



Metropolitan Transportation Authority

Audit Committee Meeting

April 2014

Committee Members

J. Sedore Jr., Chair

M. Page, Vice Chair

F. Ferrer

R. Bickford

C. Moerdler

A. Saul



MEETING AGENDA

MTA AUDIT COMMITTEE

April 30, 2014 – 8:30 a.m.

347 Madison Avenue
Fifth Floor Board Room
New York, NY

AGENDA ITEMS

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METROPOLITAN TRANSPORTATION AUTHORITY*	
THE LONG ISLAND RAIL ROAD COMPANY*	
METRO-NORTH COMMUTER RAILROAD COMPANY*	
TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY*	
MTA BUS COMPANY*	
FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY*	
NEW YORK CITY TRANSIT AUTHORITY*	
STATEN ISLAND RAPID TRANSIT OPERATING AUTHORITY*	
4. MTA CONSOLIDATED FINANCIAL STATEMENTS – MANAGEMENT REVIEW*	
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8. EXECUTIVE SESSION	

**(material previously distributed)*

**MINUTES OF MEETING
AUDIT COMMITTEE OF THE BOARD
WEDNESDAY, JANUARY 29, 2014 – 8:30 A.M.
5TH FLOOR BOARD ROOM
347 MADISON AVENUE
NEW YORK, NEW YORK 10017**

The following were present:

Honorable:

**James L. Sedore
Fernando Ferrer
Robert C. Bickford**

**Mark Page
Charles G. Moerdler
Andrew Albert**

**M. Fucilli – MTA
R. Foran – MTA
L. Kears – MTA**

**P. Kane – MTA
S. Gellineau – MTA**

**M. Fritz – Deloitte
G. Friedrich – Deloitte
M. Malloy – Deloitte
J. Strohmeier – Deloitte**

The Chair opened the meeting with a brief comment that the meeting will start with matters not requiring committee vote and resume the order of business upon achieving a quorum.

1. AUDIT COMMITTEE WORKPLAN

The Chair noted that there will be five meetings in 2014 and that the next meeting scheduled for April will include the review of the audited 2013 Financial Statements and discussion of claims and litigation in executive session.

2. INFORMATION TECHNOLOGY REPORT

S. Gellineau, MTA Chief Information Officer, provided the Committee with an overview of the two major Information Technology initiatives being undertaken by the MTA: (1) the IT Transformation project which includes the consolidation of agency IT functions under one office with a goal of achieving a single direction for the MTA technology, providing an enhanced and consistent delivery of IT services and reducing costs by eliminating duplicate applications and systems; and (2) the Data Security Oversight the focus of which is to achieve the core IT goal of protecting the data the MTA maintains, including improving the security of critical SCADA (Supervisory Control and Data Acquisition) systems which monitor and control key operational processes such as electrical distribution and heating and ventilation systems. Gellineau noted that the approach the MTA is using in IT consolidation is consistent with that used by NY City and NY State. He also mentioned that a full presentation of the ongoing initiatives will be made to the Finance Committee in June. The Committee advised that open communications with the users and affected parties be maintained throughout the consolidation process. Gellineau informed the Committee it was also the Chairman's concern and that Agency IT Advocates within his office have been created to deal with this concern. The Chair inquired if agencies will have their own IT specialists or CIO for the operating systems that would remain with them.

Gellineau responded that the agencies will not retain IT specialists, but the technical personnel responsible for maintaining the systems (eg., Signal technicians) will remain with the agency.

3. 2013 AUDIT PLAN YEAR-END REPORT AND 2014 AUDIT PLAN

The Auditor General (AG) briefed the Committee on Audit Services' achievements during 2013. He reviewed the allocation of audit resources across the agencies, as well as resource allocation to the audit areas (Finance, Service Delivery, Human Resources, Revenue, Procurement, etc.). Overall, Audit Services completed 178 audits which included 731 audit recommendations for improvement with a total dollar impact of \$64.2 million. Savings identified were from revenue enhancements, review of vendor invoices and operating contracts and employee benefits and healthcare costs. On the contract side, savings were achieved from cost proposal audits which ensured contracts presented for Board approval have the lowest price and contract closeout audits. The Committee inquired if the 731 recommendations involved follow-up audits. The AG responded that all recommendations are followed up to validate implementation and a status of the audit recommendations, including those not implemented, are reported by the Chief Compliance Officer to the Committee. The AG presented the 2014 Audit Plan and described the Risk Assessment process used in developing the Plan that was performed in accordance with the Institute of Internal Audit standards. The audits contained in the 2014 Audit Plan will focus on risk and control environment, the identification of costs savings opportunities and, given the \$3.8 billion of Sandy recovery funds due MTA, ensuring Sandy costs and expenditures are supported and accurate. The AG informed the Committee that in response to an FTA requirement for an Integrity Monitor on Sandy, a new audit unit in Audit Services who will do most of the monitoring work was formed and an outside integrity monitor to supplement Audit's work will be hired. The AG also presented the structure of the "Sandy Recovery Oversight Committee" which, as approved by the Chair, is headed by the AG with the MTA IG and the Chief Compliance Officer providing assistance and service to the committee. Finally, the AG noted that Audit Services will continue to coordinate its Plan and audit activities with the external auditors, the State and City auditors, the MTA IG as well as the Chief Financial Officer. A motion was made and approved to accept the Audit Services' 2014 Audit Plan.

