

MBTA Overtime Audit Interim Update

Meeting of the Fiscal and
Management Control Board
February 22, 2016

Background and Progress Report

Background

- The MBTA Overtime Audit was kicked off on January 11th at the request of the Fiscal and Management Control Board.
- The MassDOT Internal Audit Unit is working in collaboration with representatives from KPMG and outside legal counsel.
- The Objective of this audit is to provide a systemic evaluation of overtime and timekeeping policies, procedures, practices, and internal controls both past and present.
- In addition, Internal Audit will provide recommendations on any findings found during audit work, report on management actions to improve internal controls, and mitigate risk associated with overtime.

Walkthrough Meetings & Employee Interviews

- Internal Audit is in the process of meeting with:
 - Selected MBTA employees in all departments that have incurred overtime in 2015.
 - Corresponding overtime stakeholders at the supervisory/approval level.
 - MBTA senior management about their strategic initiatives on reducing overtime.
- As of today, we have completed 27 of 49 (55%) employee interviews.

Walkthrough Meetings & Employee Interviews

- We have determined that 18 of 45 departments incurred Overtime in 2015.
- As of today, we have interviewed 8 of those 18 departments:

- Engineering & Maintenance (E&M, Four Subsections)
 - Signals & Communication Maintenance (SCM)
 - Transit Facilities Maintenance (TFM)
 - Maintenance of Way (MOW)
 - Power Systems Maintenance (PSM)

- Bus Maintenance
- Vehicle Engineering
- Heavy Rail
- Light Rail

- We will meet with the remaining 10 departments in the next few weeks.

Collective Bargaining Agreements

- Internal Audit has met with MBTA Labor Relations to obtain an overview and understanding of the Collective Bargaining Agreement (CBA) process and provisions involving overtime.
- At this time, we have reviewed the 17 CBAs that cover unionized MBTA employees.
- We have identified 14 CBAs that have overtime provisions.
- Some agreements have either expired (conditions continue in perpetuity) or will expire in 2018-2019, at which time they will be renegotiated.

Remaining Tasks

- Complete all remaining scheduled interviews.
- Conduct sample timesheet testing of overtime earners:
 - Observe and document the timesheet process between the employee, supervisor, timekeeper, and MBTA payroll.
 - Examine overtime backup documentation, if any.
- Finalize audit findings and issue audit report.

Preliminary Findings

#1 Overtime Reporting

- Supervisors are not routinely using reports from the Time Keeping System (TKS) to monitor overtime.
 - TKS is not an effective timekeeping system.
- Front-line supervisors do not receive detailed, regular reporting on their department's overtime expenditures in relation to the budget.

#1 Overtime Reporting (Cont'd)

- Management & Supervisory monitoring of overtime was lacking in a number of areas, primarily due to:
 - Insufficient staffing at the supervisory level.
 - Inconsistent adherence or lack of policies related to overtime monitoring.
 - The reactionary vs. proactive manner in which MBTA Operations schedules work.

#1 Overtime Reporting (Cont'd)

- Inconsistent or incomplete backup documentation exists for completed overtime work.
 - Automation of overtime logs and support should be considered.
- Hand scanners used by E&M to clock in/out do not exist at all reporting locations, or are inoperable.
 - The use of hand scanners is inconsistent and not tied to the TKS reporting system.
 - Technology should be improved to automate the timekeeping process and integrate reporting into the payroll system.

#2 Overtime Approval

- The top earner of overtime for calendar year 2015 regularly approved his own overtime reporting form.
 - All employee overtime should be approved by a supervisor or manager.
- Timekeepers regularly accepted overtime approval documents containing preprinted supervisor/manager names.

#3 Policies

- There is no consecutive work hour cap in place for maintenance personnel.
 - Such a policy would provide greater control over overtime
 - This policy would also alleviate concerns related to safety, fatigue, and productivity
- Distribution of overtime is inconsistent among departments.
 - Some departments **always** offer overtime to the most senior employees first
 - Some departments use a claim and drop system

#3 Policies (Cont'd)

- There are a lack of formal policies and procedures for overtime across the MBTA.
 - Whereas there are differences in many departments; policies, procedures, and internal controls should be consistently applied and documented as much as possible.

#4 Employee Scheduling

- The “Roster Pick” scheduling process is highly convoluted and manual.
 - **It can take up to 7 weeks to finalize a schedule per quarter.**
- “Roster Picks” by senior operators have a ripple effect that potentially increases overtime and hinders productivity for junior operators.
- Automating the process can reduce overtime cost drivers and decrease scheduling inefficiencies.
- Employee absenteeism is a key driver of overtime in bus and rail operations.

#5 Collective Bargaining Agreements (CBAs)

- The ability for MBTA to provide progressive CBA reform is hindered by binding arbitration, which impedes any efforts to change CBA structures.
 - As a result, hours of work provisions remain unchanged.
- Examples of overtime provisions in the CBAs include:
 - **Guaranteed** hour minimums for “call back” pay
 - Minimum hours payable may exceed actual work hours
 - Depending on the agreement, the hours are overtime or straight time
 - Ample opportunity to earn “double time”
 - Depending on the agreement, “double time” can be earned by working on holidays, working seven days in a work week, working on Sunday, or having a holiday during a scheduled vacation.

#6 Standard Operating Procedures [SOPs]

- Noncompliance with written SOPs when performing timekeeping functions.
- Lack of written SOPs related to the planning and scheduling of overtime.
- Overtime timekeeping process is inconsistent depending on an employee's job title/ responsibility.
- Standard OT reporting forms are not used. Reporting forms differ by Timekeeper.

Other Overtime Observations

- In 2015, the routine use of overtime was high across most of MBTA Operations.
- As of January 1st , overtime is down 28% compared to the same period last year.
- Audit has not found any instances of inappropriate conduct regarding overtime.

Management Changes & Corrective Actions

- As of January 1, MBTA E&M Management have implemented a number of interim changes and corrective actions to improve controls, to more effectively monitor usage, and to reduce overtime.
- Audit has reviewed these changes & corrective actions and discussed them with MBTA Operations and E&M Management.
- The MBTA plans to build upon these actions and formalize new overtime policies and procedures in the next couple of months.

Good E&M Model for Overtime

- We were impressed particularly with Signal and Communications Maintenance management's proactive methodology regarding overtime.
- The Director and Deputy Director:
 - Actively and continuously monitor/approve all overtime events.
 - Generate and review overtime reporting to make informed decisions.
 - Constantly adhere to updated Standard Operating Procedures.
 - Successfully shifted 16 staff members from the day shift to the night shift to maximize productivity. They did so without pushback from unions or employee grievances.