

The Metropolitan Transportation Authority

Report to Management

Year Ended December 31, 2021

June 2, 2022

The Audit Committee
Metropolitan Transportation Authority
New York, New York

And

The Management of the Metropolitan Transportation Authority
New York, New York

Dear Members of the Audit Committee and Management:

In connection with our audits of the financial statements of the Metropolitan Transportation Authority, First Mutual Transportation Assurance Company, Long Island Rail Road Company, Metro-North Commuter Railroad Company, MTA Bus Company, New York City Transit Authority, Staten Island Rapid Transit Operating Authority and the Triborough Bridge and Tunnel Authority (collectively the “MTA”) as of and for the year ended December 31, 2021 (on which we have issued our reports dated May 27, 2022 except the MTA consolidated financial statements which was dated June 2, 2022. The report contained an emphasis of matter paragraph including subsidies from other governmental entities), performed in accordance with auditing standards generally accepted in the United States of America (generally accepted auditing standards), we considered the MTA’s internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the MTA’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the MTA’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting. However, in connection with our audits, we have identified, and included in the attached Appendix A, deficiencies related to the MTA’s internal control over financial reporting and other matters as of December 31, 2021, that we wish to bring to your attention.

We also plan to issue our Uniform Guidance reports in accordance with *Government Auditing Standards* and the U.S. Office of Management and Budget (“OMB”) audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“OMB Uniform Guidance”) and compliance with the types of compliance requirements described in the *Part 43 of the New York State Codification of Rules and Regulations* which will include (1) Independent Auditor’s Report (2) Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in accordance with *Government Auditing Standards* (3) Independent Auditor’s Report on Compliance for Each Major Federal Program; and Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance, and (4) Independent Auditor’s Report on Compliance for Each Major State of New York Department of Transportation Assistance Program; and Report on Internal Controls over Compliance; and

Report on Schedule of State of New York Department of Transportation Assistance expended Required by Part 43 of the New York State Codification of Rules and Regulations.

The definitions of a deficiency is also set forth in the attached Appendix B

Although we have included management's written response to our comments in the attached Appendix A, such responses have not been subjected to the auditing procedures applied in our audits of the financial statements and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the responses or the effectiveness of any corrective actions described therein.

A description of the responsibility of management for establishing and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in the attached Appendix C and should be read in conjunction with this report.

This report is intended solely for the information and use of management, the Audit Committee, Federal and State awarding agencies or pass-through entities, and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Deloitte & Touche LLP

**THE METROPOLITAN TRANSPORTATION AUTHORITY
TABLE OF CONTENTS**

	<u>Page</u>
APPENDIX A	
Metropolitan Transportation Authority- Headquarters	6
MTA Consolidated Information Technology Department	12
Metro North Commuter Railroad Company	29
Triborough Bridge and Tunnel Authority	31
APPENDIX B	
Definition of deficiency	34
APPENDIX C	
Management’s responsibility for, and the objectives and limitations of, internal control over financial reporting	35

APPENDIX A

METROPOLITAN TRANSPORTATION AUTHORITY- HEADQUARTERS

**METROPOLITAN TRANSPORTATION AUTHORITY- HEADQUARTERS
CURRENT YEAR COMMENTS- DEFICIENCIES-2021**

DEFICIENCIES

We identified, and included below, significant deficiencies and deficiencies, involving the Metropolitan Transportation Authority- Headquarters' ("MTA HQ") internal control over financial reporting for the year ended December 31, 2021, that have not been previously communicated in writing or orally, by others within MTA HQ, or by us.

1. Non-operating Revenue Account Reconciliation & Consolidation Reporting- SIGNIFICANT DEFICIENCY

Agency:

Metropolitan Transportation Authority – (Headquarters, "MTAHQ")

Criteria:

MTAHQ performs a monthly close of receivables and revenue to the general ledger for MTAHQ. As part of the MTAHQ's month-end close procedure, funds received and yet to be received from New York State are recorded to the general ledger.

At year-end MTAHQ management performs a final review of the consolidated financial statements and related footnotes.

Condition:

During our audit procedures, D&T identified a deficiency in MTAHQ's non-operating revenue and corresponding receivables reconciliation as inappropriate amounts were recognized for each type of non-operating revenue and receivables. Specifically, through our substantive testing period on a sample of non-operating revenues recorded in the general ledger, D&T noted the following misstatements by type:

- a. Payroll Mobility Tax Reconciliation (G/L# 431440) – Revenue was overstated by \$11.0 million for the year-ended 12/31/2021.
- b. Supplemental Aid Trust Reconciliation (G/L# 431445) – Revenue was overstated by \$116.8 million for the year-ended 12/31/2021.
- c. Mansion Tax Reconciliation (G/L# 431458) – Revenue was overstated by \$92.3 million for the year-ended 12/31/2021.
- d. NYC Assistance Fund Reconciliation (G/L# 434252) – Revenue was understated as \$26.8 million of NYC Assistance Fund receivables should have been recorded for the year-ended 12/31/2021.

In addition, D&T identified a deficiency related to the financial reporting and closing process of the consolidated financial statements as there was a lack of appropriate review controls. Through our review of the consolidated financial statements, we noted footnote disclosures, including: Capital Assets (Footnote 6), Debt (Footnote 7), and Condensed Component Unit Information (Footnote 16), which did not agree to the underlying support (e.g., capital asset rollforward schedule, debt maturity schedule, or agency financial statements) and such discrepancies could have been detected and prevented through adequate review controls of the consolidated financial statements.