4. 2012 PENSION AUDITS

Michael Fritz (Deloitte) briefed the Committee on the completed audits of the MTA Defined Benefit Pension Plan, MTA Deferred Compensation Plan, LIRR Additional Plan, MNR Company Cash Balance Plan and the MaBSTOA Pension Plan for the year ended December 31, 2012. Deloitte reviewed the financial statements of the various plans and assessed whether they are in accordance with GAAP. As part of their review, they examined controls over investments and benefit payments, and also looked at management's accounting estimates and the fair market value of the investments. He indicated that their audits identified no issues, uncorrected misstatements, adjustments, or changes in accounting policies and actuarial estimates. Also, he noted that included in the package submitted to the Committee were all the signed management representation letters received in connection to their audits. With respect to the MaBSTOA Pension Plan, Fritz advised the Committee that 40% of total investments in that consist of "alternative investments" whose fair values have been estimated by management in the absence of readily determinable values. The MTA's Chief Financial Officer expressed a concern with the level of alternative investments, and recommended that a Chief Investment Officer be hired whose responsibilities would include reviewing, managing, and establishing controls in this area.

There were discussions between the Committee, the MTA Chief Financial Officer and Deloitte regarding the risks of alternative investments, its liquidity, its valuation and appropriate form of governance over the funds. Deloitte also noted that effective January 1, 2015 any unfunded pension obligations on these plans will be recorded on the MTA's financial statements. In response, the MTA's Chief Financial Officer stated that the Long Island Rail Road's Additional Pension Plan is less than 30% funded, and that the MTA's goal by 2017 is to get the funding level for this plan up to the other Plans. In response to a Committee's inquiry regarding unfunded pension liability, Deloitte advised that the unfunded liability for LIRR was \$1.2 billion; MaBSTOA was \$858 million; MTA was \$681 million and MNR was fully-funded. The Committee also inquired about a \$1.1 million (50%) increase in employee receivables reported in the MTA's Defined Benefit Pension Plan audit report. In response, the MTA and Deloitte noted that it was likely a timing difference relative to payroll cutoff periods. Lastly, the Committee inquired about the status and trends on disability claims associated with pension applications. The AG responded that he will provide the Committee an update of the requested information. A motion was made and approved to accept the pension audits.

5. **INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

Michael Fritz (Deloitte) briefed the Committee on the results of the Independent Accountants' Review Report for the third quarter of 2013. He advised the Committee that a review does not constitute an audit, and that as part of their review they examined accruals and that there were no items to bring to management's attention with respect to adjustments, unusual items, or changes in significant accounting policies. The Committee inquired about the decrease in Retirement Debt Liability due to an advance payment to the trust and the Pat Kane (MTA) explained that \$80 million was pre-funded to the LIRR to eliminate a liability on their financial books. The Committee also inquired about the increase in overtime at NYC Transit, an increase in materials and supplies, and about the reclassification of maintenance and operating contract expenses. With respect to the reclassification, the Pat Kane explained that it related to the recording of asset impairments relative to Hurricane Sandy. Lastly, the Committee inquired about the note in the financials regarding GASB 67. A motion was made and approved to accept the quarterly review.

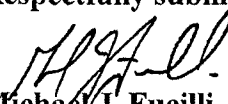
6. **MOTION TO ADJOURN and APPROVAL OF MINUTES**

A motion was made and seconded to adjourn the meeting. The Committee reconvened immediately and a motion was made and seconded to approve the minutes of the September 18, 2013 meeting.

7. **NEXT MEETING**

The next meeting of the Audit Committee is scheduled for April 30, 2014.

Respectfully submitted,


Michael J. Fucilli
Auditor General

2014 AUDIT COMMITTEE WORK PLAN

I. RECURRING AGENDA ITEMS

	<u>Responsibility</u>
Approval of Minutes	Committee Chair & Members
Audit Work Plan	Committee Chair & Members
Pre-Approval of Audit and Non-Auditing Services	As Appropriate
Follow-up Items	As Appropriate
Status of Audit Activities	Auditor General/MTA IG/ Chief Compliance Officer/ External Auditor/As Appropriate
Executive Sessions	As Appropriate

II. SPECIFIC AGENDA ITEMS

April 2014

Financial Statements w/Audit Representation Letters	External Auditor/CFOs/Controllers
Contingent Liabilities/Third Party Lawsuits (Executive Session)	General Counsels/External Auditor
Financial Interest Reports	Chief Compliance Officer
Ethics and Compliance Program	Chief Compliance Officer

