Action – The Department of Buses created a Quality Performance Unit (QP) that reportedly visits each of the 18 bus depots at least annually. From the visits, QP prepares a Quality Performance Report that evaluates compliance with procedures and monitors if recommendations were implemented. Part of QP's review includes determining compliance with overtime procedures and the completeness of supporting overtime documents. For example, at the Gun Hill Bus Depot, QP indicated a rating of 0.54 (out of a possible 1.0) in Areas in Need of Improvement regarding the completeness of the deviation report. The deviation report is used to account for overtime. QP gave a 0.00 out of a possible score of 1.00 for the bus cleaner sign-in sheets, and 0.81 out of a possible 1.00 for the bus shifters sign-in practices. The sign-in sheet indicates the number of hours an employee was at work and can be used to determine whether an employee's overtime payment coincides with the amount of time an employee was at work. For overtime, at the Casey Stengel Bus Depot, QP gave 0.00 out a possible score of 1.00 for the bus cleaners, and 0.85 out of a possible 1.00 to the bus driller sign-in sheets. At the closing conference officials indicated that even though a bus depot receives a score of 0.00 out of a possible score of 1.0, it may not be a reflection that the bus depot is not in compliance with this attribute. Instead, it may mean there is zero tolerance for non-compliance. Zero tolerance means that the only possible acceptable score is 0.0 or 1.0; therefore, in a sample of 100 units, if only 1 is incorrect and 99 were correct, the score would be zero. Regarding the concern expressed at the closing conference, we suggest that Department of Buses officials review QPs reporting format to make sure it

provides the information in a clear, concise and unambiguous manner. We also reviewed a sample of overtime documents at the Casey Stengel Depot. Our review revealed 36 exceptions for the 31 deviation reports we examined. For each entry on the overtime report, we reviewed attributes such as the lack of supervisory signatures, no dates, and no time range specified.

We visited the Subdivision B (Lettered Subway Trains) Timekeeping Unit that is sent the Slip/Deviation reports (overtime reports) from all subway terminals. Timekeeping Unit employees randomly review the overtime reports. However, neither Transit nor the MTA Auditor General has audited the operations of the Timekeeping Unit in the past three years. We reviewed 29 deviation/exception reports totaling 42 instances of overtime. While the deviation reports reviewed were completed accurately, in 10 cases (23.8 percent), overtime was not listed on the weekly Management Reports entitled "Extra Board Weekly Summary (FLIPS)." These Management Reports are supposed to account for every instance of overtime. After the closing conference, officials from the Department of Subways provided us with a document that reportedly indicated the ten individuals were listed on FLIPS for the same period of time. However, the information and format did not coincide with the information they provided during the fieldwork.

### **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 was not certified by supervisors, to ensure that the hours were in fact worked.*

Status – Not implemented

Agency Action – Neither the Department of Buses nor Department of Subways could find or provide the information we requested.

### **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.*

Status – Partially Implemented

Agency Action – We met with the officials responsible for developing the bus operators and maintenance overtime budgets for the Department of Buses. Officials indicated it is necessary to maintain a certain size maintenance staff since they cannot always anticipate the frequency of buses breaking down on a given shift. In addition, we met with Operations Planning officials. Operations Planning officials explained budgeting for discretionary overtime is an inherent part of the planning process because it provides coverage for circumstances that cannot always be reasonably anticipated. In addition, budgeting for discretionary overtime reduces the expenses of paying for new employees, including funding

their fringe benefits. Furthermore, this process is strongly influenced by the Unions' Labor Contracts which tend to foster overtime.

At the Gun Hill Bus Depot, we noted that 18 of 117 (or 15.4 percent) bus operator deviation reports reviewed did not contain the required supervisor signatures. Furthermore at the Casey Stengel Bus Depot, in 36 instances the overtime deviation reports were incomplete. At the closing conference officials objected, indicating that the prior audit did not report any exceptions regarding the overtime of bus operators. Thus, we should not report this issue in the follow-up review. In addition, we should indicate that our follow-up review did not disclose any exceptions to the overtime awarded to bus maintenance staff. We are providing officials representing the Department of Buses with the 18 exceptions concerning the overtime for bus operators for them to review.

As indicated in Recommendation 2 to the Department of Subways, our review of 29 overtime slips aggregating 42 occurrences of overtime did not disclose any exceptions.

### **Recommendation 5**

*Periodically analyze the use and deployment of extras to ensure that they are used and deployed in an efficient manner.*

Status – Partially Implemented

Agency Action – At the Department of Subways, employees on the extra list report to the Assignment Crew Unit for either Division A or Division B. Unit officials then assign the extra list employees to each of the 84-train terminals, as needed. We believe there is room for improvement. For instance, for the week ended February 16, 2002 there were 263 extras without assignment despite there being 2,227 overtime assignments in Division A and 3,540 in Division B. We recognize the difficulty in balancing the need for extra list employees with the need for reducing the number of overtime assignments. Having too many employees on the extra list could reduce overtime, but may also result in too many unassigned employees. Conversely, too few employees on the extra list may result in each employee being assigned, but incurring more overtime as there may be fewer extra list employees available to fill the vacancies. The essence of this recommendation is that officials should continuously reevaluate the size of the extra lists in an effort towards both reducing the amount of overtime and concomitantly reducing the number of unassigned employees on the extra list.

Major contributors to this report were Altagracia Rodriguez and Abraham C. Markowitz.

We would appreciate your response to this report within 30 days, including additional actions planned to address the recommendations discussed in this report. We also thank the management of the Departments of Buses including officials at the Gun Hill, East New York and Casey Stengel Bus Depots, the Quality Performance Unit, and officials at the Department of Subways Operations Planning for the courtesies and cooperation they extended to our auditors during the review.

Very truly yours,

Carmen Maldonado  
Audit Director

cc: Deirdre Taylor, DOB  
Paul Spinelli, MTA