**METROPOLITAN TRANSPORTATION AUTHORITY- HEADQUARTERS
CURRENT YEAR COMMENTS- DEFICIENCIES-2021 (continued)**

Cause:

MTAHQ did not appropriately recognize revenue and the corresponding receivables for the year-ended 12/31/2021 related to non-operating revenues. The consolidated financial statements were not reviewed by the appropriate level of the accounting team.

Effect:

As a result, non-operating revenue and corresponding receivables were misstated and consolidated financial statements were improperly accounted, reported, and disclosed, as described in the 'Condition' section above. These misstatements were corrected by management prior to the 12/31/2021 consolidated financial statement issuance.

Recommendation:

We recommend that MTAHQ management enhance review controls over non-operating revenue and corresponding receivable account reconciliations and involving the appropriate MTA departments (MTA Budget) and where applicable New York State for its timely and appropriate recognition of non-operating revenue and receivables.

Additionally, we also recommend that MTAHQ management enhance their consolidated financial statements review and integrate efficient collaboration of agencies' financial statement for consolidation reporting to achieve complete and accurate financial accounting, reporting, and disclosures.

Financial Statement Impact:

The net impact of these resulted in a known non-operating revenue overstatement of \$193.3 million, which was corrected by management prior to the 12/31/2021 consolidated financial statement issuance. The footnote disclosures and elimination entries were corrected in the 12/31/2021 consolidated financial statement.

Management Response (2021):

Management reconciled the non-operating revenue accounts, identified and corrected errors that related primarily to timing issues and allocation of revenue into various sub-accounts. The adjustments made to the financial statements did not reach the MTA's predetermined materiality threshold.

Management is enhancing its process of revenue confirmation and validation with MTA Office of Management & Budget by establishing a standard revenue file template that indicates revenue receipts from appropriate sources with time period covered and any accruals required. In addition, an annual confirmation with New York State Division of Budget is planned at the end of the calendar year.

With regards to financial reporting, supporting schedules for footnote disclosures are subject to change as adjusting entries are made throughout the year-end closing and audit process. Due to staff turnover, better coordination will need to be established within Accounting to ensure that the latest information is timely communicated internally and with the auditors.

- On Capital Assets (Footnote 6) for the capital asset rollforward schedule, after year-end adjustments were processed, management updated the supporting documentation which was not timely shared internally.

**METROPOLITAN TRANSPORTATION AUTHORITY- HEADQUARTERS
CURRENT YEAR COMMENTS- DEFICIENCIES-2021 (continued)**

- On Debt (Footnote 7) for the Debt maturity schedule, due to timing of year-end adjustments posting, the updated supporting schedule was not forwarded to the auditors timely.
- On the Condensed Component Unit Information (Footnote 16), the final version of financial statements was not timely shared internally.

2. Operating Expense Account Reconciliations-DEFICIENCY

Agency:

Metropolitan Transportation Authority – (Headquarters, “MTAHQ”)

Criteria:

MTA Business Service Center (“MTA BSC”) performs a monthly close of operating expenses to the general ledger for all agencies, including, MTAHQ. As part of the MTA BSC’s operating expenses month-end close procedure, vouchers are matched, posted, and then loaded to the general ledger by voucher accounting date.

Condition:

During our audit procedures, D&T identified a deficiency in MTAHQ’s operating expenses reconciliation as they did not allocate expenses across the relevant accounting period. Specifically, through our substantive testing period on a sample of operating expenses recorded in the general ledger, D&T noted an Information Technology invoice (Invoice# H675972) relating to service for the period 7/31/2021 to 7/30/2022 that was paid on 8/27/2021 for \$1.73 million was fully recognized as an expense for the year ended 12/31/2021 when it should have been apportioned according to the relevant accounting period.

Cause:

MTAHQ did not apportion expenses across the relevant accounting period.

Effect:

As a result, operating expenses were overstated and only a portion of expenses were relevant for 2021.

Recommendation:

We recommend that MTAHQ management enhance review controls over operating expense account reconciliations to review MTA BSC journal entries and underlying support to ensure expenses are recognized for the relevant accounting period.

Financial Statement Impact:

This resulted in a known misstatement of \$1.01 million and a projected misstatement of \$8.01 million.

Management Response (2021):

The Information Technology Department provides invoice information of payments pertaining to future year/s to MTAHQ Accounting for the reclassification to the appropriate prepaid asset account and amortization over the relevant accounting periods. Due to staff movement as a result of MTA Transformation, the appropriate resources will need to be identified to continue the process of reviewing invoices for reclassification and amortization.

**METROPOLITAN TRANSPORTATION AUTHORITY- HEADQUARTERS
CURRENT YEAR COMMENTS- DEFICIENCIES-2021 (continued)**

3. Accounts Payable Account Reconciliations-DEFICIENCY

Agency:

Metropolitan Transportation Authority – (Headquarters, “MTAHQ”)

Criteria:

MTA Business Service Center (“MTA BSC”) performs a monthly close of accounts payable to the general ledger for all agencies, including, MTAHQ. As part of the MTA BSC’s accounts payable month-end close procedure, they ensure the accounts payable sub-ledger reconciles to the general ledger.

Condition:

During our audit procedures, D&T identified a deficiency in MTAHQ’s accounts payable reconciliation. Based on a substantive testing performed on a sample of accounts payable recorded in the general ledger, an invoice which was entirely paid for was improperly recorded as an accounts payable as of 12/31/2021. Specifically, invoice# 185420455588, which the MTAHQ was invoiced on 11/8/2021 and fully paid on 11/11/2021. We noted the following journal entries that should have taken place based on the flow of transactions:

1) When the invoice is received/PO booked:

Debit: Expense/Prepaid

Credit: Accounts Payable

2) When the invoice is paid:

DR - Clearing Account - AR

CR - Cash

DR - Accounts Payable

CR - Clearing Account - AR

We note that the company did not run the process to record the second part of the second entry before 12/31/21 leading to Accounts Payable and Accounts Receivable being overstated.