June 2014

Quarterly Financial Statements – 1 st Quarter 2014	External Auditor/CFOs
Single Audit Report	External Auditor/CFOs
MTAAS Audit Plan Status Report	Auditor General
Investment Compliance Report	External Auditor
Management Letter Reports	External Auditor/CFOs/Controllers

II. SPECIFIC AGENDA ITEMS - continued

September 2014

Quarterly Financial Statements – 2nd Quarter 2014
Compliance with the Requirements
of the Internal Control Act
Appointment of External Auditors
Review of MTA/IG's Office

External Auditor/CFOs
Agency CIOs/Chief Compliance Officer

CFOs/Controllers
External Auditor/IG

November 2014

MTA Enterprise Risk Management
and Internal Control Guidelines
Annual Audit Committee Report
Review of Audit Committee Charter
Audit Approach Plans/Coordination
with External Auditors
Open Audit Recommendations

Chief Compliance Officer
Audit Committee
Committee Chair

External Auditor
Agency CIOs/Chief Compliance Officer

January 2015

Quarterly Financial Statements – 3rd
Quarter 2013
Pension Audits
2013 Audit Plan Status Report
2014 Audit Plan
Information Technology Reports

Responsibility

External Auditor/CFOs
External Auditor
Auditor General
Auditor General
Chief Information Officers

2014 AUDIT COMMITTEE WORK PLAN

Detailed Summary

I. RECURRING AGENDA ITEMS

Approval of Minutes

Approval of the official proceedings of the previous month's Committee meeting.

Audit Work Plan

A monthly update of any edits and/or changes in the work plan.

Pre-approval of Audit and Non-Auditing Services

As appropriate, all auditing services and non-audit services to be performed by external auditors will be presented to and pre-approved by the Committee.

Follow-Up Items

Communications to the Committee of the current status of selected open issues, concerns or matters previously brought to the Committee's attention or requested by the Committee.

Status of Audit Activities

As appropriate, representatives of MTA's public accounting firm or agency management will discuss with the Committee significant audit findings/issues, the status of on-going audits, and the actions taken by agency management to implement audit recommendations.

Executive Sessions

Executive Sessions will be scheduled to provide direct access to the Committee, as appropriate.

II. SPECIFIC AGENDA ITEMS

Detailed Summary

APRIL 2014

Financial Statements and Audit Representation Letters

The agency CFOs/Controllers will be available to the Committee to answer any questions regarding the submission of their audit representation letters to the external audit firm. The MTA public accounting firm will review the results and conclusions of their examination of the 2013 Financial Statements.

APRIL 2014 - continued

Contingent Liabilities and Status of Third Party Lawsuits

The General Counsels from each agency, along with representatives from D&T, will review in Executive Session the status of major litigation that may have a material effect on the financial position of their agency, or for which a contingency has been or will be established and/or disclosed in a footnote to the financial statements. In addition, the Committee will be briefed on the status of third party lawsuits for which there has been minimal or sporadic case activity.

Financial Interest Reports

The MTA Chief Compliance Officer will brief the Committee as to the agencies' compliance with the State Law regarding the filing of Financial Interest Reports (FIRs), including any known conflicts of interest.

Ethics and Compliance Program

The MTA Chief Compliance Officer will brief the Committee on selected aspects of the MTA Ethics Program.

JUNE 2014

Quarterly Financial Statements – 1st Quarter 2014

Representatives of MTA's public accounting firm, in conjunction with appropriate agency management, will discuss the interim financial statement that was prepared for the first quarter of 2014.

Single Audit Report

Representatives of MTA's public accounting firm will provide the results of their federally mandated single audit reviews at the MTA and NYC Transit.

MTAAS Audit Plan Status Report

A briefing by Audit Services that will include a status of the work completed as compared to the audits planned for the year, a summary of the more significant audit findings, results of audit follow-up, and a discussion of the other major activities performed by the department.

Investment Compliance Report

Representatives of the MTA's public accounting firm will provide a review of MTA's compliance with the guidelines governing investment practices.

Management Letter Reports

Reports will be made by the MTA's public accounting firm on the recommendations made in the auditors' Management Letter for improving the accounting and internal control systems of the MTA and its agencies. The report will also include management's response to each Management Letter comment. The response will describe the plan of

action and timeframe to address each comment. In addition, the report will contain a follow-up of prior years' open recommendations conducted by the external audit firm.

SEPTEMBER 2014

Quarterly Financial Statements - 2nd Quarter 2014

Representatives of MTA's public accounting firm, in conjunction with appropriate agency management, will discuss the interim financial statement that was prepared for the second quarter of 2014.

Compliance with the Requirements of the Internal Control Act

The Committee will be briefed by the MTA Chief Compliance Officer and Agency Internal Control Officers on the results of the All-Agency Internal Control Reports issued to the NYS Division of the Budget as required by the Government Accountability, Audit and Internal Control Act.

Appointment of External Auditors

The Audit Committee will review the reappointment of Deloitte & Touche as the independent auditor for MTA HQ and all the agencies. This is the sixth year of a seven year contract. As part of this process, the Auditor General has reviewed and provided to the Committee, and will retain on file, the latest report of the firm's most recent internal quality control review.

