



**EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE**

**July 20, 2006**

**SUBJECT: OFFICE OF INSPECTOR GENERAL (OIG) AUDIT  
ACTIVITIES REPORT**

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

Receive and file OIG Audit Activities Report.

**ISSUE**

The Board of Directors requested the OIG to report on audit activities.

**BACKGROUND**

The OIG Charter states that the OIG was established to provide an independent and objective unit reporting directly to the Board of Directors. The OIG has numerous responsibilities as defined in the Charter, and the OIG Audit Unit has a broad responsibility for oversight in a cooperative support mode with MTA management for increased accountability and improvement of organizational performance.

A large measure of the OIG audit focus is to provide the Board of Directors and MTA management with independent analyses, evaluations, and appraisals of performance effectiveness, accuracy of information, efficient use of resources, and adequacy of internal controls. In addition, the Audit Unit is charged with the detection and analysis of those items indicative of fraud, waste, or abuse.

**DISCUSSION**

The OIG has recently issued the following audit reports:

- Review of Overtime Payments
- Employee Suggestion Program
- Review of Compliance with Bus Revenue Controls

- Follow-up Review on Policies and Procedures in the MTA
- Audit of MTA Miscellaneous Expenses, October 1, 2005 to December 31, 2005

The audit reports were previously submitted to the Board and MTA management in their entirety.

### **Review of Overtime Payments**

We found that many employees were paid overtime although the overtime was not in compliance with requirements in union agreements. In these instances, employees were paid overtime even though they did not work 40 regular hours in the workweek or more than 8 hours on the day for which overtime was paid.

All of the discrepancies involved union employees with one exception. The union agreements state that overtime is paid for all work performed in excess of 8 hours in a day or 40 hours per week at the regular straight time hourly rate. Based on the results of our statistical sample, we estimate that employees were potentially overpaid for overtime totaling \$472,478 during a 1-year period.

Several division managers advised us that they were aware of the requirements in the union agreements. They also stated it has been a long standing practice to include scheduled time off (e.g., vacation, holiday, floating holiday, jury duty, etc.) when considering the 40-hour workweek to determine whether overtime is paid. However, we found that this practice was neither consistently nor equitably applied. For example, one division manger told us that about 2 years ago, the division changed procedures to follow the overtime requirements in the union agreements.

Management agreed with the recommendations in the report and outlined the following corrective actions.

- Review current union agreements and timekeeping practices to determine consistent and equitable overtime pay practices for all employees.
- Identify instances where intent and actual contract language vary.
- Provide appropriate interim guidance/training to timekeepers and supervisors.

### **Employee Suggestion Program**

We found that the MTA did not have an agency-wide Employee Suggestion Program that is designed to reduce costs, promote efficiency, or increase revenue. Many other government agencies have successfully implemented such programs.

We believe that MTA needs to develop and implement an Employee Suggestion Program. Such a program would provide employees with the mechanism to voice their ideas for improving operations and have them evaluated. It also gives employees an incentive to think “outside the box” and to come forward with ideas for better, faster, and less expensive ways to do business.

The Chief Executive Officer advised us that the Employee Suggestion Program will be included in the agenda for the next CEO Staff Meeting for further discussion and evaluation.

### **Review of Compliance with Bus Revenue Controls**

Our review found that the existing revenue protection controls were not being fully complied with. Specifically, 84% of the revenue collection documents fully met the standards for content, completeness, and legibility. The remaining 16% of the revenue documents and reports were deficient in areas such as missing key information (e.g., employee badge numbers or signatures), illegible, incomplete, etc.

During the transition period to the new Universal Fare System (UFS), management needs to maintain oversight and vigilance to ensure that (a) the current bus revenue protection controls are adhered to until the new fare system is fully operational, and (b) compliance with revenue controls is carried over to the new UFS.

Management agreed with the recommendations in the report and outlined the following corrective actions:

- Division management will be advised of the importance of adhering to the regulations in the Red Book during the transitional period.
- The Red Book is currently under revision and will be implemented during the transition period.
- A training curriculum will be established to ensure that revenue protection controls for UFS are followed.
- Management will ensure that revenue protection controls for UFS are followed.

### **Follow-up Review on Policies and Procedures in the MTA**

We performed a follow-up review on our prior report on the *Review of Policies and Procedures in the MTA*. The prior audit identified several areas where improvements were needed:

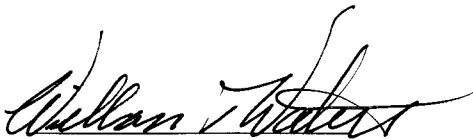
- The guidelines for developing, processing, approving, and disseminating MTA policies were outdated and were not being followed.
- The list of policies and procedures was incomplete.
- Many policies were not posted on the MTA intranet.

Our follow-up review found that MTA management had taken adequate corrective actions to implement the recommendations. The corrective actions taken by management should provide better controls over agency-wide policies and procedures.

### **Audit of Miscellaneous Expenses**

The quarterly audit of miscellaneous expenses did not reveal any reportable conditions.

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