Cause:

MTA BSC did not properly reconcile accounts payable sub-ledger to the general ledger.

Effect:

As a result, accounts payable and accounts receivable were overstated. Management performed an analysis on the total amount of wire payments paid in 2021 but not cleared out of accounts payable until 2022. This resulted in Accounts Payable being overstated for the following agencies: Metro North - \$24,361, MTAHQ \$10,983,910 and NYCTA \$154,497.

Recommendation:

We recommend that MTA BSC and the respective MTA agencies enhance review controls over account reconciliations to review MTA BSC journal entries and underlying support to ensure accounts payable appropriately reflects each agencies’ liability position as of year-end.

Financial Statement Impact:

This resulted in a known misstatement of \$10.73 million and a projected misstatement of \$8.11 million.

**METROPOLITAN TRANSPORTATION AUTHORITY- HEADQUARTERS
CURRENT YEAR COMMENTS- DEFICIENCIES-2021 (continued)**

Management Response (2021):

MTA Financial Operations (formerly known as MTA BSC Accounts Payable) will complete the account analysis of the Clearing account - AR (GL 161551) for all agencies. We will ensure that individuals assigned in the preparation and review of account analysis understand what the account is used for and the documentation required to support the balance. Identified errors upon completion of the analysis will be corrected and communicated to the appropriate agency Accounting.

4. Projects in Progress (“PIP”) Account Reconciliations-DEFICIENCY

Agency:

Metropolitan Transportation Authority – (Headquarters, “MTAHQ”)

Criteria:

MTAHQ performs a quarterly close of PIP to ensure completed projects are transferred out of PIP to the appropriate Fixed Asset category in a timely manner. When the project reached at least 90% of completion, which is the percentage based on their PIP policy, then the item can be considered complete and transferred to Fixed Assets.

Condition:

During our audit procedures, D&T identified a deficiency in MTAHQ’s PIP reconciliation as they did not commence depreciation for PIP already placed in service. Specifically, through our substantive testing period on a sample of PIP recorded in the general ledger, D&T noted a project (Project# HG6150102) was 100% completed and should have been reclassified out of PIP to Fixed Assets and placed into service as of 1/1/2017 but were not, resulting in PIP being overstated, Fixed Assets being understated, and Depreciation expense being understated.

Cause:

MTAHQ did not reclassify completed projects out of PIP to Fixed Assets and did not recognize depreciation across the relevant accounting period for projects placed in service.

Effect:

As a result, PIP was overstated, Fixed Assets was understated, and Depreciation expense was understated for 2021.

Recommendation:

We recommend that MTAHQ management enhances review controls over PIP account reconciliations to review depreciation are appropriately calculated for projects placed into service.

Financial Statement Impact:

The known misstatement was \$831 thousand and a projected misstatement of \$15.1 million.

Management Response (2021):

A process will be established to include review of the Project Status Report system and to obtain confirmation from the project managers regarding project status to ensure that all completed PIP accounts are identified and capitalized. An additional level of management review will be scheduled with the Fixed Assets staff on a regular basis.

MTA CONSOLIDATED INFORMATION TECHNOLOGY (“IT”) DEPARTMENT

**METROPOLITAN CONSOLIDATED INFORMATION TECHNOLOGY DEPARTMENT
CURRENT YEAR COMMENTS- DEFICIENCIES-2021**

DEFICIENCIES

We identified, and included below, deficiencies involving the MTA Consolidated IT Department's internal control over financial reporting for the year ended December 31, 2021, that have not been previously communicated in writing or orally, by others within the MTA, or by us.

1. OMNY Application Provisioning

Agency:

MTA Headquarters

Criteria:

Management should approve the nature and extent of user-access privileges for new and modified user access, including standard application profiles/roles, critical financial reporting transactions, and segregation of duties.

Condition:

D&T noted there is no formalized process around the authorization and documentation of approval for access requests for MTA employees on the OMNY (Cubic) application. As such, a design gap is identified.

Cause:

The root cause of this deficiency is that IT Management does not have a formalized access provisioning process in place.

Effect:

Security mechanisms are inadequate, ineffective, or inconsistent due to lack of established security policies and standards. This increases the risk of unauthorized access to the OMNY (Cubic) application which could potentially lead to inappropriate changes to application data.

Recommendation:

We recommend that MTA NYCT IT management creates a formalized access provisioning process for users with access to the OMNY (Cubic) application. This process should include proper access request, approval, and implementation.

Financial Statement Impact:

No Impact – risk associated with this deficiency mitigated by other controls and factors.

Management Response (2021): Management Concur: Management will establish a formalized process for access provisioning requests to add or update users to the OMNY (Cubic) application.

Estimated Completion Date 4th Quarter 2022.

**MTA CONSOLIDATED INFORMATION TECHNOLOGY DEPARTMENT
CURRENT YEAR COMMENTS- DEFICIENCIES- 2021 (continued)**

2. OMNY Application Deprovisioning

Agency:

MTA Headquarters

Criteria:

The security administrator should be notified of employees who have been terminated by Human Resources. Access privileges of such employees should be immediately disabled.