Review of Inspector General's Office

Representatives of MTA's public accounting firm will provide the results of their review of the MTA/IG's operation to ensure compliance with applicable office regulations, rules, policies and procedures.

NOVEMBER 2014

Review of MTA Enterprise Risk Management and Internal Control Guidelines

These MTA-wide guidelines were adopted by the Board in November 2011, pursuant to Public Authority Law Section 2931. The Audit Committee is required to review these Guidelines annually. The MTA Chief Compliance Officer will brief the Committee with respect to agency compliance with these guidelines and answer any questions and offer additional comments, as appropriate.

Annual Audit Committee Report

As a non-agenda information item, the Audit Committee will be provided with a draft report which outlines the Audit Committee's activities for the 12 months ended July 2013. This report is prepared in compliance with the Audit Committee's Charter. After Committee review and approval, the Committee Chair will present the report to the full MTA Board.

NOVEMBER 2014 - continued

Review of Audit Committee Charter

The Committee Chair will report that the Committee has reviewed and assessed the adequacy of the Audit Committee Charter and, based on that review, will recommend any changes for 2014. The review will also show if the Committee's performance in 2013 adequately complied with the roles and responsibilities outlined in its Charter (i.e. monitoring and overseeing the conduct of MTA's financial reporting process; application of accounting principles; engagement of outside auditors; MTA's internal controls; and other matters relative to legal, regulatory and ethical compliance at the MTA).

Audit Approach Plans/Coordination With External Auditors

Representatives of MTA's public accounting firm will review their audit approach for the 2013 year-end agency financial audits. This review will describe the process used to assess inherent and internal control risks, the extent of the auditor's coverage, the timing and nature of the procedures to be performed, and the types of statements to be issued. In addition, the impact of new or proposed changes in accounting principles, regulations, or financial reporting practices will be discussed.

Open Audit Recommendations

The MTA Chief Compliance Officer and Agency Internal Control Officers will report to the Committee on the status of audit recommendations previously accepted by their respective agency.

JANUARY 2015

Quarterly Financial Statements – 3rd Quarter 2014

Representatives of the MTA public accounting firm, in conjunction with appropriate agency management, will discuss the interim financial statement that was prepared for the third quarter of 2014.

Pension Audits

Representatives of the MTA public accounting firms will provide the results of their reviews of the pension plans that are managed and controlled by MTA HQ, Long Island Rail Road, Metro-North and NYC Transit.

2014 Audit Plan Status Report

A briefing by Audit Services that will include a status of the work completed, a summary of the more significant audit findings, and a discussion of the other major activities performed by the department.

2015 Audit Plan

A discussion by Audit Services of the areas scheduled to be reviewed in 2014 as well as the guidelines and policies that were used to assess audit risk and their application in the development of the audit work plan.

JANUARY 2015 - continued

Information Technology Reports

The Chief Technology/Information Officers or appropriate management from the respective agencies will review, with the Committee, the actions taken to address issues raised in both internal and external audits concerning system security and control related issues. This will include the status of prior year recommendations that have yet to be implemented and compliance to MTA Agency-wide policies and procedures.

Memorandum



Metropolitan Transportation Authority

State of New York

Date April 15, 2014

To All Applicable MTA Personnel

From Lamond W. Kearse, Chief Compliance Officer

A handwritten signature in dark ink, appearing to read "L. Kearse", written over a horizontal line.

Re Financial Disclosure Statement – 2014 Covering Calendar Year 2013

The New York State Joint Commission on Public Ethics ("JCOPE") has begun the process of e-mailing or mailing notices regarding the New York State Annual Financial Disclosure Statement for 2014, covering calendar year 2013, to applicable employees. All applicable employees have a legal obligation to file a financial disclosure statement with the Commission. This statement, whether completed on-line or hard copy, should be filled out carefully and thoughtfully and filed with the Commission no later than May 15, 2014 pursuant to the instructions of the Commission.

The Commission is authorized to enforce the State's ethics and financial reporting laws, which include the ability to impose a civil penalty up to \$40,000 or to seek prosecution as class A misdemeanor violations of those laws. Pursuant to Board guidelines, in addition to providing its full cooperation and assistance to the Commission in its enforcement of the law, the MTA will impose such disciplinary action as may be appropriate in the case of violations.

I urge all officers and employees to review our MTA All Agency Code of Ethics and the materials you received on the Public Officers Law at the time you were hired. Should you require a copy of these materials, do not hesitate to contact MTA Corporate Compliance. As you complete your financial disclosure form you should be aware of any potential conflicts of interest that you may have.

There is no exemption from filing for anyone who is away from work for any part of the calendar year or is working a reduced work schedule.

In addition, the Commission has indicated that they will pursue late and delinquent filers even if they leave State service after May 15 of the filing year.

Again this year the Commission will assess penalties for filings received after the statutory deadline. To avoid late fines and possible disciplinary action, your statement must be received by the Commission no later than May 15, 2014.

