



Metropolitan Transportation Authority

Management and Control of Employee Overtime Costs

Report 2009-S-88



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of State Government Accountability

August 5, 2010

Jay H. Walder
Chairman and Chief Executive Officer
New York City Metropolitan Transportation Authority
347 Madison Avenue
New York, NY 10017

Dear Chairman Walder:

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 Metropolitan Transportation Authority: Management and Control of Employee Overtime Costs. The 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 Objective

The objective of our audit was to determine whether the Metropolitan Transportation Authority (MTA) has effectively managed and controlled its employee overtime costs.

Audit Results–Summary

We found that the MTA has not effectively managed and controlled its overtime costs. Rather, there has been a culture of acceptance among MTA managers regarding overtime, and no real efforts were made to make significant changes in longstanding practices that resulted in routine, and often unnecessary, overtime. As a result, overtime has become the rule rather than the exception for many of the MTA's employees, and the MTA's already high overtime costs have continued to escalate.

The MTA provides public transportation in and around the New York City metropolitan area. It employs about 71,000 workers at an annual cost of about \$4.6 billion. In accordance with its enabling legislation, the MTA is expected to be financially self-sustaining, and generate enough fare and other revenues to cover its expenses. However, in recent years, the MTA has consistently operated at a financial deficit.

Between 2005 and 2009, the MTA's annual overtime costs increased from \$468 million to \$590 million, an increase of 26 percent. We examined records showing the amount of overtime pay received by the MTA's employees. We found that many of the employees are being paid significant amounts of overtime, as their annual overtime pay is approaching, and in some cases exceeding, their annual salaries. For example, in 2009, there were 3,274 employees whose total overtime pay for the year equaled at least 50 percent of their annual salaries, including 147 whose total overtime pay exceeded their annual salaries. There were 10,909 employees (more than 15 percent of the workforce) whose total overtime pay for the year equaled at least 30 percent of their annual salaries.

When we examined why the employees at four of the MTA's seven constituent agencies were working such significant amounts of overtime, and whether the overtime was, in fact, necessary, we found indications that the overtime often was not necessary. For example, routine track maintenance work is often performed by workers on overtime, because the workers' regular work shifts coincide with peak service periods when the tracks are not available for routine maintenance.

In addition, many of the employees who work overtime are replacing absent workers, especially workers who have called in sick. Much of this overtime could be eliminated if absenteeism were reduced and absent workers were only replaced when necessary. We also found that many of the employees working overtime have no valid justification for doing so, and some may not actually work all the overtime hours claimed. If corrective actions were taken to eliminate the unnecessary overtime identified by our audit, we estimate the MTA could save more than \$56 million a year in overtime costs.

The MTA Central Office, together with the management of the seven constituent agencies, is responsible for overseeing the agencies' operations. However, we found that these officials have not effectively managed and controlled the agencies' overtime costs. For example, the agencies' overtime budgets are seriously flawed, because past overtime inefficiencies are routinely incorporated into the current year's budgets, and the Central Office routinely accepts the budgets, without question. Also, the Central Office has not worked actively with agency management to reduce overtime costs, even though the MTA has consistently faced serious budget shortfalls. Prior to our audit, neither the Central Office nor agency management had proposed reduction goals for overtime costs, such as a 10 percent reduction. Such a reduction would result in savings of nearly \$60 million annually for the MTA, which could help offset planned fare increases, cuts in service, and/or cuts in capital improvements.

When we discussed our observations with Central Office officials, we were told that, prior to the current administration, the management of the constituent agencies was left to agency officials. Officials in the current administration state that they plan to take a much more active role in managing and controlling employee overtime, and further indicate that some actions have already been taken to reduce overtime costs. According to officials in the four constituent agencies we examined, employee absenteeism and union work rules are the primary drivers of overtime. However, we note that only limited efforts have been made by management to reduce absenteeism and address unproductive work rules, and management needs to be more proactive in these areas. We recommend MTA officials consider adopting some of the best practices of other public transportation authorities that have been able to control their overtime costs.

Our report contains a total of six recommendations for improving the MTA's management and control of employee overtime. MTA officials are in general agreement with our findings and recommendations and intend to pursue them as part of their internal efforts to reduce overtime.

This report, dated August 5, 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
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Introduction

Background

The Metropolitan Transportation Authority (MTA) provides public transportation in and around the New York City metropolitan area. The MTA includes the following seven constituent agencies:

- NYC Transit (Transit), which operates the New York City bus and subway systems;
- Long Island Rail Road (LIRR), which operates a commuter railroad between New York City and Long Island;
- Metro-North Railroad (Metro-North), which operates a commuter railroad between New York City and parts of upstate New York and Connecticut;
- MTA Bridges and Tunnels (B&T), which operates seven bridges and two traffic tunnels in New York City;
- MTA Bus Company, which provides bus service in certain parts of New York City;
- Long Island Bus Company, which provides bus service on Long Island; and
- MTA Capital Construction, which manages many of the MTA's capital projects.

The MTA is governed by a Board of Directors (Board), whose 17 members are nominated by the Governor and confirmed by the Senate. Each constituent agency is led by a President who is appointed by the Board.

The MTA also includes a Central Office, which provides administrative support for the seven constituent agencies. The MTA Central Office and the constituent agencies account for an annual operating budget of about \$12.9 billion, including \$4.6 billion in payroll costs for a staff of about 71,000.

Many of the MTA's employees are unionized workers. Consequently, the terms of their employment are governed by contracts that are developed through collective bargaining. Included among these terms of employment are various work rules, which help govern how the employees may be deployed by management and how they are to be compensated for their work.

Generally, when the MTA's unionized employees work overtime, they are to be compensated at time-and-a-half (1.5 times their normal hourly rate of pay). Nearly \$600 million of the MTA's reported annual payroll costs is for employee overtime, and these overtime costs have been increasing steadily. Between 2005 and 2009, the MTA's overtime costs increased from \$468 million to \$590 million, an increase of 26 percent.