Condition:

D&T noted there is no formalized process to define procedures or timeliness for the removal of access for terminated MTA employees from the OMNY (Cubic) application.

Cause:

The root cause of this deficiency is that IT Management does not have a formal user deprovisioning process in place to remove access for terminated users.

Effect:

Security mechanisms are inadequate, ineffective, or inconsistent due to lack of established security policies and standards. This increases the risk of unauthorized access to the OMNY (Cubic) application which could potentially lead to inappropriate changes to application data.

Recommendation:

We recommend that MTA NYCT IT management creates a formalized access deprovisioning process for users with access to the OMNY (Cubic) application. This process should include proper access removal request, approval, and implementation.

Financial Statement Impact:

No Impact – risk associated with this deficiency mitigated by other controls and factors.

Management Response (2021): Management Concur: Management will establish a formalized process for deprovisioning users access to the OMNY (Cubic) application.

Estimated Completion Date 4th Quarter 2022

**MTA CONSOLIDATED INFORMATION TECHNOLOGY DEPARTMENT
CURRENT YEAR COMMENTS- DEFICIENCIES- 2021 (continued)**

3. AFC Mainframe Privileged Access

Agency:

New York City Transit Authority

Criteria:

Privileged-level access (e.g., security administrators) should be authorized and appropriately restricted.

Condition:

Privileged access to the Mainframe operating system supporting the AFC application was not appropriately restricted for one account. W.S., z/OS Performance and Capacity Manager for Mainframe, was inappropriately granted the "Special Attribute" on the Mainframe supporting the AFC application. Though this same user has appropriate Auditor Attribute access, the Special Attribute access is not appropriate based on job responsibilities.

Cause:

This is a preventative manual control, and the deficiency was found during our operating effectiveness testing. The root cause of this deficiency is that IT Management inappropriately assigned the 'Special' Attribute access to one user.

Effect:

Security mechanisms are inadequate, ineffective, or inconsistent due to lack of established security policies and standards. This increases the risk of unauthorized access to the Mainframe Operating System supporting the AFC application which could potentially lead to inappropriate changes to application data.

Recommendation:

We recommend that MTA IT management restrict the inappropriate access noted in this exception. We further recommend that MTA IT management review special attributes assigned to Mainframe administrators on a regular basis to identify any access that is no longer aligned with stated job responsibilities.

Financial Statement Impact:

No Impact – risk associated with this deficiency mitigated by other controls and factors.

Management Response (2021): Management concurs: The current request processes are handled manually by the Kyndryl formerly IBM mainframe support team by assigning and running special script. MTA IT (IAMS Group) will look into onboarding the privilege security admin access as part of the request entitlement and recertification in the future. MTA IT IAMS Team will research the one account identified to determine if privilege access is needed, and if not, the access will be removed.

Estimated Completion Date 3rd Quarter 2022

**MTA CONSOLIDATED INFORMATION TECHNOLOGY DEPARTMENT
CURRENT YEAR COMMENTS- DEFICIENCIES- 2021 (continued)**

4. AFC Application Provisioning

Agency:

New York City Transit Authority

Criteria:

Management should approve the nature and extent of user-access privileges for new and modified user access, including standard application profiles/roles, critical financial reporting transactions, and segregation of duties.

Condition:

D&T noted for 11 out of 15 sampled new hires/transfers there was no documentation related to the access request, including approval and access required. Per discussion with management, these users were discussed verbally with the IT team but no evidence of the access request was retained.

Cause:

This is a preventative automated control and the deficiency was found during our operating effectiveness testing. The root cause of this deficiency is that IT Management did not adhere to the formal onboarding process for new access to users.

Effect:

Security mechanisms are inadequate, ineffective, or inconsistent due to lack of established security policies and standards. This increases the risk of unauthorized access to the AFC which could potentially lead to inappropriate changes to application data.

Recommendation:

We recommend that NYCT management reinforce the access request process with end users and system administrators to ensure that access changes are appropriately communicated and documented in sufficient detail to demonstrate approvals and required levels of access.

Financial Statement Impact:

No Impact – risk associated with this deficiency mitigated by other controls and factors.

Management Response (2021): Management Concur: The current identity and Access Management System (IAMS) currently has a process. When a user needs to be added or modify the access, it is required to make entitlement requests in IAMS system, then approved by the user's manager, and then obtain Data owner approval. MTA IT will reinforce the documentation requirements over the access request process with the end users and system administrators.

Estimated Completion Date 4th Quarter 2022.

**MTA CONSOLIDATED INFORMATION TECHNOLOGY DEPARTMENT
CURRENT YEAR COMMENTS- DEFICIENCIES- 2021 (continued)**

5. AFC Application Deprovisioning

Agency:

New York City Transit Authority

Criteria:

Access for terminated and/or transferred users should be removed or modified in a timely manner.

Condition:

For 1 out of the 3 sampled terminated/deprovisioned users (Mark Armstrong), access was not removed in a timely manner (user was terminated on 12/3/2021 and access was removed on 12/20/2021).

Cause:

This is a preventative manual control and the deficiency was found during our operating effectiveness testing. The root cause of this deficiency is that IT Management was not notified by the business in a timely manner of the user terminations and therefore did not disable the accounts timely.

Effect:

Security mechanisms are inadequate, ineffective, or inconsistent due to lack of established security policies and standards. This increases the risk of unauthorized access to the AFC which could potentially lead to inappropriate changes to application data.

Recommendation:

We recommend that New York Transit Authority management reinforce the termination process with end users and system administrators to ensure that access changes are appropriately communicated and removed in a timely manner when the access is no longer required.

