

STATE OF NEW YORK
Office of the MTA Inspector General
Metropolitan Transportation Authority

2014 ANNUAL REPORT
Barry L. Kluger
Inspector General



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¹ Readers of the electronic version of this Annual Report can press Ctrl + Click on <http://mtaig.state.ny.us/> to go directly to the Home page of our website, or on any of the numbers in parentheses to go directly to that page of this Report.

ABOUT THE INSPECTOR GENERAL



MESSAGE

The Metropolitan Transportation Authority—North America’s largest transportation network—is a vast, complex, and costly operation. The MTA subways, buses, and railroads transport 2.69 billion riders annually over nearly 5,000 bus and track miles to 736 rail and subway stations and thousands of bus stops along the way. To accomplish this task, the MTA employs nearly 67,000 individuals and, for 2015, the MTA has budgeted \$14.5 billion for total operating expenses and has proposed an expenditure of \$32 billion on projects in its 2015-2019 Capital Program.

Given these billions of dollars and the reliance of millions of riders, the independent Office of the MTA Inspector General (OIG) provides oversight in two very basic ways: First, by conducting audits to help improve performance and make operations safer and more productive. And second, by conducting investigations, alone and with numerous investigative and prosecutorial partners on the federal, state, and local level, to root out fraud and other abuse.

As you will see, in 2014 these partnerships significantly helped to combat wrongdoing, such as fraud involving programs established under state and federal laws aimed at increasing the participation of historically disadvantaged minority- and women-owned businesses in public contracts with the private sector. These laws and the programs implementing them, which at the MTA are administered by the Department of Diversity and Civil Rights (DDCR), serve an important governmental function of ensuring that firms certified as disadvantaged have the opportunity to compete on a level playing field with those already established. Fraud occurs, for example, when a prime contractor falsely claims that a certified subcontractor has performed and been paid for work, when it was actually the prime contractor itself or an ineligible subcontractor that did the work and received the money. In those cases, the certified subcontractor serves only as a “pass-through” for the payment, receiving a payoff or other benefit for enabling the subterfuge. Our criminal investigations have resulted in prosecutions as well as the payment of millions of dollars in forfeitures and settlements.

As further reflected in the pages that follow, we also worked closely within the MTA to combat fraud, particularly those frauds affecting two paratransit programs designed to facilitate travel for MTA riders with disabilities.

The first program utilized a Zero-Fare MetroCard that provides free travel to Access-A-Ride (AAR)-eligible customers on subways and buses. By encouraging

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customers to use mass transit instead of individualized AAR services whenever feasible, the Paratransit Division of NYC Transit can achieve significant cost savings. The fraud most often encountered in this regard is the wrongful use of the Zero-Fare MetroCard by a family member or other unauthorized individual. Our findings and recommendations centered on Paratransit instituting a comprehensive system of fraud controls designed to deter and expeditiously detect any improper use. To be effective, these controls require establishment of data-sharing protocols necessary to identify patterns of abuse (e.g. using a Zero-Fare MetroCard at a non-accessible station when the authorized cardholder is wheelchair-bound). The second program offered reimbursement on a pre-approved basis to some ambulatory customers who requested taxi or livery service. The fraud involved here was false claims for reimbursement of trips never taken. In responding to our analysis, again focused on the establishment of controls to better prevent and uncover fraud and other misuse of the program, the president of NYC Transit noted that “We believe this report’s recommendations provide a further opportunity to improve our business practices and institute improved fraud prevention controls.”

Notably, our office utilized a comprehensive approach regarding fraud and other instances of wrongdoing to address both the systemic issues that created opportunity for individual misconduct, as well as the misconduct itself. For example, during our audit of taxi reimbursement, we analyzed data for tens of thousands of taxi reimbursement requests and reviewed thousands of actual receipts. This analysis provided the basis for significant findings and recommendations to improve the reimbursement process. We then shared this information and our expertise with the Office of the Kings County District Attorney for purposes of a criminal investigation of individual wrongdoers, which resulted in a number of arrests and pending prosecutions. Similarly, the systemic issues we found during our investigative work regarding disadvantaged (minority and women-owned) business fraud furthered our efforts to help strengthen the compliance monitoring performed by DDCR.

Along with our work against disadvantaged-business and paratransit fraud, we also worked with our prosecutorial partners to help protect the MTA and its riders from other wrongful conduct—sometimes with the help of alert MTA staffers. For example, after learning that a company NYC Transit had hired to provide brand-specific transmission fluid for buses was not an authorized dealer of the required brand, agency staffers referred the matter to the OIG, which then conducted a joint investigation with the Office of the New York County District Attorney and confirmed the oil was counterfeit. The company’s owner pleaded guilty to a felony, will serve jail time, pay restitution to NYC Transit, and pay the OIG for the costs of its investigation.