In accordance with its enabling legislation, the MTA is expected to be financially self-sustaining, and generate enough fare and other revenues to cover its expenses. However, in recent years, the MTA has consistently operated at a financial deficit. These annual deficits have been offset by dedicated taxes and special State appropriations and grants. The MTA has also implemented fare increases and service cuts to increase its revenue and reduce its expenses.

Audit Scope and Methodology

We audited the MTA's management and control of employee overtime costs for the period January 1, 2008 through December 31, 2009 and availability of extra workers at its agencies from May 1 through May 7, 2010. We focused on the overtime costs incurred by four of the MTA's constituent agencies (Transit, LIRR, Metro-North and B&T), because these four agencies account for almost 90 percent of the MTA's total reported overtime costs.

To accomplish our objectives, we interviewed MTA and agency officials, and reviewed MTA and agency documents. As is described in detail in the body of the report, we selected a judgmental sample of overtime transactions and reviewed certain records to determine whether the need for the overtime was justified in writing before it was incurred, and whether the overtime was documented as worked. We also observed several work locations where employees were earning significant amounts of overtime, and reviewed overtime-related reports prepared by MTA's Internal Audit Group and the MTA Inspector General.

We conducted our 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 objective.

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

Reporting Requirements We provided a draft copy of this report to MTA officials for their review and comment. Their comments were considered in preparing this final report and are attached in their entirety at the end of the report.

In general, MTA officials agree with our findings and recommendations and intend to pursue them, including those that may require legislative changes or modifications to negotiated bargaining agreements.

Within 90 days of the final release of this report, 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.

Contributors to the Report Major contributors to this report were Frank Patone, Michael Solomon, Randy Partridge, Salvatore D’Amato, Lisa Duke, Jay Gwak, Cheryl Miles and Dana Newhouse.

Audit Findings and Recommendations

Incurrence of Overtime

The MTA maintains records showing the amount of overtime pay received by each employee. We reviewed these records and found that many employees are being paid significant amounts of overtime, as their annual overtime pay is approaching, and in some cases exceeding, their annual salaries.

For example, according to these records, in the 2009 calendar year, there were 10,909 employees (more than 15 percent of the MTA's workforce) whose total overtime pay for the year equaled at least 30 percent of their annual salaries, including 147 whose total overtime pay exceeded their annual salaries.

One of these employees, a Train Car Repairman at the LIRR, received a total of \$142,857 in overtime in 2009. Since the Repairman's annual salary for the year was \$64,865, his overtime pay equaled 220 percent of his annual salary, and his overtime pay and base salary added up to \$207,772. Another employee, a B&T Officer, whose duties included toll collection and security, received a total of \$122,160 in overtime in 2009. Since the Officer's annual salary for the year was \$58,444, his overtime pay equaled 209 percent of his annual salary, and his overtime pay and base salary added up to \$180,604.

The following table shows overtime pay as a percentage of annual salary for the 10,909 employees whose total overtime pay for the year equaled at least 30 percent of their annual salaries (in addition, Exhibit A shows the overtime payments made to 60 of the MTA's top overtime earners for that year).

Overtime Pay As a Percentage of Annual Salary	Number of Employees
At Least 30%, But Less Than 50%	7,635
At Least 50%, But Less Than 100%	3,127
At Least 100%	147
Total	10,909

When we examined why the employees at Transit, LIRR, Metro-North and B&T were working such significant amounts of overtime, and whether the overtime was, in fact, necessary, we found indications that the overtime often was not necessary. In particular, we found the following:

- The employees who maintain the tracks at Transit, LIRR and Metro-North often perform routine maintenance work on evening and weekend overtime shifts, because the tracks are not available for routine maintenance during their regular day-shift work hours. Much of this overtime could be eliminated, and the employees' productivity improved, if the employees' regular work schedules were altered to match track availability.
- Many of the employees working overtime are replacing absent workers, especially workers who have called in sick. Thus, these employees are working both their own regular shifts (at straight time) and other employees' regular shifts (on overtime). Much of this overtime could be eliminated if absenteeism were reduced, absent workers were only replaced when necessary, and additional "Extra" workers were deployed in stand-by status to replace needed absent workers at straight time.
- Many of the employees working overtime have no valid justification for doing so, and some may not actually work all the overtime hours claimed. Such abuses could be prevented if actions were taken to improve the MTA's controls over overtime.

Following are additional details about our findings in these areas. We note that, if appropriate corrective actions were taken to eliminate the unnecessary overtime in these areas, the MTA could potentially save more than \$56 million a year in overtime costs.

In addition, as is noted in Exhibit B, in a recent audit, we found that a comparable, if smaller, public transportation authority (the Niagara Frontier Transportation Authority, which provides public transportation services in Erie and Niagara Counties) has taken a number of actions to improve employee work schedules, reduce absenteeism and prevent overtime abuses, and as a result, has made significant reductions in its overtime costs. We recommend MTA officials consider adopting such best practices of other public transportation authorities.

Track Maintenance Staff

According to MTA and agency officials, to minimize service interruptions, track maintenance work (e.g., repairs, installation, signal work, etc.) is commonly performed during off-peak service times (evenings and weekends). The officials note that this work is usually performed by employees on overtime, because the staff responsible for such work are generally assigned to the day shift, when the tracks are usually not available for routine maintenance work.

For example, at the LIRR, 169 of the 173 track maintenance staff are assigned to the day shift, and the staff are similarly deployed at Metro-North. Transit divides its 7,400 track maintenance workers almost evenly between the day and evening shifts.

MTA officials acknowledge that revising the work schedules of their track maintenance staff would better align the staff's availability with track availability, and thus reduce overtime. However, they have not pursued such changes because they believe the unions representing the track maintenance staff would not support the changes, and because of existing work rules, they cannot unilaterally assign the staff to the evening shift at straight pay.

