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Joseph J. Lhota
Chairman and Chief Executive Officer



Metropolitan Transportation Authority

State of New York

September 18, 2012

Honorable Andrew M. Cuomo
Governor of New York
Executive Chamber
State Capitol
Albany, NY 12224

Honorable Thomas P. DiNapoli
Office of the State Comptroller
633 Third Avenue, 31st Floor
New York, NY 10017

Re: Response to Report #2011-S-35 – Metropolitan Transportation Authority Metro-North
Railroad Forensic Audit of Payments to On-Board Services Managers

Gentlemen:

On June 14, 2012, the Office of the State Comptroller issued the above referenced audit report. As requested by Section 170 of the Executive Law, I am providing you with the attached response which addresses the recommendations contained in the report.

A copy of the final audit report is attached for your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph J. Lhota".

Joseph J. Lhota
MTA Chairman and Chief Executive Officer

Attachments

The agencies of the MTA

MTA New York City Transit
MTA Long Island Rail Road

MTA Metro-North Railroad
MTA Bridges and Tunnels

MTA Capital Construction
MTA Bus Company



Metro-North Railroad

September 6, 2012

Mr. Joseph J. Lhota
Chairman and Chief Executive Officer
Metropolitan Transportation Authority
347 Madison Avenue, 7th Floor
New York, NY 10017

RE: 90 Day Response to MTA Metro-North Railroad Forensic Audit of Payments to On-Board Services Managers (2011-S-35)

Dear Chairman Lhota:

As you are aware, the Office of the State Comptroller (OSC) audit team that performed the Forensic Audit of Payments to On-Board Services Managers delineated a number of findings and recommendations. This letter serves as our formal disposition of those findings and recommendations.

All of the actions outlined in our initial response to the audit have been completed. The On-Board Services Unit has been disbanded and its key functions and personnel have been moved into two separate and existing work groups. Two of the six original positions in the Unit have been abolished. We continue to await the outcome of the related investigations being conducted by the MTA's Office of the Inspector General (OIG). The OIG continues to review the employee accountability issues raised in the audit; this review was begun at our request. The OIG is also reviewing the issue of inappropriate hiring raised by the OSC. Once the OIG's investigations of these matters are completed, we will determine what, if any, actions can and should be taken.

With respect to the specific recommendations contained in the report, and as required by Section 170 of the Executive Law, MNR has detailed below the actions that have been taken to address the recommendations.

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.

MNR Response to Recommendation 1:

Ongoing. Employee time and attendance is part of the review being conducted by the OIG at our request. The OIG has not yet concluded its work. When the OIG's review is completed, we will take appropriate action.

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.

MNR Response to Recommendation 2:

Completed. The On-Board Services Unit as it was organized during the duration of the audit has been eliminated. An evaluation of the work performed by this Unit, however, reinforced the importance of maintaining these functions within MNR. The decision was made to divide the functions and personnel by incorporating them into two existing managerial units while abolishing two of the six positions, thereby improving effectiveness and efficiency.

The two important functions performed by the Unit were: 1) an auditing function; and 2) a management and supervisory function. The auditing function has become part of the Service Quality Inspection Group (SQ Group) in the Customer Service and Stations Department, and two positions have been transferred there; the SQ Group inspects for station cleanliness, train car cleanliness, functional toilets, and train crew performance among other things. The management and supervisory function of the Unit now resides in a new Compliance unit in the Operations Services Department. This unit is charged with ensuring certification of conductors in accordance with new Federal regulations (49 CFR 242). Two positions were transferred to this unit where they will carry out monitoring and supervisory duties to ensure train crews are following rules, procedures and management initiatives. Originally, we envisioned these functions being performed under the Line Superintendent management structure, but upon further review, the decision to move them into the Compliance unit was deemed more appropriate and effective.

All of the transferred personnel have gone into areas with existing controls to monitor and ensure both productivity and accountability of employees performing these functions.

Recommendation 3:

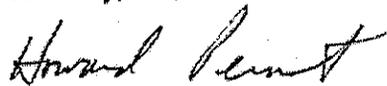
Re-examine whether the Assistant Vice President's relative should be transferred to a different work unit.

MNR Response to Recommendation 3:

Completed. In the process of the Assistant Vice President's relative being transferred to the SQ Group outside of the Operations Division, the relative resigned from Metro-North effective June 8, 2012. It should be noted that the OIG has not yet concluded its review of the hiring of the Assistant Vice President's relative, but when the OIG's work is completed, we will take appropriate action.

We believe this addresses the recommendations of the Office of the State Comptroller. If you have any questions or need additional information, please contact me. Thank you.

Sincerely,



Howard Permut

cc: M. Fucilli, R. Lieblong, R. Burney, S. Cummins, D. Evans, N. Gilbertson