While our work with prosecutors demonstrates our strong commitment to fight fraud and other forms of criminal conduct, we also worked on a variety of other projects,

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designed to help the MTA perform more effectively and efficiently. For example, we made findings and recommendations to:

- Help the MTA Business Service Center ensure that all qualified applicants for employment at MTA agencies have a fair and equal opportunity in the hiring process.
- Correct managerial deficiencies that enabled reduced productivity in Metro-North's Communications Division. Our work here further confirmed the deleterious effect of similar deficiencies described in our 2013 reports regarding a different Metro-North department.
- Help strengthen the effectiveness of the All-Agency Contractor Evaluation process and enhance the caliber of consultants retained throughout the MTA, by requiring NYC Transit, LIRR, and Metro-North to prepare appropriate performance evaluations of all consultants working on MTA Capital Projects.

Finally, I would like to briefly highlight two points about our Intake and Intelligence Unit. First, it staffs our Hotline, receives complaints, provides intelligence-gathering services, and performs vendor integrity screening. In 2014 our Hotline received thousands of calls, including complaints requiring follow up, made by individuals both inside and out of the MTA. Second, while the Unit performs work that may impact millions of riders, sometimes it helps simply by making life better for MTA customers one at a time when they turn to us in need. We've included some of their stories.

I am very pleased to submit this 2014 Annual Report to you, and am proud of my staff for its diligent work and many accomplishments throughout this year. We look forward to doing even more to help the MTA and its riders in the years to come.

BRIEF BIO

On February 14, 2007, **Barry L. Kluger** was appointed by the Governor to serve as Inspector General of the Metropolitan Transportation Authority. This appointment was confirmed by the New York State Senate on May 30, 2007. Mr. Kluger served in the Office of the Bronx County District Attorney from 1975 until his appointment as MTA Inspector General. In 1989, the Bronx County District Attorney appointed Mr. Kluger to be his Chief Assistant District Attorney. Previously, Mr. Kluger served as Executive Assistant District Attorney, Chief of the Investigations Division and Chief of the Arson and Economic Crime Bureau. Mr. Kluger received his B.A. from City College of the City University of New York and his Juris Doctorate from Brooklyn Law School. Mr. Kluger is a lifelong resident of New York City.

In 2009, Mr. Kluger was elected to the Board of the Association of Inspectors General, a national organization comprised of federal, state, and local members from across the country. He presently serves as 2nd Vice President.

THE ROLE OF THE MTA INSPECTOR GENERAL

Creation of the Office

In 1983, at the request of the Governor, a virtually unanimous state legislature created the Office of the Inspector General specifically within the MTA, but reporting only to the Governor and Legislature, and independent of MTA management and its Board. The Governor's Special MTA Study Panel concluded that among the changes that would help the MTA and the state to improve services and control costs, "Most important of these is the restructuring and strengthening of the MTA's Inspector General function." Indeed, the Study Panel's report declared:

The Panel views the lack of a strong Inspector General function within the MTA as a serious deficiency. A strong Inspector General is needed to hear and act upon complaints about service deficiencies, to audit performance, to assure that appropriate follow-up action is taken on outside audit findings, and to investigate charges of fraud and abuse. . . The Inspector General . . . should be appointed to a fixed term, to assure a measure of independence. However, to be truly effective the Inspector General must also have a close day-to-day working relationship with MTA's top management and with its Board.

Statutory Authority

Public Authorities Law (PAL) §1279 authorizes and directs the MTA Inspector General to independently review the operations of the MTA and its constituent agencies: MTA New York City Transit (NYC Transit), MTA Long Island Rail Road (LIRR), MTA Metro-North Railroad (Metro-North), MTA Long Island Bus (LI Bus), MTA Bridges and Tunnels (Bridges and Tunnels), MTA Bus Company (MTA Bus), and MTA Capital Construction Company (Capital Construction).²

In terms of the scope of its statutory authority to perform this review, the Inspector General has "full and unrestricted access" to all "records, information, data, reports, plans, projections, contracts, memoranda, correspondence and any others materials" of the MTA (PAL §1279[3]).

² As used in this report, unless the context indicates otherwise, the term "MTA" includes the constituent agencies.