However, we note that, at Transit and Metro-North, management can unilaterally assign track maintenance staff to evening/weekend shifts at a slightly higher rate of pay (a shift differential) that is significantly less than the rates paid for overtime, and at the LIRR, management could negotiate work rule changes to permit such shift differentials. According to our calculations, even if only a portion (about 400) of the track maintenance staff now working the day shift were re-assigned to evening/weekend shifts, and paid an appropriate shift differential for the inconvenience, the MTA could save about \$38.9 million a year in overtime costs. We also note that the workers would be more productive, because they would not be restricted to mainly preparatory work on their regular shifts, as they are now.

MTA officials informed us that they are looking into such employee reassignments as part of their overall assessment of operational practices and their effects on overtime.

Absent Workers

In November 2007, the MTA hired a consultant to conduct a Workforce Development Study aimed at improving the MTA workforce and to make recommendations in such areas as reducing sick leave. According to the consultant, every one-day increase in the average number of sick days per employee costs the constituent agencies between \$1 and \$10 million annually, depending on the size of the agency. The consultant recommended that certain actions be taken to reduce sick leave usage, but we found no indication that any of the recommendations have been implemented by the MTA. We also found that the MTA has not taken a firm policy direction on controlling and limiting sick leave. We recommend the MTA take such actions.

We also found that, prior to our audit, Transit, LIRR, Metro-North and B&T routinely replaced all absent workers. They did not formally assess whether a particular worker actually needed to be replaced on a given day because of such factors as the urgency of the work or worker/public safety, and with the exception of B&T, had performed no formal staffing analyses to justify the number of employees needed in each operational unit.

After our audit began, B&T initiated a new policy of not filling the first employee absence at any given facility with an employee on overtime. We believe this is a step in the right direction, and recommend that all four agencies assess their staffing needs in their operational units and only replace absent workers when it is shown by the assessments to be necessary. We estimate that such a change in management practices could result in total savings of at least \$13 million a year at the four agencies (\$1 million per year at LIRR, Metro-North and B&T and \$10 million per year at Transit, assuming an average annual reduction of one replacement day per absent employee, in accordance with the consultant's determination). We also note that, according to published reports, in a two-month period occurring after our audit had begun (April and May 2010), MTA officials indicated that Transit had saved \$3 million in overtime by no longer replacing all absent bus drivers with drivers on overtime.

The constituent agencies also have stand-by employees (often referred to as "Extras") in certain areas to provide coverage for employee absences in those areas. The Extras are paid straight time at the wage rate for their assigned job and shift. As a result, when absent employees are replaced by Extras, rather than employees on overtime, the MTA incurs no significant additional expenses. However, we found that the agencies do not have enough Extras to cover all the absences in those areas.

For example, during our review period (May 1 through May 7, 2010), in one of the areas with Extras (Transit engineers and conductors), an average of 336 Extra engineers and conductors were available for assignment each day, but an average of 478 engineers and conductors were absent each day. As a result, an average of 142 positions per day were filled by engineers or conductors on overtime. If our observations at the three Transit/Metro-North work locations we visited were representative of the locations throughout the year, we estimate that Transit and Metro-North could save approximately \$4.3 million a year by increasing the number of Extras at these locations by a certain amount (for our estimate, we assumed that only 50 percent of the average number of previously uncovered absences would need to be covered, because absenteeism would be reduced and absent employees would be replaced only when necessary).

In response to our analysis, MTA officials told us that they would assess the benefits of increasing the number of Extras. However, they noted that the number of Extras might not be able to be increased at all locations, due to staffing limitations. They also questioned whether our estimated savings were accurate. We note that the actual savings would vary depending on the extent to which absent employees were still being replaced and the extent to which absenteeism had been reduced.

Unjustified and Undocumented Overtime

To determine whether the overtime hours paid were properly justified and actually worked, we judgmentally selected a sample of 77 overtime transactions, totaling \$35,963, for overtime hours reportedly worked during the period September 24, 2009 through October 10, 2009 by selected high overtime-earning employees at Transit, LIRR, Metro-North and B&T. For each sampled transaction, we requested documentation of the hours worked and written prior justification of the need for the employee to work those overtime hours.

We found documentation for the hours worked and justification for the overtime (e.g., emergency) in only 18 of the 77 sampled transactions. In the remaining 59 transactions, totaling \$27,843 and accounting for 77 percent of the sampled overtime payments, either:

- there was no justification for the work to be performed on overtime (52 transactions),
- the reported overtime hours were not adequately documented as worked (18 transactions), or
- there was both no justification for the work to be performed on overtime and inadequate documentation of the hours reportedly worked (11 transactions).

For example, in two of the sampled overtime transactions, a Transit Bus Maintenance Shop Supervisor scheduled himself to work 2.5 hours of overtime on two separate days so that he could be in before the staff arrived (we note that this was a regular, daily practice for the Supervisor). However, Transit officials could not justify the need for the Supervisor to come in early on overtime each day, and his reported overtime hours were not independently verified as actually worked, because the Supervisor self-reports his hours worked on his biweekly time sheet. We note that the Supervisor was paid a total of \$58,270 in overtime for the 2009 calendar year.

The employees in our sample of 77 overtime transactions were paid a total of about \$4 million in overtime for the 2009 calendar year. If our sample is representative of these employees' overtime in that year, 77 percent of this overtime (over \$3 million) may not have been valid. If the overtime worked by the employees not included in our sample is similarly unjustified and/or undocumented, the MTA could be paying millions of dollars a year for overtime that may not be valid.

We recommend the MTA follow up on the 59 questionable overtime transactions in our sample and take corrective action as appropriate. In addition, as is discussed in the following section of this report, we recommend the MTA significantly strengthen its management and control of overtime.