New employees that are required to file, who commence service after the MTA submits its written list of financial filers, are required to file within 30 days of commencing employment.

Should you find yourself in a situation that raises any question as to your obligations concerning conflicts of interest or whether you are required to file a financial disclosure statement with the Commission, I encourage you to contact the Ethics Helpline at 888 U-ASK-MTA (888-827-5682) for guidance.

Memorandum



Metropolitan Transportation Authority

State of New York

Date April 30, 2014

To Audit Committee

From Lamond W. Kears, Chief Compliance Officer

A handwritten signature in black ink, appearing to be "LW Kears", written over the name of the sender.

Re Annual Report on 2013 Financial Interest Reporting Compliance

At its January 1992 meeting, this Committee requested an annual report regarding compliance by MTA Headquarters and the MTA Agencies ("MTA") with the financial interest reporting requirements established by the Public Officers Law and the MTA's all Agency Code of Ethics as approved by the Board.

Pursuant to MTA's Code of Ethics and Public Officers Law §73-a, each year MTA identifies those employees who are required to file a Financial Disclosure Statement based upon earning in excess of the statutory amount and those employees who are designated policy makers. This information is sent to Joint Commission on Public Ethics. Employees in these categories receive notices from the Commission that they are required to complete a Financial Disclosure Statement which must be returned to the Commission by the statutory deadline of May 15.

At its January 1996 Board meeting, the Board Authorized and directed the Chairman or his designees to actively assist the Commission in its enforcement of the State's financial reporting requirements and to impose disciplinary action in appropriate cases.

In accordance with the Board's directive, and in order to reinforce in the minds of all MTA employees the MTA's commitment to compliance with the State's financial disclosure requirements, I sent the annexed memorandum regarding compliance with financial disclosure to all MTA employees concurrently with the distribution by the Notice of the Commission.

The MTA will also continue actively to assist the Commission in its enforcement of the law. The Commission has a three-step enforcement process by which it notifies all delinquent filers and the MTA of the failure to file the required annual disclosure statement.

In approximately July or August the Commission sends confidential notices of a failure to file the State Disclosure Statement to all applicable employees. The filer has 15 days to file; in the event noncompliance continues, the Commission sends a notice of delinquency to the filer and to the President of the filer's employing Agency and the MTA Chief Compliance Officer.

Each MTA Agency will notify delinquent filers of its receipt of the notice. The notices will stress to each delinquent filer that compliance with the filing requirements of MTA's Code of Ethics and State law is an urgent matter, and that an employee's failure to comply with the filing requirements can result in serious penalties, imposed pursuant to State law by the Commission, as well as in discipline, imposed by MTA Agencies pursuant to our Code of Ethics.

The Commission's final step for noncompliance following the public notice is to schedule an administrative hearing. Notice of an administrative hearing is sent to the Chairman of the MTA with a copy to the Chief Compliance Officer.

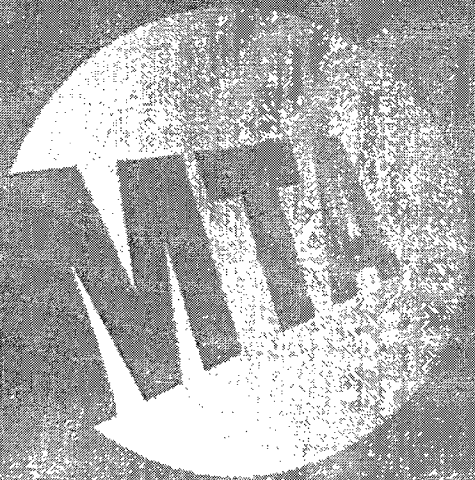
The Commission advised the MTA and its Agencies that of the 5,650 individuals required to file, there are potentially 438 delinquent filers for the year 2013 covering Calendar Year 2012.

MTA Corporate Compliance will be monitoring compliance closely in the coming year.