Financial Statement Impact:

No Impact – risk associated with this deficiency mitigated by other controls and factors.

Management Response (2021): Management Concur: The current process for terminated / Retired employee is revoking their account, and the recertification process will delete the revoked account. IAMS will look to expand the logic to revoke the account and delete the account automatically.

Estimated Completion Date 3rd Quarter 2023.

**MTA CONSOLIDATED INFORMATION TECHNOLOGY DEPARTMENT
CURRENT YEAR COMMENTS- DEFICIENCIES- 2021 (continued)**

6. TBTA Kronos Terminations (Carryforward from prior year)

Agency:

Triborough Bridge and Tunnel Authority (“TBTA”)

Criteria:

Access for terminated and/or transferred users is removed or modified in a timely manner.

Condition:

During our audit procedures, D&T noted that there is not a process in place for the TBTA Kronos application team to be notified when users are terminated. As such, management is not disabling accounts belonging to terminated users in a timely manner.

Cause:

The root cause of this deficiency is that IT Management does not have a formal user deprovisioning process in place to remove access for terminated users on the application.

Effect:

There is a risk that the accounts could be compromised and result in unauthorized access to the application, which may create improper segregation of duties.

Recommendation:

We recommend that TBTA management design a process to remove access from the Kronos application when users are terminated from TBTA.

Financial Statement Impact:

No Impact – risk associated with this deficiency mitigated by other controls and factors.

Management Response (2021): Management Concur: The move to Single Sign On will create a de facto termination of the users access upon leaving the MTA. MTA IT will work on a report process to identify employee and manager accounts in Kronos that exist for employees that have been terminated so they can be addressed in a timely manner.

Estimated Completion Date 1st Quarter 2023.

**MTA CONSOLIDATED INFORMATION TECHNOLOGY DEPARTMENT
CURRENT YEAR COMMENTS- DEFICIENCIES- 2021 (continued)**

7. ORT Application – User Access Recertification (Carryforward from prior year)

Agency:

Triborough Bridge and Tunnel Authority (“TBTA”)

Criteria:

User account recertifications / entitlement reviews are performed by the IT Department and application owners.

Condition:

D&T noted that for the ORT application, there is no periodic user account recertification / entitlement review performed by the IT Department or ORT application owners.

Cause:

The root cause of this deficiency is that IT Management does not have a formal user access review process in place to recertify access for the users who have access to the relevant application.

Effect:

Given that logical access is not periodically reviewed, there is a risk that users have access privileges beyond those necessary to perform their assigned duties, which may create improper segregation of duties.

Recommendation:

We recommend that MTA IT design and implement a review control to periodically recertify the appropriateness of users with access to ORT and their related system privileges.

Financial Statement Impact:

No Impact – risk associated with this deficiency mitigated by other controls and factors.

Management Response (2021): Management Concur: ORT will recertify privilege users access annually.

Estimation Completion Date 4th Quarter 2022.

**MTA CONSOLIDATED INFORMATION TECHNOLOGY DEPARTMENT
CURRENT YEAR COMMENTS- DEFICIENCIES- 2021 (continued)**

8. ManageEngine Tool Password Parameters (Carryforward from prior year)

Agency:

Triborough Bridge and Tunnel Authority (“TBTA”)

Criteria:

The identity of users should be authenticated to the systems software through passwords or other authentication mechanisms, in compliance with entity security policies. The use of passwords incorporates policies on periodic change, confidentiality, and password format (e.g., password length, alphanumeric content, expiration, account lockout).

Condition:

The ManageEngine Tool password parameters are not set in accordance with MTA policy for the following parameters: minimum password length, expiration, password history, and complexity. Weak password parameters could potentially result in users gaining unauthorized access the applications.

Cause:

Although Management has a formal policy as it pertains to password parameters, they have not sufficiently reinforced the policy and haven't monitored adherence to the policy. D&T noted that the root cause was attributed to oversight on behalf of management.

Effect:

Security mechanisms are inadequate, ineffective, or inconsistent due to lack of established security policies and standards. This increases the risk of unauthorized access to the ManageEngine tool which could potentially lead to inappropriate changes being implemented to the production environment (tool is used to implement ORT changes to production).

Recommendation:

We recommend that MTA TBTA management update password parameters on the ManageEngine tool to align either to the MTA HQ security policies or industry best practices.

Financial Statement Impact:

No Impact – risk associated with this deficiency mitigated by other controls and factors.

Management Response (2021): Management Concur: ORT will research the feasibility of updating the Password Policy to align with MTA HQ security policy or industry best practice.

Estimated Completion 4th Quarter 2022.

**MTA CONSOLIDATED INFORMATION TECHNOLOGY DEPARTMENT
CURRENT YEAR COMMENTS- DEFICIENCIES- 2021 (continued)**

9. ORT Application Terminations (Carryforward from prior year)

Agency:

Triborough Bridge and Tunnel Authority (“TBTA”)

Criteria:

Access for terminated and/or transferred users is removed or modified in a timely manner.

Condition:

During our audit procedures, D&T noted for 2 out of the 2 sampled terminated/deprovisioned users (M.D. & B.W.), access was not removed in a timely manner. The users were terminated on 5/1/2021 and 5/6/2021, respectively, and access was removed on 7/27/2021.

Cause:

The root cause of this deficiency is that IT Management did not adhere to the user deprovisioning process when removing access for the terminated users identified in this finding.

Effect:

Given that these accounts remain enabled, there is a risk that the accounts could be compromised by other users and result in unauthorized access to the application, which may create improper segregation of duties.