Management and Control of Overtime

The four constituent agencies addressed by our audit budgeted the following overtime costs for the 2009 calendar year:

Agency	Overtime (in Millions)	Payroll (in Millions)	Overtime as a Percent of Payroll
Transit	\$318	\$3,493	9.1%
LIRR	\$103	\$606	17.0%
Metro-North	\$74	\$503	14.7%
B&T	\$26	\$156	16.7%

MTA's Central Office is responsible for overseeing the operations of the constituent agencies. It is responsible for developing and implementing administrative and fiscal policies, and assessing agency performance. However, we found that the MTA Central Office has not effectively managed and controlled the overtime costs of the constituent agencies, for the following reasons:

- The Central Office routinely accepts, without question, the overtime budgets prepared by the agencies. We found no Central Office communications requesting justification for the submitted overtime budgets. If the Central Office worked with agency staff to justify budgeted overtime costs and ensure that the amounts budgeted were, in fact, necessary, unnecessary overtime could be significantly reduced.
- The overtime budgets prepared by the constituent agencies are seriously flawed, because they are based on the agencies' actual overtime expenses in the prior year rather than expected overtime

needs in the current year. The actual prior year expenses are simply adjusted for any known current year changes such as inflation, pay raises or mandated cuts. As a result, past overtime inefficiencies are routinely incorporated into the current year's budgets.

- The Central Office has not worked actively with the constituent agencies to reduce overtime costs, even though the MTA has consistently faced serious budget shortfalls. For example, the Central Office has proposed no reduction goals for overtime costs, such as a 10 percent reduction. We note that such a reduction would result in savings of nearly \$60 million annually for the MTA, which could help offset planned fare increases, cuts in service, and/or cuts in capital improvements.
- The Central Office does not actively monitor the constituent agencies' overtime costs to ensure that they are appropriate, and has made no effort to analyze overtime costs to identify preventable costs (e.g., overtime due to excess absenteeism, unnecessary work assignments and non-productive work rules) and develop strategies for reducing these costs.
- The Central Office has developed no formal policies and procedures for controlling overtime, and in fact, has not even formally defined "overtime," leading to inconsistent reporting of overtime information by the constituent agencies. In particular, the Central Office has developed no guidelines indicating in what circumstances overtime should be allowed or how overtime activities should be documented. As a result, the procedures and controls at each agency are inconsistent and often ineffective. For example, while employees working overtime at some locations are required to sign in and out, employees working overtime at other locations are not.

The four constituent agencies have also been ineffective in their management and control of overtime costs, for essentially the same reasons. While each agency has a process for approving, documenting and reporting employee overtime, they have not aggressively worked to manage and control their overtime costs. For example, they have not issued directives to staff to reduce overtime. In addition, three of the agencies (LIRR, Metro-North and B&T) have not developed overtime caps for employees to limit the amount of overtime each employee can work/earn, and the fourth agency (Transit) allows its caps to be exceeded without explanation.

When we discussed our observations with Central Office officials, we were told that, prior to the current administration, the management

of the constituent agencies was left to agency officials. Officials in the current administration state that they plan to take a much more active role in managing and controlling employee overtime. For example, the officials indicate that they have either already implemented, or plan to implement, a number of initiatives in an effort to significantly reduce overtime costs, such as more closely monitoring shifts in excess of 16 hours, taking more aggressive actions to prevent sick leave abuse, more closely examining variances in overtime budgets, and working with the unions to change non-productive work rules.

According to officials in the four constituent agencies, employee absenteeism and union work rules are the primary drivers of overtime. However, we note that, to date, only limited efforts have been made to reduce absenteeism and address unproductive work rules. We conclude that there has been a culture of acceptance among MTA managers regarding overtime, and in the past, no real efforts were made to make significant changes in longstanding practices that resulted in routine, and often unnecessary, overtime.

For example, some of the agency officials we interviewed do not believe that employee overtime is a problem worth addressing. At one agency, an official told us that “overtime is not a problem at this agency,” and another official said that he had never seen an instance in which it was cost-effective to hire additional staff instead of assigning existing staff to work overtime. At the time of our discussion, this official did not have any written examples or studies to support this assertion. To prove his point, this official subsequently prepared such an analysis and found that, in the scenario he used, it actually was cost-effective to hire additional staff rather than having existing staff earn continuous overtime.

Because the MTA has not effectively managed and controlled its overtime costs, overtime has become the rule rather than the exception for many employees, and as a result, the MTA’s already high overtime costs have become even higher, increasing by 26 percent between 2005 and 2009. At the same time, the MTA’s budget deficits have continued to grow, and in an effort to balance its books, the MTA plans, as it did in the past, to increase its bus and subway fares and its bridge and tunnel tolls; to reduce or eliminate certain bus and subway services; and to defer or eliminate some of its planned capital improvements.

If the MTA had maintained better control over its overtime costs, some of these fare increases, service cuts and/or capital deferments could be avoided. For example, according to the MTA’s 2010 Financial Plan, planned bus and subway service reductions at Transit are expected to save about \$81.7 million annually. However, as was previously noted, if

only a portion of the track maintenance staff now working the day shift were re-assigned to evening/weekend shifts, and paid an appropriate shift differential, the MTA could save about \$38.9 million a year in overtime costs, enough to offset the need for nearly half of these service reductions.

It should also be noted that the MTA's pension costs have been higher than necessary because of its ineffective management of overtime, further diverting revenues that could be used to maintain services and/or fund capital improvements. This is because, with the exception of certain newly hired employees, all of an MTA employee's overtime compensation during the pension qualification period (generally, the employee's final three years of service) is taken into account when the employee's pension is calculated.

As a result, the more overtime an employee works in the years immediately preceding his or her retirement, the higher his or her pension, on a dollar for dollar basis. For example, if an employee is paid as much in overtime as in regular salary (as some employees are) during his or her final three years, his or her pension will double. Since employees with seniority have the first option to accept an overtime assignment, and such employees are the closest to retirement, the risk of such inflated pensions is high.