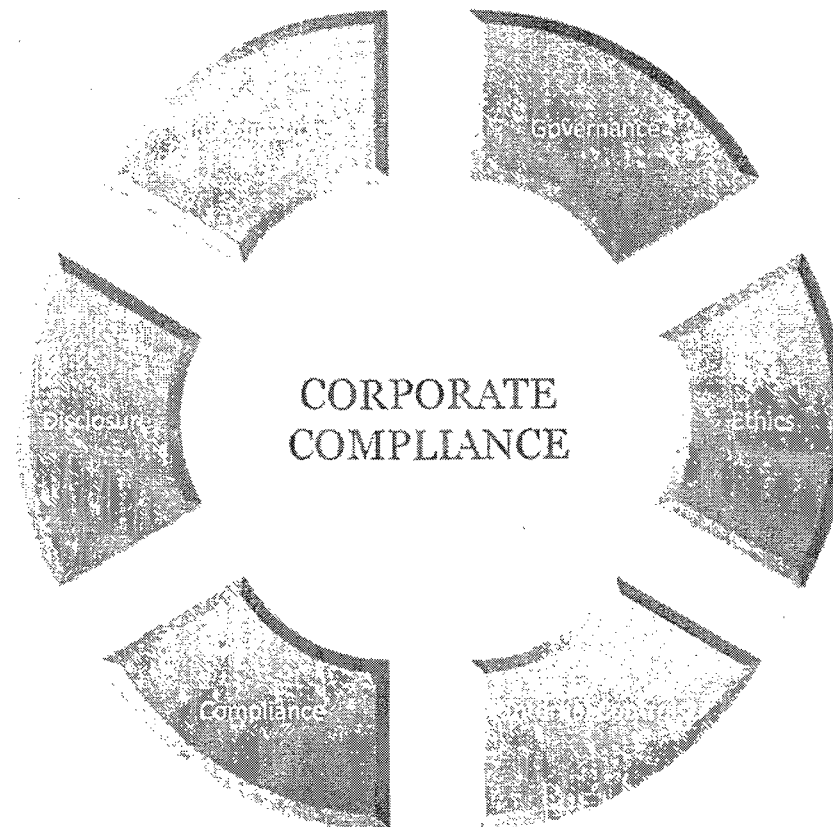
c: Thomas F. Prendergast
Catherine A. Rinaldi
Jerome Page
Agency Presidents
Agency General Counsels
Agency Ethics Officers

Metropolitan Transportation Authority Ethics and Compliance Program

Report to the Audit Committee
April 30, 2014



Corporate Compliance: Strategic Alignments



Corporate Compliance: Ethics and Compliance Issues

- Corporate Compliance handled over 500 ethics or compliance issues in 2013.
 - Many received by Email, followed by telephone calls, helpline and in-person visits
 - Issues included
 - Attendance at Prohibited Source Events
 - Outside Activity Approval Requests
 - Gift Issues
 - Financial Disclosures
 - Reimbursement for Travel Expenses
 - Acceptance of Honoraria

Ethics Training 2013

- JCOPE Comprehensive Ethics Training
 - Advised by JCOPE in late 2013 had to train all Financial Disclosure Filers
 - MTA Suspended Code of Ethics Training
 - JCOPE Advised that Training Must Be Live
 - Trained 5,294 Employees and Board Members in 8 Months

Communications

- Availability:
 - Code was distributed to all MTA Employees
 - Code is posted on the MTA Intranet and Internet
 - The MTA All-Agency Code continues to be translated into Braille
 - Code is given to all new Employees
- Relevant:
 - The Code is maintained and updated as necessary
 - On-going discussions regarding modifications to the Code
- Tone at the Top:
 - Training for Senior Management on the Code

Communications: MTA Today

- One day each month dedicated to Ethics and Compliance Issues
 - Provide Ethics guidance
 - Utilizing entertaining videos to engage employee interest

Communications: E-mail Distributions

- Ethikos Magazine-Distributed to all senior management
- Tone at the Top-Distributed to all senior management

Communications: Memoranda 2013

- New Employee Package
 - Public Officers Law
 - Code of Ethics
- Holiday Gift-Employees
- Holiday Gift-Vendors
- Political Activity
- Honorarium/Outside Employment
- Specific Events
- Updated Information

Communications: Promote use of the Ethics Helpline-Signage

ETHICS

What's that about?

- It's about speaking up when you know something's unethical.
- It's knowing and following our Code of Ethics.
- Mostly, it's about all the things that create a work environment that lets us all do the right thing.

Ask Questions. Get Answers.

MTA Corporate Compliance
888-U-ASK-MTA
(888-827-5882)

 Metropolitan Transportation Authority

Can You Report Ethics Violations Without Giving Your Name?

And is it true that anonymously reported violations will be investigated thoroughly?

The answer is YES!

MTA Corporate Compliance
is here to answer your questions and to provide
a work environment that lets us all do the right thing.

Ask Questions. Get Answers.

MTA Corporate Compliance
888-U-ASK-MTA
(888-827-5882)

 Metropolitan Transportation Authority

Is Keeping Quiet Good?

And is it true that as an MTA employee you are expected to keep quiet about things you know are unethical?

The answer is NO!