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THE ROLE OF THE MTA INSPECTOR GENERAL

The Inspector General also has the following statutory functions, powers, and duties (PAL §1279[4]):

- Receive and investigate complaints from any source or upon his own initiative concerning alleged abuses, frauds, and service deficiencies, relating to the MTA.
- Initiate such reviews as he deems appropriate of the operations of the MTA to identify areas in which performance might be improved and available funds used more effectively.
- Recommend remedial action to be taken by the MTA to overcome or correct operating or maintenance deficiencies or inefficiencies that he determines to exist.
- Make available to appropriate law enforcement officials information and evidence relating to criminal acts that he obtains in the course of his duties.
- Subpoena witnesses, administer oaths and affirmations, take testimony and compel production of books, papers, records, and documents as he deems relevant to any inquiry or investigation pursuant to PAL §1279.
- Monitor implementation by the MTA of recommendations made by the Inspector General or other audit agencies.
- Do “all things necessary” to carry out the above functions, powers, and duties.

The Inspector General, who is an ex officio member of the New York State Public Transportation Safety Board (PTSB) with authority to vote on matters involving the operations of the MTA (as per Transportation Law §216[1]), is further authorized and directed to cooperate, consult, and coordinate with PTSB regarding any activity concerning the operation of the MTA.³ With respect to any accident on the facilities of the MTA, the primary responsibility for investigation belongs to PTSB, which is required to share its findings with the Inspector General (PAL §1279[5]).

The OIG is required to make annual public reports to the governor and members of the legislature (PAL §1279[6]).

The Inspector General may request from any office or agency of the State of New York or any of its political subdivisions, such cooperation, assistance, services, and data as will enable him to carry out his functions, powers, and duties, and they are authorized and directed to comply (PAL §1279[7]).

³ PTSB has a reciprocal obligation, imposed by statute to cooperate, consult, and coordinate with the MTA Inspector General. New York State Transportation Law §219[2].

INTAKE, AUDIT, AND INVESTIGATIONS



INTAKE AND INTELLIGENCE

OIG encourages all interested persons, including MTA employees, outside contractors and members of the public, to report their concerns about the MTA and its agencies to Intake and Intelligence, a unit of our Investigations Division. Complaints and inquiries can be communicated as shown in the **How to Contact the Office of the MTA Inspector General** notice (pictured at right), including through a direct email link on our website. Our Complaint Hotline is available around-the-clock, staffed during business hours and capable of taking messages at other times.

**HOW TO CONTACT THE
OFFICE OF THE MTA INSPECTOR GENERAL**

Telephone: (212) 878-0000

**24-Hour Complaint Hotline:
1-800-MTA-IG4U (1-800-682-4448)**

**Walk-In or Mail: Office of the MTA Inspector General
Two Penn Plaza, 5th Floor
New York, NY 10121**

Website: www.mtaig.state.ny.us

Intake Resolution

Hotline:

Consistent with the OIG's generally broad approach to fulfilling its responsibilities and best serving the public, the Hotline provides customers with a simple, direct, and personal way both to communicate complaints and request information on an individualized basis. In 2014, our Hotline received approximately 3,000 calls.

Complaints:

Through our Hotline and other means of contact, Intake and Intelligence (the Unit) received 978 complaints requiring follow up in 2014, made by individuals both inside and out of the MTA. Unit staff review each complaint, obtain supplemental information and/or perform preliminary background checks as necessary, to assess how best to resolve the matter. Complaints concerning fraud, waste, abuse and the like are referred to the OIG Audit or Investigations divisions to resolve alone or in partnership with law enforcement. Where appropriate, the Unit expedites resolution of complaints by directly

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contacting agency personnel (MTA or otherwise) rather than by resorting to a lengthy referral process. Other matters are retained for resolution by the Unit itself, generally involving a range of issues including E-ZPass, MetroCard, commuter railroad ticketing, and Access-A-Ride eligibility.

The following are brief illustrations of some of the ways Intake staff worked to assist MTA customers this year:

- 14-0374-C: The complainant was approved for Access-A-Ride (AAR) services for 45 days in order to receive daily treatments for advanced prostate cancer. The complainant reported that midway through his treatments AAR classified him as wheelchair-bound. That designation resulted in the complainant being restricted to AAR vehicles affording a level of assistance deemed necessary by AAR for someone in a wheelchair. As a result, the complainant became ineligible for taxi service authorizations, including yellow cabs and car services, which provide more efficient travel for those ambulatory enough to use that service. Complainant asserted that he was ambulatory enough to use the service, by means of a cane and otherwise, and after numerous failed attempts to have the wheelchair designation removed, the complainant contacted the OIG for assistance. Unit staff contacted AAR, which agreed to reassess the complainant's condition. Upon reassessment, AAR removed the wheelchair-bound designation.
- 14-0162-C: The complainant had not commuted via Metro-North Railroad (MNR) in over five-years. Furthermore, the complainant had never traveled from Patterson, New York, and therefore was surprised to receive a delinquent parking violation from MNR's parking lot vendor for a violation at the Patterson station. The complainant contacted the vendor, who informed her that her account was in collections and that the vendor had no further information concerning the matter. Unit staff made several inquiries with MNR, which in turn contacted the vendor. Upon closer review, the vendor determined that it had erred in transcribing the license plate number while issuing a fine to another vehicle and voided the erroneous charge.
- 14-0799-C: The complainant contacted the OIG after waiting months without reimbursement from NYC Transit's MetroCard Department for \$25.00 after a failed attempt to place additional value on a Reduced-Fare MetroCard. Unit staff reviewed the complaint and contacted the MetroCard Department. Promptly thereafter, the complainant received her reimbursement

Intelligence Support

Unit staff performs a valuable intelligence-gathering function by compiling information from MTA agencies, public records and other sources to assess complaint allegations, and make referrals both inside and out of the OIG. The Unit also uses this information to detect associations, find patterns and trends, develop profiles, and provide insights that are incorporated into specific audits, investigations, and reviews.

Additionally, in the aftermath of Hurricane Sandy's devastating effect on the MTA's transportation system, the MTA established a monitoring oversight committee, chaired by the MTA Auditor General, to monitor recovery efforts. The Unit supports this committee by preparing enhanced integrity screening reports regarding vendors seeking approval for work on Sandy-related projects.

Similarly, the Unit continues to assist the MTA General Counsel by providing certain information regarding those vendors under consideration for MTA contract awards requiring the approval of the MTA Chairman/CEO. When an MTA agency considers awarding a contract to a vendor with "Significant Adverse Information," the OIG provides an in-depth integrity report that is an essential part of the decision-making process by the General Counsel. This year, Intake and Intelligence provided the General Counsel with 24 such in-depth integrity reports.

The Unit also continues to conduct certain background checks for a variety of law enforcement agencies, including the New York City Police Department and the New York City Department of Investigation. In 2014, the unit conducted 121 background checks.

AUDIT

The Audit Division (Audit) of the OIG conducts in-depth audits and reviews of a wide variety of policy initiatives, program operations, and service-related activities of MTA agencies. The auditors assess whether MTA operations are safe, effective, and efficient, and make recommendations for improvement as appropriate. The division is staffed by experienced auditors, most of whom have a graduate degree in a related field. Audit provides significant support to the OIG Investigations Division, regularly assists and consults with the MTA Auditor General and other audit and investigative units throughout federal, state, and local government, and has provided valuable analytical assistance for a wide range of audits, investigations, and reviews of agency employees, and vendors.

In 2014, Audit completed a number of significant reports with recommendations to enhance fraud deterrence and detection, improve the collection and analysis of key data, save money, heighten the fairness of agency hiring processes, and increase the productivity of its workers. These reports and other work are described below.

REPORTS

Fraud Controls in the Paratransit Zero-Fare MetroCard Program (MTA/OIG #2014-10)

The MTA NYC Transit Paratransit Division (Paratransit) has provided transportation to riders with disabilities for more than 20 years through its Access-A-Ride program (AAR). In June 2012, in an effort to reduce costs, the MTA Board authorized Paratransit to establish a Zero-Fare MetroCard program (Zero-Fare). The program offers free travel to AAR-eligible customers on fixed route service (subways and buses). The concept of the program is that by encouraging customers to use mass transit instead of individualized AAR services whenever feasible, Paratransit would save the cost of providing those AAR services, which average \$66 per trip. Indeed, NYC Transit projected that by 2015, Zero-Fare would reduce expected demand for Paratransit services by 15 percent and result in annual savings to the agency of more than \$90 million.

Notably, though, when Zero-Fare was approved, NYC Transit and the MTA Board expected that strong controls and oversight would be developed, implemented, and enforced to limit fraudulent use of the new Zero-Fare cards. For its part, Paratransit promised the Board that proper controls would be in place.

Paratransit began issuing Zero-Fare MetroCards in April 2013, with an expected roll-out over time to all 161,000 AAR-eligible customers. The card also serves as the customer's primary identification for all AAR services. By March 2014, Paratransit had

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mailed out over 40,900 Zero-Fare MetroCards to randomly-selected eligible individuals. As part of continuing efforts by the OIG to help ensure effective and efficient Paratransit services, we conducted a review of the Zero-Fare program. Our primary purpose was to determine whether proper controls were in place to adequately deter and expeditiously detect improper use of the cards.