Recommendation:

We recommend that TBTA management reinforce the termination process with end users and system administrators to ensure that access changes are appropriately communicated and removed in a timely manner when the access is no longer required.

Financial Statement Impact:

No Impact – risk associated with this deficiency mitigated by other controls and factors.

Management Response (2021): Management Concur: ORT will reinforce the termination process with end users and system administrators to ensure that access changes are appropriately communicated and removed in a timely.

Estimated Completion Date 4th quarter 2022.

**MTA CONSOLIDATED INFORMATION TECHNOLOGY DEPARTMENT
CURRENT YEAR COMMENTS- DEFICIENCIES- 2021 (continued)**

10. ORT Batch Job Monitoring (Carryforward from prior year)

Agency:

Triborough Bridge and Tunnel Authority (“TBTA”)

Criteria:

Automated scheduling tools have been implemented for the completeness of the flow of processing and are monitored by the IT Department.

Condition:

During our audit procedures, D&T noted that management does not maintain documentation related to batch job monitoring. As such, we were unable to validate that management performs appropriate monitoring procedures around the completion of the relevant batch jobs and resolution of job errors.

Cause:

The root cause of this deficiency is that Management does not maintain documentation around the monitoring of batch jobs, specifically error resolution.

Effect:

There is a risk that production systems, programs, and/or jobs result in inaccurate, incomplete, or unauthorized processing of data.

Recommendation:

We recommend that TBTA management retain documentation related to monitoring of batch job status and the resolution of any noted errors.

Financial Statement Impact:

No Impact – risk associated with this deficiency mitigated by other controls and factors.

Management Response (2021): Management Concur: ORT will create procedures for monitoring of batch job status and resolution of any noted errors.

Estimated Completion Date 4th Quarter 2022.

**MTA CONSOLIDATED INFORMATION TECHNOLOGY DEPARTMENT
CURRENT YEAR COMMENTS- DEFICIENCIES- 2021 (continued)**

11. CSS Application Deprovisioning

Agency:

Metro-North Railroad Commuter Railroad Company (“MNR” and/or “company”)

Criteria:

Access for terminated and/or transferred users should be removed or modified in a timely manner.

Condition:

During our audit procedures, D&T noted that the terminated user that was selected for implementation testing (Clinton Mullings) did not have their access revoked from the application in a timely manner. The user's termination date was 1/30/2021 and CSS application account was locked was 2/23/2021.

Cause:

This is a preventative manual control and the deficiency was found during our implementation testing. The root cause of this deficiency is that IT Management did not enforce its formal user deprovisioning process in place to remove access for terminated users and monitor the process for compliance. This control is not dependent on any other GITCs. It was not caused by a deficiency in any other GITC nor does it impact the performance of any other controls.

Effect:

Security mechanisms are inadequate, ineffective, or inconsistent due to lack of established security policies and standards. This increases the risk of unauthorized access to the CSS application which could potentially lead to inappropriate changes to the application or underlying data.

Recommendation:

We recommend that MNR management reinforce the termination process with end users and system administrators to ensure that access changes are appropriately communicated and removed in a timely manner when the access is no longer required.

Financial Statement Impact:

No Impact – risk associated with this deficiency mitigated by other controls and factors.

Management Response (2021): Management Concur: MTA IT will reinforce the termination process for end users and system administrators ensuring the Network account is removed. The vendor strongly discourages completely deleting accounts due to integrity issues with underlying data.

Estimated Completion Date 3rd Quarter 2022

**MTA CONSOLIDATED INFORMATION TECHNOLOGY DEPARTMENT
CURRENT YEAR COMMENTS- DEFICIENCIES- 2021 (continued)**

12. MNR Kronos Application Terminations (Carryforward from prior year)

Agency:

Metro-North Railroad Commuter Railroad Company (“MNR” and/or “company”)

Criteria:

Access for terminated and/or transferred users is removed or modified in a timely manner.

Condition:

During our audit procedures, D&T noted that there is not a process in place for the MNR Kronos application team to be notified when users are terminated. As such, management is not disabling accounts belonging to terminated users in a timely manner.

Cause:

The root cause of this deficiency is that IT Management does not have a formal user deprovisioning process in place to remove access for terminated users on the application.

Effect:

There is a risk that the accounts could be compromised and result in unauthorized access to the application, which may create improper segregation of duties.

Recommendation:

We recommend that MNR management design a process to remove access from the Kronos application when users are terminated from MNR.

Financial Statement Impact:

No Impact – risk associated with this deficiency mitigated by other controls and factors.

Management Response (2021): Management Concur: The move to Single Sign On will create a de facto termination of the user’s access upon leaving the MTA. MTA IT will work on a report process to identify employee and manager accounts in Kronos that exist for employees that have been terminated so they can be addressed in a timely manner.

Estimated Completion Date 1st Quarter 2023.

**MTA CONSOLIDATED INFORMATION TECHNOLOGY DEPARTMENT
CURRENT YEAR COMMENTS- DEFICIENCIES- 2021 (continued)**

13. LIRR CAMS-FS Database & TSS Database Password Parameters

Agency:

Long Island Railroad Company (“LIRR” and/or “company”)

Criteria:

The identity of users should be authenticated to the systems software through passwords or other authentication mechanisms, in compliance with entity security policies. The use of passwords incorporates policies on periodic change, confidentiality, and password format (e.g., password length, alphanumeric content, expiration, account lockout).

Condition:

CAMS-FS Database: Password settings for the DEFAULT profile (minimum length, expiration, lockout, history, & complexity) and FNC_APP_PROFILE profile (expiration, lockout, & history) are not set in compliance with the company. Given that both profiles have user accounts assigned to them, including individual database administrator accounts, these settings are inappropriate.