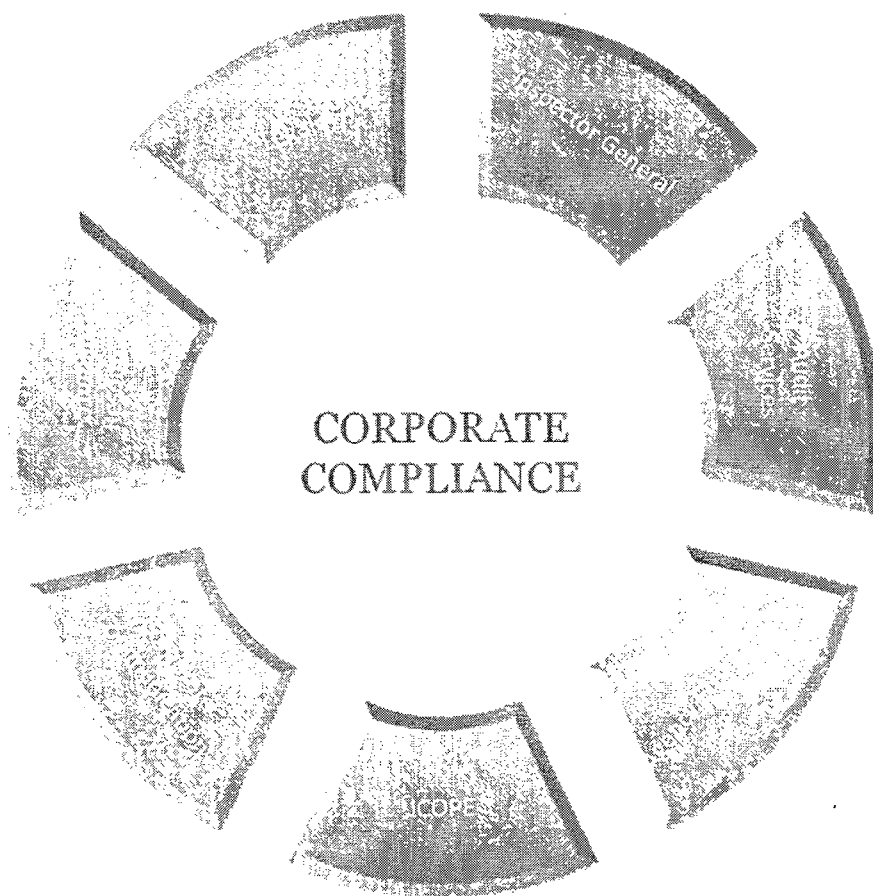
MTA Corporate Compliance
is here to answer your questions and to provide
a work environment that lets us all do the right thing.

Ask Questions. Get Answers.

MTA Corporate Compliance
888-U-ASK-MTA
(888-827-5882)

 Metropolitan Transportation Authority

Corporate Compliance: Coordination



Attachment A
Independent Integrity Monitor

Scope of Work

Background:

On January 29, 2013, the Disaster Relief Appropriations Act of 2013 was signed into law by President Obama to provide \$10.9 billion for Federal Transportation Administration's (FTA) Emergency Relief Program for recovery, relief and resiliency efforts in areas affected by Hurricane Sandy. According to FTA's Emergency Relief Program interim final rule¹, any recipient receiving over \$100 million is required to hire and use Independent Integrity Monitors. MTA is receiving approximately \$3.8 billion for its Sandy projects ("Project").

As stipulated by the FTA in the Federal Regulations, the following are the components of effective oversight of these funds:

1. A review of internal processes for susceptibility to fraud, corruption and cost abuse and implementation of policies to correct any deficiencies identified.
2. Forensic reviews of payment requisitions and supporting documentation, payments, change-orders, and review for indications of bid rigging and overcharging.
3. Investigative services to include project and business site visits including periodic, unannounced headcounts of workers to detect and deter the practice of no-show jobs.
4. The attendance at scope reviews, meetings with prospective contractors and vendors and bid openings to ensure procurements are conducted in accordance with the MTA's rules and regulations and that a "level playing field" is being maintained for all involved.

The MTA, with the approval of the FTA, has formed a Sandy Oversight Committee that is to design and coordinate all Sandy related Integrity Monitoring MTA-wide. This committee will be chaired by the MTA Auditor General. In order to assist with this effort, the MTA is seeking to contract with a monitoring firm to provide expertise in the specific areas described in TASK A and B herein. The exact nature and amount of work assigned overall to the firm will be at the discretion of the MTA Auditor General or his designee. Depending on the nature of the specific task, the Monitor shall work directly under the general supervision of the MTA Auditor General or the MTA Inspector General.

¹ The Disaster Relief Appropriations Act of 2013 (Pub. L. 113-2) and the Interim Final Rule for the Emergency Relief Program, 49 CFR part 602, and the requirements and program guidance promulgated thereunder and Federal Register notice of March 29, 2013.

SCOPE OF WORK

MTA expects to contract with one firm to provide as-needed Monitoring services for the Project. The contract is being awarded as an indefinite quantities contract but, for budgeting and internal control purposes, will have a maximum “not to exceed” value. The services of the Monitor shall generally consist of performing integrity monitoring services for the Project in accordance with FTA requirements, at the direction of the Auditor General or his designee. These services may include but not be limited to: monitoring compliance with policies and procedures to ensure that the entities engaged in the Project comply with relevant laws and regulations, as well as, prevent, deter, uncover and report unethical and illegal conduct. The Monitor’s team shall have the experience in the nature of providing Independent Private Sector Inspector General Services (IPSIG) or similar compliance monitoring.

The initial term for the contract is two (2) years commencing in 2014 (exact date to be determined), with an MTA option to extend the term for up to one (1) year and thereafter for such additional time as necessary for Sandy Projects to be completed.

