
Office of the Inspector General

Audit Report

*Management Advisory on Limited Scope Review of
NYCTA Operating Force Account Charges*

Federal Transit Administration

Report No. R2-FT-7-008





Memorandum

**U.S. Department of
Transportation**

Office of the Secretary
of Transportation

Office of Inspector General

Subject: INFORMATION: Management Advisory on Limited Scope Review of NYCTA Operating Force Account Charges, FTA
Report No. R2-FT-7-008

Date: December 3, 1996

From: Lawrence H. Weintrob
Assistant Inspector General for Auditing

Reply to
Attn of: JA-1

To: Associate Administrator for Administration
Federal Transit Administration

We completed a limited review of the New York City Transit Authority's (NYCTA) operating force account charges to Federal Transit Administration (FTA) grant funds. The review was performed in response to the Assistant Secretary for Administration's February 5, 1996, resolution memorandum on the Office of Inspector General's (OIG) Audit of Electronic Transfer of Funds by the FTA, Report No. R5-FT-3-009, dated December 17, 1992. The objective of the review was to determine if NYCTA operating force account charges were supported by appropriate source documentation.

Our review disclosed the NYCTA had appropriate source documentation to support operating force account charges billed to FTA grants. We also found the NYCTA had adequate policies and procedures for documenting operating force account costs. The following paragraphs provide further details regarding the request for this review and the results.

The OIG's report on the Audit of Electronic Transfer of Funds by the FTA disclosed \$31 million of NYCTA cash drawdowns under the Electronic Funds Transfer program were not supported. The OIG recommended FTA recover the \$31 million in unsupported cash drawdowns or provide adequate documentation to support the charges. FTA agreed with the recommendations and tasked a Financial Management Oversight contractor, KPMG Peat Marwick, to perform a site review of the grantee. The contractor determined adequate supporting documentation was not available to support \$12.9 million of NYCTA operating force account charges.

On March 31, 1995, FTA advised the OIG that supporting documentation for the \$12.9 million, such as timecards and crew reports for operating personnel, had been destroyed for all years prior to 1989. However, FTA stated these costs were supported by secondary source documentation and that FTA would not seek recovery of funds. This documentation included labor deviation reports, engineering labor distribution reports, and payroll registers. The OIG did not agree with FTA's determination that the secondary documentation provided

adequate support for the \$12.9 million of operating force account costs. To resolve the dispute over the adequacy of the NYCTA's system for documenting force account costs, the Department's Assistant Secretary for Administration requested the OIG perform a limited scope review of NYCTA operating force account charges during the last 3 years.

To evaluate the propriety of NYCTA operating force account charges we selected a judgmental sample of 1,130 transactions, totaling \$235,802, for the period June 1994 through July 1996. The transactions were selected to trace timecharges for operating force account costs to supporting timecards and crew reports. The results of our review disclosed the NYCTA had appropriate source documentation to support operating force account charges billed to FTA grants for 1,128 of the 1,130 transactions sampled. Two transactions, totaling \$335, did not have appropriate supporting documentation. However, we did not consider these transactions to be indications of weaknesses in NYCTA's procedures and controls over operating force account charges.

Our review of NYCTA's force account policies and procedures disclosed the procedures were adequate to ensure charges for operating force account costs were properly supported. These procedures, contained in NYCTA Policy/Instruction No. 4.1, "Recording and Controlling Force Account Expenditures," specifically require hours worked by each employee to be recorded against the appropriate job number as indicated on the appropriate Work Order or General Order. In addition, the NYCTA's parent organization, the Metropolitan Transportation Authority (MTA), has also issued a policy statement for documenting transit authority force account charges. The policy statement, MTA Policy Number 93-12R, "Capital Program Eligibility of Commuter Railroad and Transit Authority Force Account Charges," dated June 22, 1993, requires that force account charges must be able to be documented as directly related to the Capital Project to be eligible for Capital Program reimbursement.

Based on the above, we consider this issue resolved and no further action is required by FTA. If I can answer any questions or be of further assistance, please feel free to contact me at 366-1992, or Michael E. Goldstein, Regional Manager, Region II, at 212-264-8701.

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cc: Assistant Secretary for Administration
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