TSS Database: Password settings for the DEFAULT profile (minimum length, expiration, lockout, history, & complexity) and the FNC_APP_PROFILE profile (expiration, lockout, & history) are not set in compliance with the company. Given that both profiles have user accounts assigned to them, including individual database administrator accounts, these settings are inappropriate.

Cause:

Although Management has a formal policy as it pertains to password parameters, they have not sufficiently reinforced the policy and haven't monitored adherence to the policy. D&T noted that the root cause was attributed to oversight on behalf of management.

Effect:

Security mechanisms are inadequate, ineffective, or inconsistent due to lack of established security policies and standards. This increases the risk of unauthorized access to the Oracle database supporting the CAMS application and the Oracle database supporting the TSS application, which could potentially lead to inappropriate changes to the application or underlying data.

Recommendation:

We recommend that LIRR management align the password parameters for the CAMS-FS and TSS databases with the LIRR security policies and industry best practices.

Financial Statement Impact:

No Impact – risk associated with this deficiency mitigated by other controls and factors.

Management Response (2021): Management Concur: There are no user accounts or database administrator accounts within the DEFAULT and FNC_APP_PROFILE database profiles. The only accounts within these profiles are system accounts. The database administrator accounts are within a profile called DBA_PROFILE. System account passwords will be addressed by MTA IT as part of the CAMS-FS Oracle 12 upgrade.

Estimated Date 4th Quarter 2022.

**MTA CONSOLIDATED INFORMATION TECHNOLOGY DEPARTMENT
CURRENT YEAR COMMENTS- DEFICIENCIES- 2021 (continued)**

14. Change Management - Access to Production – CAMS Application & Database

Agency:

Long Island Railroad Company (“LIRR” and/or “company”)

Criteria:

Access to implement changes into the application production environment should be appropriately restricted to the IT Security Administrator and segregated from application developers.

Condition:

CAMS-FS Application and Database: There is an insufficient segregation of duties between users with the ability to develop and promote changes as users with the ability to develop changes having standing access to promote changes into production.

Cause:

The root cause of this deficiency is that the team managing the relevant application and its database is small and IT management is not able to appropriately segregate the users who are developing changes and the users who are promoting changes into production. Additionally, IT management has not recognized and addressed this risk by formalizing a monitoring review over changes promoted into production for the relevant application and database.

Effect:

Given that logical access has not been appropriately segregated, there is a risk of unauthorized changes being implemented into the production environment that would circumvent the change management process.

Recommendation:

We recommend that MTA IT design and implement a review control to monitor changes promoted into the production environment for the CAMS application.

Financial Statement Impact:

No Impact – risk associated with this deficiency mitigated by other controls and factors.

Management Response (2021): Management Concur: There is a monitoring system that sends an email to the QA team whenever a production change is made to CAMS Fleet Support. This monitoring procedure detects unauthorized changes since all changes have a change management record within ServiceNow.

This has been implemented 2nd Quarter of 2022.

**MTA CONSOLIDATED INFORMATION TECHNOLOGY DEPARTMENT
CURRENT YEAR COMMENTS- DEFICIENCIES- 2021 (continued)**

15. LIRR Kronos Application (Carryforward from prior year)

Agency:

Long Island Railroad Company (“LIRR” and/or “company”)

Criteria:

Access for terminated and/or transferred users is removed or modified in a timely manner.

Condition:

During our audit procedures, D&T noted that there is not a process in place for the LIRR Kronos application team to be notified when users are terminated. As such, management is not disabling accounts belonging to terminated users in a timely manner.

Cause:

The root cause of this deficiency is that IT Management does not have a formal user deprovisioning process in place to remove access for terminated users on the application.

Effect:

There is a risk that the accounts could be compromised and result in unauthorized access to the application, which may create improper segregation of duties.

Recommendation:

We recommend that LIRR management design a process to remove access from the Kronos application when users are terminated from LIRR.

Financial Statement Impact:

No Impact – risk associated with this deficiency mitigated by other controls and factors.

Management Response (2021): Management Concur: The move to Single Sign On will create a de facto termination of the user’s access upon leaving the MTA. MTA IT will work on a report process to identify employee and manager accounts in Kronos that exist for employees that have been terminated so they can be addressed in a timely manner.

Estimated Completion Date 1st Quarter 2023

**MTA CONSOLIDATED INFORMATION TECHNOLOGY DEPARTMENT
CURRENT YEAR COMMENTS- DEFICIENCIES- 2021 (continued)**

16. Impact Oracle Database Password Parameters (Carryforward from prior year)

Agency:
MTAHQ

Criteria:

The identity of users should be authenticated to the systems software through passwords or other authentication mechanisms, in compliance with entity security policies. The use of passwords incorporates policies on periodic change, confidentiality, and password format (e.g., password length, alphanumeric content, expiration, account lockout).

Condition:

D&T noted that password settings for the DEFAULT profile on the Oracle database supporting the Impact application are not in line with the MTA Corporate Policy and/or industry standards. There are individual user accounts assigned to the profile and therefore passwords for those individuals do not adhere to the policy for minimum length, expiration, lockout, history, & complexity.

Cause:

Although Management has a formal policy as it pertains to password parameters, they have not sufficiently reinforced the policy and haven't monitored adherence to the policy. D&T noted that the root cause was attributed to oversight on behalf of management.

