

THOMAS P. DINAPOLI
COMPTROLLER



110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

January 28, 2020

Mr. Patrick J. Foye
Chairman
Metropolitan Transportation Authority
2 Broadway
New York, NY 10004

Re: Utilization of the Arch Street Yard
and Shop Facility
Report 2019-F-19

Dear Mr. Foye:

Pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution and Section 2803 of the Public Authorities Law, we have followed up on the actions taken by officials of the Long Island Rail Road (LIRR) to implement the recommendation contained in our audit report *Utilization of the Arch Street Yard and Shop Facility* (Report [2016-S-78](#)).

Background, Scope, and Objective

The Metropolitan Transportation Authority (MTA) is a public benefit corporation providing transportation services in and around the New York City metropolitan area.

As part of the MTA's East Side Access Project (ESA), it constructed a new yard and shop facility at Arch Street in Long Island City, adjacent to the No. 7 line Hunters Point Ave. Station. This facility was designed to provide inspections, maintenance, and cleaning for LIRR trains that operate into Grand Central Terminal. However, the latest projections are that this service, which is contingent upon ESA completion, will not begin until December 2022.

From July 2016 to June 2019, LIRR incurred \$2,714,552 in operating expenses at the Arch Street Yard and Shop Facility (Facility). The Metro-North Railroad (MNR) was billed \$707,694 of the operating expenses for the incremental costs to operate the Facility for the installation of Positive Train Control on MNR trains. MNR used the Facility from September 1, 2016 to November 30, 2018.

We issued our initial audit report on December 8, 2017. The objectives of our audit were to determine whether the Facility was constructed before it was needed for ESA completion; whether the MTA has any plans for the use of the Facility before the

expected 2022 opening of ESA; and whether the Facility is maintained and secured and at what cost. We found that the Facility was constructed before it was needed for ESA and was never used as intended: for the initial acceptance and inspection of M-7 rail cars. Moreover, except for occasional use of the wheel truing machine to round off flat spots on wheels, the Facility has not been used for periodic inspections or repairs by LIRR's Maintenance of Equipment Department. Instead, since its completion, the Facility was vacant for over 3½ years, leased to the M-7 vendor to make warranty repairs, and licensed twice – once as a parking lot to accommodate a tenant displaced from an MTA project, and once to a contractor to perform modifications on MNR rail cars.

The objective of our follow-up was to assess the extent of implementation, as of December 6, 2019, of the one recommendation included in our initial audit report.

Summary Conclusions and Status of Audit Recommendation

LIRR officials did not address the problems we identified in the initial audit report. The one recommendation was not implemented.

Follow-Up Observations

Recommendation

Perform a written cost-benefit analysis to determine what the best use is for the Facility and the equipment until ESA is open.

Status – Not Implemented

Agency Action – LIRR officials stated that they did not perform a written cost-benefit analysis to determine the best use for the Facility and the equipment as recommended. Instead, they referred us to their 90-day response to the initial audit report, which listed what they determined to be the most efficient use of the Facility:

- M-9 car modification work, expected to take place between September 2018 and 2022.
- M-9A car testing and commissioning, expected to take place between April 2022 and July 2024.
- Commissioning of ESA rescue locomotives and the LIRR/New York Atlantic Rail work locomotives, expected to take place between December 2020 and February 2022.
- Wheel truing machine located in the Facility, expected to be used as part of an ongoing annual process for potential backlog of out-of-service equipment.
- Equipment on legal hold pending investigative review, expected to be stored at the Facility.

The first three uses of the Facility did not occur because the delivery of the M-9 cars was delayed or moved to a different location. As of November 6, 2019, no

M-9 car modification work was done at the Facility. The M-9A car testing and commissioning is expected to take place between February 2023 and May 2025. The commissioning of ESA rescue locomotives and the LIRR/New York Atlantic Rail work locomotives will occur at a different location to be determined (e.g., Morris Park, Richmond Hill, or Sheridan Yards) to avoid conflicting with support of actual ESA service at the Facility in December 2022.

The wheel truing machine located in the Facility was used from November 7, 2018 to December 23, 2018 and is expected to be continually used as part of an ongoing annual process for any potential backlog of out-of-service equipment. LIRR officials showed us the equipment on legal hold for pending litigation since 2017.

We selected a judgmental sample of the operating expenses to review supporting documentation. The sampled expenses were incurred by four out of seven departments. We reviewed the supporting documentation for a sample of \$2.38 million out of the reported \$2.71 million total operating costs from July 2016 to June 2019. We tested the operating costs and found most of the expenses were supported.

We met with Maintenance of Equipment officials to determine if the equipment at the Facility was being serviced. They retrieved work orders from the Corporate Asset Management System that show preventive maintenance was done for the 33 pieces of equipment at the Facility. LIRR officials showed us that all 33 pieces of equipment are fully functional, but only five pieces of equipment plus the wheel truing machine are utilized.

We were advised by the MTA Real Estate Department that it does not have any plans for the Facility.

Contributors to this report were Robert C. Mehrhoff, Christine Chu, Netash Phull, and Jim Cherian.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We thank the management and staff of Metropolitan Transportation Authority and the Long Island Rail Road for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Carmen Maldonado
Audit Director

cc: M. Woods, MTA
D. Jurgens, MTA
Division of the Budget