While the MTA does not actually pay the pensions of its former employees (the payments are made by the various retirement systems to which the employees belong), it makes ongoing contributions to the retirement systems for the future payments. Thus, the greater the anticipated pension liability, the greater the current contributions; and the higher the overtime in an employee's final three years, the greater the current contributions.

According to a LIRR representative, a 10 percent reduction in the LIRR's overtime costs, which totaled \$107 million for 2009, would result in about a 14 percent reduction in current pension contributions. Accordingly, if the LIRR reduced overtime costs by \$10.7 million a year, its pension contributions would be reduced by about \$1.5 million a year.

It should be noted that, in July 2007 and January 2008, overtime caps for newly hired employees were instituted by Metro-North and the LIRR, respectively, limiting the amount of overtime compensation earned during the qualifying period that is pensionable to 20 percent of the newly hired employees' base pay. It is anticipated that significant future annual savings in pension fund contributions will be realized as a result of these caps. We therefore recommend that Transit and B&T adopt similar pension overtime caps.

- Recommendations
1. Actively manage MTA overtime costs and continually explore ways to reduce such costs (e.g., by better aligning employee work schedules with work opportunities, reducing employee absenteeism, replacing absent workers only when necessary, ensuring an adequate number of “Extra” employees, negotiating changes in unproductive work rules and adopting the best practices of other public transportation authorities.)
 2. Set specific dollar or percentage overtime reduction goals for the constituent agencies, monitor the agencies’ performance in achieving these goals, and take corrective action if the goals are not achieved.
 3. Develop uniform MTA-wide policies and procedures for controlling, reporting and minimizing overtime costs; provide formal training to the agencies in these policies and procedures; and monitor the agencies’ use of overtime to ensure that it complies with the policies and procedures.
 4. Require the agencies to justify their annual overtime budgets, and work with the agencies to restrict the budgeted amounts to what is cost-effective and necessary.
 5. Follow up on the 59 questionable overtime transactions in our sample and take corrective action as appropriate.
 6. Work with Transit and B&T officials to establish caps on the amount of overtime compensation that is taken into account when employee pensions are calculated.

Exhibit A

**High Overtime Earners
For the Period January 1, 2009 through December 31, 2009**

Position	Agency	Compensation		
		Overtime	Base Salary	Total *
Foreman-Track	LIRR	\$145,151	\$82,249	\$230,708
Car Repairman	LIRR	142,857	64,865	208,295
Supervisor Crew Dispatcher	LIRR	138,300	79,003	233,113
Car Repairman	LIRR	137,291	64,865	201,059
Officer	B & T	122,160	58,444	190,190
Asst Supervisor - C&S	Metro-North	117,331	81,976	199,306
Road Car Electrician	LIRR	116,466	66,826	186,723
Sergeant	B & T	112,949	76,384	223,628
Gang Foreman Mechanical	LIRR	111,688	82,249	198,397
Car Repairman	LIRR	111,382	64,865	174,287
Foreman	Metro-North	110,770	85,038	195,809
Road Inspector	LIRR	108,963	73,744	187,246
Foreman-Track	LIRR	108,581	82,249	196,061
Car Repairman	LIRR	107,970	80,029	174,638
Car Road Electrician	LIRR	107,077	66,826	178,177
Chief Train Dispatcher	LIRR	102,420	106,005	213,235
Inspector Design & Construction	Metro-North	99,992	86,274	186,267
Sergeant	B & T	99,105	78,398	213,736
Supervisor - C&S	Metro-North	99,023	83,367	182,390
Crew Dispatcher	LIRR	96,772	72,810	182,184
Officer	B & T	96,764	58,444	162,929
Sergeant	B & T	95,982	78,398	214,885
Supervisor - Track	Metro-North	95,790	85,717	181,507
Inspector Design & Construct	Metro-North	95,239	88,840	184,079
Lieutenant	B & T	95,106	90,086	210,811
Lieutenant	B & T	90,825	90,086	226,383
Sergeant	B & T	89,630	78,398	193,497
Machinist	Metro-North	89,538	67,893	157,431
Inspector Design & Construct	Metro-North	88,341	83,936	172,278
Foreman-Surfacing	LIRR	86,861	85,055	175,391

(* In some cases, Total Compensation includes other payments in addition to Overtime and Base Salary)

High Overtime Earners
For the Period January 1, 2009 through December 31, 2009

Position	Agency	Compensation		
		Overtime	Base Salary	Total *
Repairman Technician	LIRR	\$86,225	\$77,099	\$164,764
Sergeant	B & T	86,022	78,398	203,762
Sergeant	B & T	85,437	68,990	155,562
Supervisor - Track	Metro-North	83,981	78,265	162,246
Machine Operator	Metro-North	82,974	69,058	152,032
Foreman - Track	Metro-North	81,228	78,750	159,978
Officer	B & T	76,038	58,444	141,932
Sergeant	B & T	75,968	76,384	184,489
Lieutenant	B & T	75,632	90,086	209,572
Conductor	Metro-North	73,813	108,183	181,996
Officer	B & T	73,483	58,444	140,455
Locomotive Engineer	Metro-North	72,614	101,607	174,221
Electrical Foreman	Metro-North	71,509	72,803	144,311
Bus Operator	NYCT	70,473	55,994	133,408
Train Dispatcher	NYCT	65,061	77,385	154,359
Electrical Foreman	Metro-North	62,733	72,270	135,003
Lieutenant	B & T	61,110	87,940	178,801
Line Supervisor-Surface	NYCT	58,270	78,561	143,613
Signal Maintainer	NYCT	57,158	58,937	124,646
Signal Maintainer	NYCT	56,239	57,829	118,826
Signal Maintainer	NYCT	56,194	60,018	124,352
Train Dispatcher	NYCT	56,086	77,385	138,902
Maintenance Supervisor	NYCT	55,581	76,208	136,285
Signal Maintainer	NYCT	55,201	60,018	123,238
Bus Operator	NYCT	52,991	55,994	125,095
Conductor	NYCT	49,186	54,402	107,742
Dispatcher-Surface	NYCT	47,604	75,775	125,760
Conductor	NYCT	46,424	54,402	106,672
Supervisor Track	NYCT	45,901	76,208	128,718
Supervisor Track	NYCT	43,005	76,208	124,737