Effect:

Security mechanisms are inadequate, ineffective, or inconsistent due to lack of established security policies and standards. This increases the risk of unauthorized access to the Oracle database supporting the Impact application which could potentially lead to inappropriate changes to application data.

Recommendation:

We recommend that MTA HQ management either align the password parameters for the DEFAULT profile on the Oracle Database with MTA HQ security policies and industry best practices or restrict DEFAULT profile to system/generic accounts (i.e., removing the user accounts).

Financial Statement Impact:

No Impact – risk associated with this deficiency mitigated by other controls and factors.

Management Response (2021): Management Concur: Management has aligned Oracle database password security with MTA HQ password policies.

This was implemented 2nd Quarter of 2022.

METRO NORTH COMMUTER RAILROAD COMPANY

**METRO NORTH COMMUTER RAILROAD
CURRENT YEAR COMMENT-DEFICIENCIES - 2021**

We identified, and included below, deficiencies involving the Metro North Commuter Railroad (“MNCR”) internal control over financial reporting for the year ended December 31, 2021, that have not been previously communicated in writing or orally, by others within MNCR, or by us.

1. Understatement of Materials and Supplies financial statement line item.

Agency:

Metro North Commuter Railroad Company (MNCR)

Criteria:

The Materials and Supplies financial statement line item is correctly stated on the Statement of Net Position, Statements of Revenue, Expenses and Changes in Net Position and Statement of Cash Flows.

Condition:

The materials and supplies financial statement line item was tested using statistical sampling techniques and certain errors in recording materials and supplies as of December 31, 2021, were found in the sample items selected. The effect of the known errors identified was \$2,591. The mathematical projection of the likely errors resulted in a potential understatement of \$5.3 million of the materials and supplies account balance as of December 31, 2021, on the statement of net position and a potential understatement of \$5.3 million of materials and supplies financial statement line item on the statement of revenues and expenses for the year ended December 31, 2021.

Cause:

Although Management has inventory counts there were discrepancies between the count per the system and the physical counts in the warehouse.

Effect:

The materials and supplies financial statement line item was misstated.

Recommendation:

We recommend that Metro North Commuter Railroad Company management appropriately update the inventory in the system based on the physical counts performed.

Financial Statement Impact:

See Condition above

Management Response (2021): MofE Management Concur: MNCR will implement process to ensure that the physical inventory counts agree with the counts per the system.

- Review process of material found in other areas and correctly documenting any discrepancies.
- Continue to perform cycle counts and insure any adjustments are made as necessary.

TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY

TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY CURRENT YEAR COMMENTS- DEFICIENCIES-2021

DEFICIENCIES

We identified, and included below, deficiencies involving the Triborough Bridge and Tunnel Authority's ("TBTA") internal control over financial reporting for the year ended December 31, 2021, that have not been previously communicated in writing or orally, by others within TBTA, or by us.

1. Review of Accrued Expenses

Agency:

Triborough Bridge and Tunnel Authority ("TBTA")

Criteria:

TBTA performs a soft close in order to have a trial balance ready to prepare the Surplus report, which is issued in advance of the annual financial statements. As part of the soft close, TBTA makes estimated accruals related to capital projects, as well as operating expenses, for which invoices have not been received.

Condition:

During our audit procedures, accrued expenses was tested using statistical or other sampling techniques and certain errors were identified in the sample items selected. Out of the nine sample items tested, five samples were overstated related to construction in progress, consulting services, maintenance expense and other departmental expense.

Cause:

TBTA did not perform a true-up review of accrued expense estimates for actual invoices received shortly after the estimate was recorded, but before the accounting books had been closed.

Effect:

As a result, certain accruals were overstated, as the actual amounts were known or knowledgeable at the time of preparation of the annual financial statements.

Recommendation:

We recommend that TBTA management true up estimated accruals based on actual amounts that are known or knowledgeable at the time of preparation of the annual financial statements.

Financial Statement Impact:

The effect of the known errors identified was \$887,289. However, the mathematical projection of the likely errors results in a potential overstatement of \$6,347,665 of capital assets and a potential overstatement of \$12,506,199 of accrued expenses at December 31, 2021, on the statement of net position and a potential overstatement of \$6,158,535 of operating expense for the year ended December 31, 2021, on the statement of revenues, expenses, and changes in net position. Such potential unrecorded errors were determined by management to be immaterial to the financial statements taken as a whole.

TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY
CURRENT YEAR COMMENTS- DEFICIENCIES-2021 (continued)

Management Response (2021):

As a result of the TBTA Surplus calculation approval before the release of the Financial Statements, estimated expense accruals are recorded for the Surplus Report. Management reviews invoices received for any differences from estimates accrued and adjustments are not made when they are deemed immaterial.

Management will follow the same expense accrual cut-off to be consistent with the other MTA agencies. Any expense accrual variances due to timing of the Surplus Report and year-end Financial Statements will be recorded in the current year and noted as timing differences to be included in the following year's Surplus calculation.

APPENDIX B

DEFINITION

The definition of a deficiency is as follows:

A *deficiency* in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

APPENDIX C

MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND INHERENT LIMITATIONS OF, INTERNAL CONTROL OVER FINANCIAL REPORTING

The following comments concerning management's responsibility for internal control over financial reporting and the objectives and inherent limitations of internal control over financial reporting are included in generally accepted auditing standards.

Management's Responsibility

The Company's management is responsible for the overall accuracy of the financial statements and their conformity with accounting principles generally accepted in the United States of America. In this regard, the Company's management is also responsible for designing, implementing, and maintaining effective internal control over financial reporting.

Objectives of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Control over Financial Reporting

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

* * * * *