At the direction of the MTA Auditor General or his designee, the Monitor shall be provided an appropriate monthly integrity-monitoring plan for specific task orders assigned to the Monitor. The staffing levels and the specific individuals assigned by the Monitor, and the nature and degree of supervision are subject to the prior approval by the MTA Auditor General or his designee. The Monitor shall conduct its assigned duties in accordance with best practices and in a manner that is consistent with Generally Accepted Auditing Standards (GAAS) applicable to the conduct of audits and monitoring activities and any applicable standards set by the International Association of Independent Private Sector Inspector Generals. In addition, the work should be conducted in accordance with the Quality Standards for Investigations issued by the Council of Inspectors General for Integrity and Efficiency (CIGIE).

I. DESCRIPTION OF TASKS

TASK A: FORENSIC REVIEW AND OVERSIGHT

Monitors may be directed to conduct forensic reviews of project/program costs, including, but not limited to:

1. analysis of requisitions and supporting documentation;
2. change-orders;
3. change-order requisitions and supporting documentation;
4. payments to vendors;
5. equipment invoices;
6. bond payment reconciliation;
7. certified payroll reports;
8. site logs; and

9. trucking manifests;
10. Such other Project related matters as specified by the Auditor General.

This work shall be performed in coordination with MTA Audit Services.

TASK B: INVESTIGATIONS AND OVERSIGHT

Provide ongoing forensic auditing and investigative services, as-needed, and as directed by MTA Auditor General or his designee, which may include, but not be limited to:

1. conducting in-field reviews and on-site monitoring of construction work;
2. monitoring and evaluating construction contractor use of labor, compliance with applicable prevailing wages and compliance with state and federal labor laws;
3. reviewing and monitoring of worker safety and environmental plans and procedures for integrity-related concerns and issues;
4. identifying illegal conduct by MTA contractor staff, and others, such as suppliers, contractors, and subcontractors;
5. perform targeted work as directed by MTA Auditor General or his designee; and
6. other tasks as identified as necessary by the MTA Auditor General

This work shall be performed, as directed by the MTA Auditor General, in coordination with the MTA Inspector General.

DELIVERABLES

Prepare, present or assist in the presentation of draft and final reports documenting findings and detailing the results of the Monitor's work product as requested, and submit as final to the Sandy Recovery Oversight Committee. Meetings with designated law enforcement officials if requested by the MTA Auditor General or his designee, as appropriate. Monthly update meetings will be held to obtain the progress and results of the monitoring activities. Also, quarterly reports summarizing the Monitor's work that has been performed during a quarterly period, including key findings and recommendations, and identified risk areas, shall be issued within 15 days of the end of each reporting quarter to the Sandy Recovery Oversight Committee. In addition, the Monitor shall issue follow up reports as required to support the efforts of the MTA's Auditor General or designee.

II. CONDITIONS AND PRECAUTIONS

- A. The Monitor shall immediately report to the MTA Auditor General or his designee, and the applicable MTA Project Manager any unsafe condition discovered at any time during the course of this work.

- B. The Monitor shall immediately report to the MTA Auditor General or his designee suspected unethical, fraudulent or illegal acts discovered at any time during the course of this work.
- C. Vehicular traffic and project activities at the site shall have priority over any and all of the Monitor's activities.
- D. Safety training and equipment required by law or regulation is mandatory and in all other instances, may be required while present at the project sites. The Monitor will be responsible for the safety of its own staff.
- E. A firm's cost and technical proposals shall respectively include for each category of labor proposed, fully loaded hourly rates and a detailed job description.
- F. At this time, MTA is budgeting not to exceed \$3 million for the three year period. Actual expenditures are not guaranteed to any extent and will depend on actual needs as determined by the Auditor General or his designee, and the applicable hourly rates proposed or as negotiated for the contract, and the staffing levels proposed or negotiated for a specific Task Order.
- G. MTA expects that the Contractor will staff the overall Project and individual Task Orders in an effective and efficient manner and will focus its billable time on field work. Invoiced amounts for meetings, report writing, and supervision shall be minimized and MTA's expectation is that amounts billed for non-field work functions will not exceed 20% of the total cost of any Task Order. The Contractor's proposal for a Task Order or a change order must separately itemize costs by field work and non-field work and, if applicable, explain and justify non-field work costs in excess of 20%. Any allocation of more than 20% of the costs to non-field work is subject to the prior written approval of the MTA Auditor General or his designee. MTA will not pay for the portion of Contractor's invoiced costs for non-field work in excess of 20% and the portion of the Contractor's invoices for such excess shall be rejected. The MTA Auditor General, or his designee, must approve all Monitor staff assigned to the Project and to individual Task Orders. MTA expects that staff assigned to the Project will remain with the Project in accordance with an approved staffing plan, and reserves the right to require the replacement of any approved staff member at the MTA's discretion. If any staff member is replaced for any reason, there shall be an appropriate transition and hand off. MTA will not pay for the Contractor's staff time to bring a replacement up to the level of proficiency of the person replaced.

Federal funds will be used to fund these contracts. Accordingly, the contract will include federal provisions.