(* In some cases, Total Compensation includes other payments in addition to Overtime and Base Salary)

**Actions Taken by the Niagara Frontier Transportation Authority
To Reduce Overtime Costs
As Identified by New York State Office of the State Comptroller's Audit 2009-S-107**

Management emphasized to staff in each division the importance of controlling overtime costs, and has an array of reports for monitoring and tracking overtime usage by each division. Many of these reports are shared monthly with the Board of Directors. Using these overtime monitoring reports, Niagara Frontier Transportation Authority management identified key operational practices that were contributing to overtime costs and implemented changes to reduce the overtime that was incurred because of these practices. As a result, the Authority's overtime expenses decreased \$1.7 million from calendar year 2008 to 2009 and overtime hours decreased by 81,000 for the same time period. For example:

- A majority of the bus mechanics were assigned to the day shift. However, most of the buses were in the garages for maintenance at night. In order to reduce the amount of overtime incurred by the mechanics who had to stay beyond the end of their shift to complete bus maintenance, the Transportation Authority worked with the union to change the mechanics' shift from the day shift to the night shift.
- Employees in the Amalgamated Transit Union were required to work 205 days to receive benefits. Transportation Authority management found that once employees met their 205 day requirement, their absenteeism would increase. Transportation Authority management successfully worked with the Amalgamated Transit Union to increase the number of work days employees in that union need to work annually to receive benefits from 205 to 220. As a result, absenteeism decreased.
- Management also worked successfully with the Amalgamated Transit Union to include an annual attendance bonus in the contract. The contract used to give a \$200 bonus for each quarter of perfect attendance. In addition to the \$200 bonus for each quarter, the new contract gives an additional \$400 bonus if an employee has perfect attendance all four quarters. These bonuses reduce absenteeism.
- Management has done cost-benefit analyses to determine when it is beneficial to hire more staff versus incurring overtime. This was recently done in the Transit Police, where they hired 14 new officers. Analysis showed it was more cost effective to hire new officers than to pay senior officers at their overtime rate.
- Transportation Authority officials hired a private investigator to focus on consistent problem employees. All employees are told of this initiative.
- Supervisors call employees who are out sick to see how they are doing.

Agency Comments

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Metropolitan Transportation Authority
State of New York

July 7, 2010

Frank P. Patone, CPA
Director, Area 3
Division of State Government Accountability
Office of the State Comptroller
123 William Street
New York, NY 10038

This letter responds to draft audit report 2009-S-88, "Metropolitan Transportation Authority: Management and Control of Employee Overtime Costs." MTA appreciates the opportunity to review the draft report and to submit this response.

The MTA agrees that gaining control of our overtime expenditures is essential. In January of this year, 100 days after Chairman and Chief Executive Officer Jay Walder began his tenure; we released our report, "Making Every Dollar Count," which outlined the approach MTA planned to take to cope with the perilous fiscal environment that confronted it. Among the goals articulated by the report was "Reduce the Cost of Providing Service," and first among the inefficiencies we staked out to address was the unnecessary use of overtime.

The report was followed by an intensive internal review of overtime usage at all MTA agencies. In May, we released our findings: while some overtime is required to provide service or respond to emergencies, significant amounts of overtime are unnecessary. We identified absenteeism, inflexible work rules and the desire of employees approaching retirement to maximize their pensions as key drivers of unnecessary overtime, but also noted the problem of an inconsistent management approach to the overtime issue. At that time, we committed to tackle the issue of unnecessary overtime through aggressive management oversight and controls, including a crackdown on absenteeism, special task forces in areas of high overtime and a new focus on preventing costly mega-shifts. We also established overtime reduction targets of \$22 million for the current year and \$60 million for 2011. A copy of our May presentation is attached to this letter.

Results thus far confirm the success of this approach. After the first two months of 2010, including the snowiest February on record in New York City, non-reimbursable overtime was \$4.9 million (6.3%) over budget MTA-wide.

The agencies of the MTA

MTA New York City Transit
MTA Long Island Rail Road

MTA Long Island Bus
MTA Metro-North Railroad

MTA Bridges and Tunnels
MTA Capital Construction

MTA Bus Company

Since then, however, our focus on eliminating unnecessary overtime has begun to pay off. Through May, year-to-date overtime is \$8.3 million (4.3%) below budget.

One point that should be noted is that while management must more aggressively manage overtime, some of the specific initiatives contained in your report cannot be implemented unilaterally. For example, the implementation of an overtime cap at Bridges and Tunnels and the establishment of extra lists in some departments of the Long Island Rail Road and Metro North Railroad require agreement from the relevant collective bargaining units. Similarly, the draft report's final recommendation – that NYCT and B&T officials “establish caps on the amount of overtime compensation that is taken into account when employee pensions are calculated” – requires legislation to implement and possibly union agreement as well.

Viewed against this backdrop, your draft report constitutes an important confirmation of many of our internal findings and serves to reinforce our conviction that combating excessive and unnecessary overtime is a critical element of our push to deliver the highest quality service at the lowest possible cost. We are in general agreement with the majority of your findings and recommendations and intend to pursue them, including those requiring modifications to collective bargaining agreements, as part of our effort to reduce overtime.

Thank you again for the opportunity to respond to the draft audit report.

