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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

July 20, 2010

Henry M. Sloma
Acting Chairman
Niagara Frontier Transportation Authority
181 Ellicott Street
Buffalo, NY 14203

Re: Niagara Frontier Transportation Authority
Report 2009-S-107

Dear Chairman Sloma:

According to the State Comptroller's authority in Article X, Section 5 of the State Constitution and Section 2803 of the Public Authority's Law, we audited the Niagara Frontier Transportation Authority's to determine whether Transportation Authority officials effectively manage employee overtime and whether employees were working.

A. Results of Audit

Transportation Authority officials were effectively managing employee overtime with the exception of the Transit Police. Floor checks of 91 Transportation Authority staff found staff was working.

A separate audit report entitled, *2010-S-26 Niagara Frontier Transportation Authority Double Dipping by Transit Police Officers*, covers findings related to Transit Police time and attendance.

Transportation Authority management has emphasized to staff in each division the importance of controlling overtime costs. Management has an extensive array of reports it uses to monitor and track overtime usage by each division. Many of these reports are shared monthly with the Board of Directors. These reports show that two units incur most of the Transportation Authority's overtime: Transit Police and Metro Bus and Rail.

Using these overtime monitoring reports, 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 Metro Bus and Rail unit was able to reduce overtime by \$1.6 million from 2001 to 2009. Also, the Transportation Authority's total overtime expenses decreased from \$7,151,031 in calendar year 2008 to \$6,721,361 in 2009 - a reduction of about \$430,000. For example, the following changes were implemented:

- 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 mechanics that 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.
- Overtime was being incurred because mechanics were waiting for parts for maintenance jobs. The Transportation Authority developed repair “kits” for routine maintenance. The kit contains all the parts needed for a routine repair. This ensures all parts are available for the repair, increases productivity and reduces overtime.
- All buses have a video camera for security reasons. Overtime was being incurred by bus drivers at the end of their shift because buses had to be driven to a facility so the video camera could be downloaded. This process incurred about two hours of overtime per bus. The Transportation Authority implemented an automatic system to complete the download, thus saving the cost of overtime.
- The manager of the Surface Transportation Division, which includes 12 different units, put a focus on hiring the right individuals by improving the skill tests that potential hires have to take in order to find more qualified individuals.
- The manager of the Surface Transportation Division implemented other initiatives centered on minimizing future workers’ compensation claims that contribute to the need to call other staff in to cover shifts and incur overtime. In addition to drug and alcohol testing as a pre-employment requirement, Transportation Authority officials now require hair testing. Also, management has enhanced the pre-employment physicals by having a doctor on staff (part-time) to review past medical records for pre-existing conditions to verify the physical condition of potential hires.
- 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.
- A wellness programs (i.e. nutrition seminars) was implemented aimed at keeping employees healthy.
- Supervisors call employees that are out sick to see how they are doing.

We encourage Transportation Authority officials to continue their efforts to reduce overtime.

B. Background

The Niagara Frontier Transportation Authority provides public transportation services to Erie and Niagara counties in Western New York. The Transportation Authority oversees a number of subsidiaries, including the Metro Bus and Rail system, the Greater Buffalo Niagara International Airport, the Niagara Falls International Airport, and the Boat Harbor. In addition, the Transportation Authority also owns and manages several bus loops and transit centers in the Buffalo-Niagara region. The Transportation Authority carries about 94,000 passengers a day.

The Transportation Authority had about 1,500 employees earning about \$80 million in calendar year 2009. Of the \$80 million, \$6.7 million (8 percent) was for overtime.

C. Audit Scope, Objective and Methodology

Our audit objective was to determine whether the Transportation Authority effectively managed employee overtime and whether employees were working. Our audit covered the period January 1, 2006 through April 27, 2010. To accomplish our objectives we reviewed management reports related to payroll and overtime, interviewed management staff at various levels in different divisions within the Transportation Authority, and reviewed time records and employee schedules. To ensure staff was working, we did unannounced floor checks of 91 Transportation Authority staff.

We selected the 91 staff because they were in the top 20 for overtime earning in 2009 or because they worked in the units that had the most overtime in 2009.

We did our performance audit according to generally accepted government auditing standards. Those standards require we plan and do the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We provided a draft copy of this report to Transportation Authority officials for their review and comment. Their comments were considered in preparing this report and are included as Appendix A.

In addition to being the State Auditor, the Comptroller of New York State does 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.

Major contributors to this report include Melissa Little, Suzanne Mazone, Eileen Chambers, Thalia Melendez, Meredith Holmquist, and Devisha Baldeo.

We wish to thank the management and staff of the Niagara Frontier Transportation Authority for the courtesy and cooperation extended to our auditors during the audit.

Yours truly,

David R. Hancox
Director of State Audits



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June 24, 2010

David R. Hancox, CIA, CGFM
Director of State Audits
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Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, New York 12236

Re: Draft Audit Report 2009S-107

Dear Mr. Hancox:

The NFTA is always seeking to continuously improve our operations. We, therefore, appreciate the work performed by the Office of the State Comptroller in conducting the audit of the NFTA to determine if we are effectively managing overtime and whether employees are working. We are pleased that you have no audit findings and that you recognized within the report the best practices used in Metro Bus and Rail.

Sincerely,

A handwritten signature in black ink, appearing to read "H. Sloma", is written over the word "Sincerely,". The signature is fluid and cursive.

Henry M. Sloma
Acting Chairman

HMS/cf