

THE PORT AUTHORITY OF NY & NJ

Rosemary Chiricolo
Deputy Director
Management and Budget Department

February 11, 2015

Ms. Carmen Maldonado
Audit Director
Division of Governmental Accountability
Office of the State Comptroller
123 William Street - 21st Floor
New York, NY 10038-3804

Dear Ms. Maldonado:

On behalf of the Port Authority of New York and New Jersey (Port Authority), I want to thank you for your assessment of the progress we have made to implement the recommendations outlined in the 2011 audit report entitled *Management and Control of Employee Overtime Costs 2009-S-87*.

As your follow-up audit report 2014-F-3 of December 19, 2014 notes, we have either fully or partially implemented three of the four recommendations related to developing the agency's annual overtime budgets by proactively managing overtime and conducting ongoing process reviews to ensure proper justification and approval of overtime worked. The Port Authority continually assesses its business model to optimize the use of all of its resources, including the judicious use of overtime – when warranted. Additionally, based on the Office of the State Comptroller's recommendations, the agency implemented enhanced overtime procedures in 2012 and since then has seen compliance with the justification and approval process for overtime increase significantly. We plan to continue to advance these recommendations consistent with industry best practices and our current executive team's strategy for a fiscally disciplined approach to ensure the most effective use of our resources.

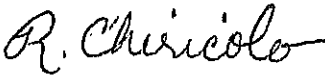
As for Recommendation 2, which has a status of "not implemented," although we fully met the recommendation to develop and communicate plans, policies and procedures to address a 20

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percent reduction in overtime, we acknowledge that we did not meet the target set in 2009 for the 2010 budget. This was primarily due to many unforeseen heightened security alerts attributable to terrorist events around the world. Even in the face of external events beyond our control, we strive to meet our yearly budget targets by incorporating strategies early into each annual planning cycle to monitor, manage and mitigate the use of overtime. As a result, we have either reduced or held the line on actual overtime hours worked by either civilians and/or police in each of the last three years. For example, in the last quarter of 2014 our police overtime hours were 38 percent lower than the same period in 2013, attributable to mitigation strategies that included graduating over 400 new police recruits.

In closing, we have benefited from the assessment process and appreciate that the follow-up audit recognized the many changes and improvements we have already implemented in documenting, justifying and managing our overtime in the five years since the audit was performed. In 2015 and beyond, the Port Authority will continue to refine and improve our processes in order to achieve our annual overtime budgets as well as advance our shared interest in transparency and public accountability.

Sincerely,



Rosemary Chiricolo
Deputy Director

cc: John Degnan, Chairman
Patrick J. Foye, Executive Director
Sean Fitzpatrick
John Ma
Nicole Crifo
Darrell Buchbinder
Stephanie Dawson
Elizabeth McCarthy
Karen Eastman
Andrew Levine