Sincerely,



Charles Monheim
Chief Operating Officer

Overhauling how the MTA does business

Reducing overtime costs

Press briefing
May 20, 2010



Controlling overtime is a key part of overhauling how the MTA does business

- MTA spends **\$560 million** annually on overtime
 - Represents **13% of total payroll**
 - Equals the cost of employing an **extra 7,000 full-time people**
- Overtime has always played an important role in providing a reliable service and responding to emergencies, and it's not possible or desirable to drive it to zero
- But a significant amount of overtime is unnecessary and must be reduced if we are truly **making every dollar count**
- Today's conclusions build on work done and ongoing by the MTA IG and State Comptroller

1

The first step in attacking unnecessary overtime is understanding its causes

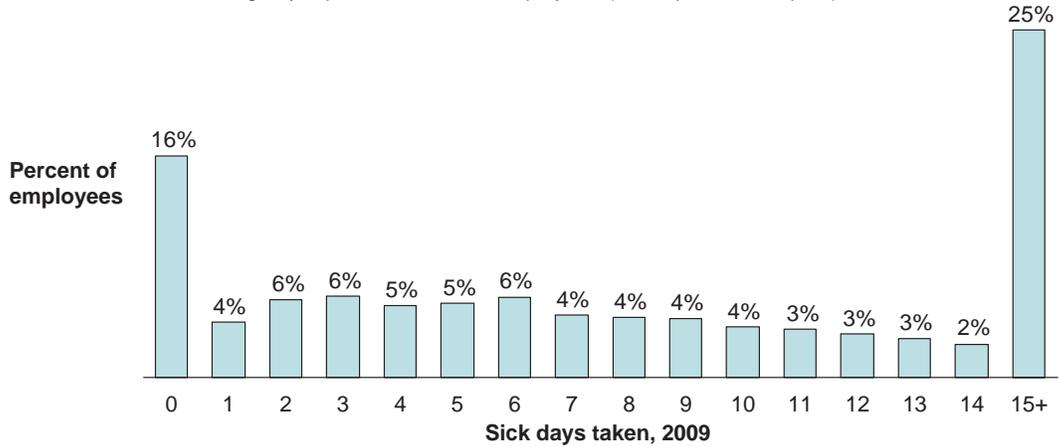
- 1) High **absenteeism** among some employees is covered with overtime shifts
- 2) **Outdated work rules** result in employees being paid when they're not working
- 3) Some senior employees load up on overtime to increase **pensions**
- 4) **Management** has not consistently focused on limiting unnecessary overtime, allowing **low productivity** in some locations that leads to a reliance on overtime

2

Absenteeism

In addition to generous vacation and holidays, 1/4 of employees use 15+ sick days

Annual sick leave usage by represented NYCT employees (2009, paid and unpaid)



These unplanned, unscheduled absences
cause overtime

The impact is doubled when overtime supplements pay for high users of sick leave

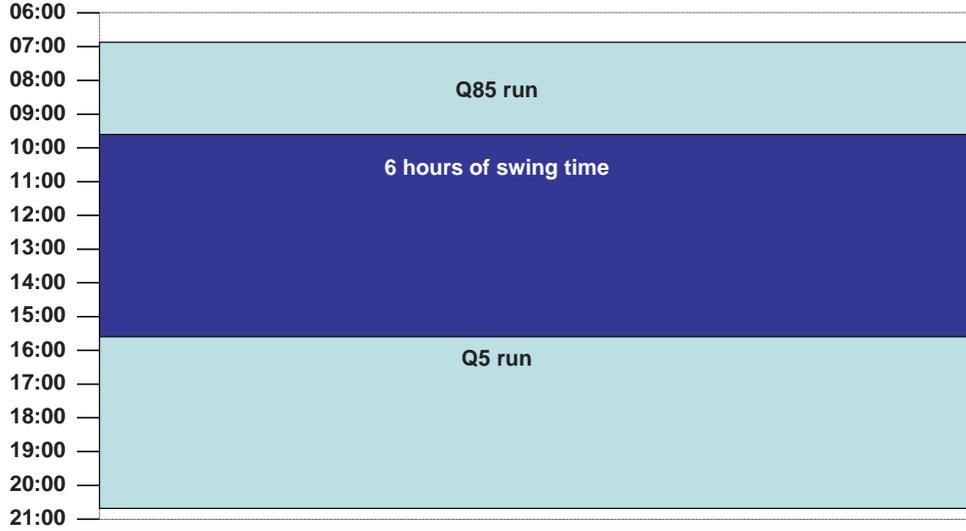
Example Subway Train Operator work week

Sun	Mon	Tue	Wed	Thu	Fri	Sat
Regular day off	Regular day off	Straight time	Unpaid sick	Unpaid sick	Straight time	Straight time
		Overtime			Overtime	Overtime

Train Operator makes 5 days pay for 3 days work; NYCT pays unnecessary OT when he's out and when he makes up for sick days.

