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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

January 21, 2016

Thomas F. Prendergast
Chairman and Chief Executive Officer
Metropolitan Transportation Authority
2 Broadway
New York, NY 10004

Re: Forensic Audit of Payments to
On-Board Service Managers
Report 2015-F-15

Dear Mr. Prendergast:

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 Metro-North Railroad officials to implement the recommendations contained in our audit report, *Forensic Audit of Payments to On-Board Service Managers* (Report 2011-S-35).

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. The MTA comprises six constituent agencies, including the Metro-North Railroad (Metro-North), which operates a commuter railroad between New York City and parts of upstate New York and Connecticut.

Our prior audit found that Metro-North's On-Board Service Unit (Unit) staff members were not held accountable for their work performance and time and attendance. In addition, the Assistant Vice President responsible for the Unit violated Metro-North policy by not disclosing the referral of a relative who was hired in the Unit.

We issued our initial audit report on June 14, 2012. The objective of our follow-up review was to assess the extent of implementation, as of November 30, 2015, of the three recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found that Metro-North officials made some progress in correcting the problems identified in our initial report. Of the three prior audit recommendations, one was implemented and two were partially implemented.

Follow-Up Observations

Recommendation 1

Investigate the time and attendance of the Unit supervisor and staff and, in addition to any appropriate disciplinary action, take steps to recover any funds paid for hours, and in some cases, days not worked and not charged to accruals. Ensure that any salary overpayment information is taken into account for future pension payments.

Status - Partially Implemented

Agency Action - The Unit's time and attendance was investigated by the Office of the MTA Inspector General (MTA-IG). The MTA-IG recommended that three of the Unit staff be disciplined.

Metro-North officials fined the Assistant Vice President, demoted and cut the pay of the Unit Supervisor, and issued letters of warning to the three staff notifying them that there will be serious consequences if they repeat their behavior. The remaining employee resigned. Metro-North officials stated they did not recover funds for hours not worked because there wasn't sufficient evidence to support the recovery of funds. As a result future pension payments were not impacted. Metro-North does not have disciplinary policies for managerial employees when such employees engage in conduct discussed in our initial report.

Recommendation 2

Evaluate the necessity of the current level of staffing for the On-Board Services Unit, considering its demonstrated productivity and effectiveness to date. If it is concluded that the Unit is necessary, take steps to make it accountable by addressing each of the weaknesses and questionable activities outlined in the report.

Status - Partially Implemented

Agency Action - A Metro-North official stated that meetings were held to evaluate the Unit, but provided no documentation. The Unit was disbanded, and four positions were transferred to different Metro-North units. Two employees were reassigned to the Service Quality Unit and two were reassigned to the Compliance Unit. We selected ten dates for two employees to determine whether their work was reviewed and their time was accounted for. For one employee there was evidence of supervisory review and the time worked was accounted for.

For the second employee, there is no evidence of supervisory review for the seven days the employee worked nor was the employee's time worked accounted for.

Recommendation 3

Re-examine whether the Assistant Vice President's relative should be transferred to a different

work unit.

Status - Implemented

Agency Action - Metro-North transferred the Assistant Vice President's relative to the Service Quality Unit effective June 11, 2012. However, the individual resigned effective June 9, 2012.

Major contributors to this report were Robert C. Mehrhoff, Joseph F. Smith, Daniel Bortas, and Emil 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 Metro-North for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Carmen Maldonado
Audit Director

cc: M. Fucilli
D. Jurgens
Division of the Budget