Rules on labor deployment mean big payments for no productive output

Example: weekday Queens bus run



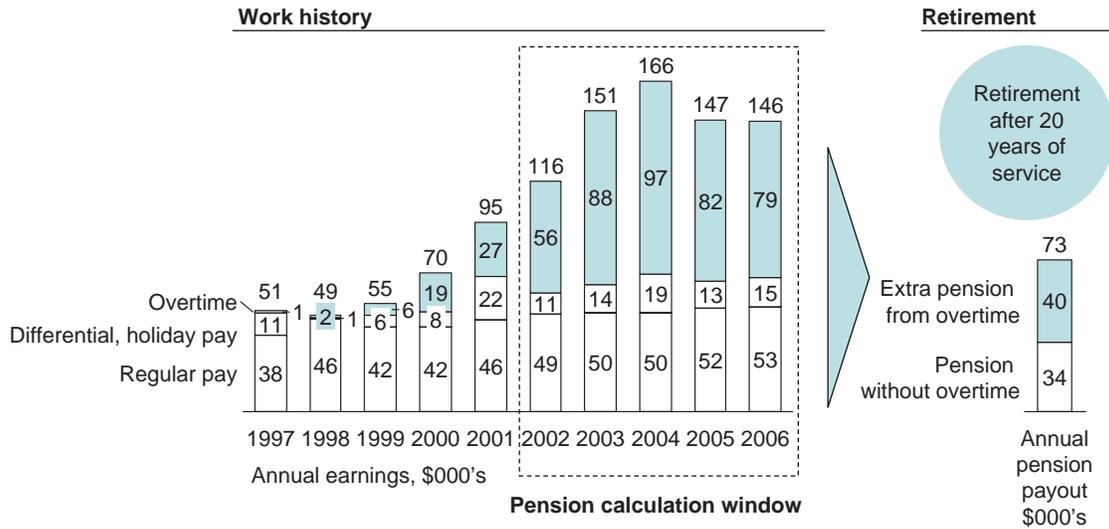
12.5 hours of pay for 8 hours of revenue service—more flexible work rules in other parts of MTA would reduce cost by > 1/3

Locomotive Engineers at Long Island Rail Road can receive an extra day's pay for no extra work



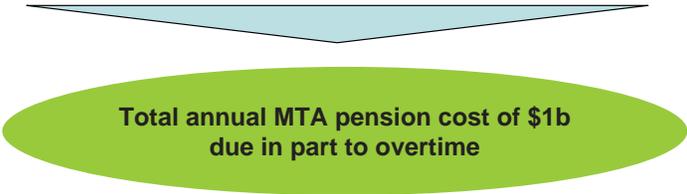
- All engineers are qualified to operate all train types
- If an engineer is assigned an electric vehicle but is needed to operate a diesel vehicle, he receives a full extra day's penalty pay without working one extra minute

How one B&T employee doubled his pension with overtime



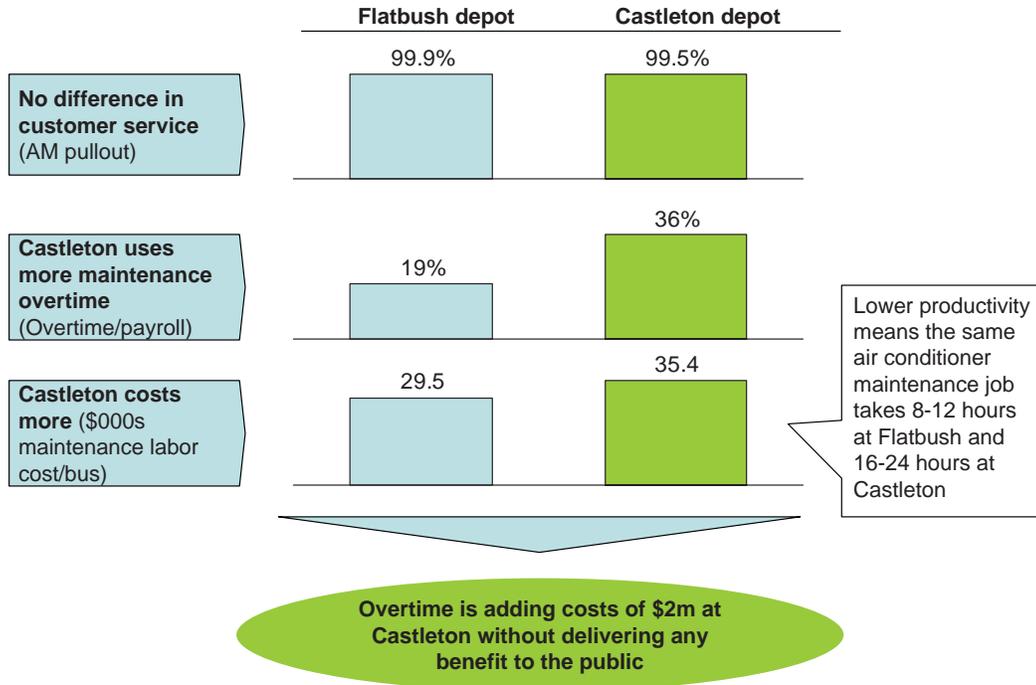
How one B&T employee doubled his pension with overtime

- Pension calculated as highest 3 years of total earnings including overtime
- Employee increased pension by working a huge amount of overtime. Eg, in 2006, employee:
 - Worked 174 overtime shifts at 1.5 x base pay and 54 overtime shifts at double time
 - Worked 35 shifts of 16 hours or more
 - Management tried to deny overtime shift for individual working > 16 hours in 24 hour period but union successfully challenged denial in arbitration and then in court



**Total annual MTA pension cost of \$1b
due in part to overtime**

Why Does it Cost More to Repair Buses at One Depot? Overtime.



Addressing the Problem: Stronger Management Controls

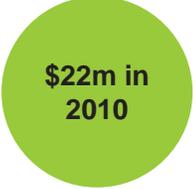
A series of controls are being put in place to limit overtime in areas controlled by management

- Aggressive enforcement of sick leave abuse
- Prevent continuous and excessive mega-shifts
- Bi-weekly reporting of overtime to agency presidents and explanations of variances at monthly committee meetings
- Specialized task forces and reporting in high usage areas

**MTA leadership is committed
to reducing unnecessary overtime**

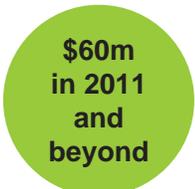
10

Conclusion: We are attacking overtime costs



**\$22m in
2010**

- \$22m in 2010 overtime savings identified through mandated cut backs in high usage areas



**\$60m
in 2011
and
beyond**

- \$60 million in savings achievable in 2011 and beyond with active participation of MTA's labor unions