According to our review, although Paratransit had been issuing Zero-Fare cards for more than one year, the agency had not created the comprehensive system of controls that it promised when the program was first proposed. In particular, we found that the agency did not conduct any analysis to detect fraud specifically associated with this program, nor had it established the data-sharing protocols between Paratransit and the NYC Transit MetroCard Fraud Unit necessary to identify patterns of abuse. Further, Paratransit had not established policies and procedures for suspension and/or revocation of Zero-Fare privileges when fraud was suspected or after it had been established.

In addition to these operational concerns, OIG concluded that NYC Transit needed to reconsider its plan to distribute Zero-Fare cards to all Paratransit customers randomly without controls. Issuing cards to all Paratransit customers in this fashion greatly increased the risk that the Zero-Fare cards will fall into the wrong hands resulting in abuse of the program benefits.

In its written response to OIG's preliminary report, NYC Transit confirmed that it was in general agreement with the report's findings and recommendations and has taken steps to implement them. Paratransit has formed a Fraud Prevention/Detection Unit staffed with a manager and two analysts to monitor and analyze Zero-Fare MetroCard and Paratransit trip data to detect suspicious patterns of use. Paratransit has also begun to identify customers whose MetroCards have not been utilized for six months and will notify them that their cards will be deactivated. Additionally, the agency has drafted policies and procedures for deactivating, suspending, and terminating cards in connection with investigations and findings of fraudulent use.

Fraud Controls in the Paratransit Taxi Reimbursement Program
(MTA/OIG #2014-22)

Presently, over 160,000 customers rely on Paratransit's program to commute to their jobs, keep medical appointments, or generally travel throughout the city. For the last 15 years or more, as part of its service delivery plan, Paratransit has been offering reimbursable transportation that includes yellow taxis, community car service (liveries), and black car service (collectively referred to here as taxis) to customers whose trips were late, interrupted, or unable to be completed by existing Paratransit Services. Subsequently, Paratransit expanded the program and now also offers taxi service on a pre-approved basis to some ambulatory customers who request the service. While customers do not have a right to this preapproval, Paratransit authorizes some customers

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to use taxis primarily because it is often more cost-effective to do so—given that the current (2014) average cost per trip of using a traditional van or sedan is approximately \$66 whereas the average cost for reimbursable taxi service is less than half that amount.

Paratransit customers requesting a taxi must obtain an authorization for each trip. Once the authorization is obtained, customers arrange their own transportation via yellow taxi, livery, or black car service. Customers pay the driver for each trip and then request reimbursement from Paratransit's Taxi Reimbursement Department (TR). During 2013, Paratransit reimbursed customers just over \$4 million for nearly 190,000 taxi trips.

Recently, we conducted a review of the Taxi Reimbursement Program as part of our continuing efforts to help ensure effective and efficient Paratransit services. Our objective was to determine whether proper controls are in place to adequately deter and expeditiously detect fraudulent use of this program. Simply put, we found that Paratransit did not have sufficient controls to adequately prevent and uncover fraud and other misuse of the program. At a minimum, Paratransit should have required more detailed information on taxi receipts and reimbursement requests. It also should have generated additional lists of frequent taxi users to help focus reviews for potential abuse, and conducted greater fraud awareness training for TR staff.

NYC Transit accepted all of our recommendations. More specifically, the agency agreed to obtain greater trip-specific documentation, conduct more focused reviews of frequent taxi users, randomly call customers to corroborate submitted documentation, verify requests to change address, and increase staff training. Additionally, the agency reported that it has already implemented our recommendation that Paratransit consistently forward suspected fraudulent activity to the appropriate NYC Transit unit or the OIG for review and action.

Further, in his written response on behalf of the agency, the president of NYC Transit noted the value of our work with Paratransit:

We appreciate the continued efforts of your office to [help] improve controls to reduce opportunities for fraud in the Taxi Reimbursement Program, as well as in other areas. ... A number of ... [fraud] referrals were successfully investigated and in some cases resulted in criminal prosecution. Notwithstanding, fraud controls in Paratransit are not sufficiently routinized into our programs. We believe this report's recommendations provide a further opportunity to improve our business practices and institute improved fraud prevention controls.

MWDBE Compliance Monitoring at MTA's Department Of Diversity and Civil Rights

(MTA/OIG #2014-16)

In accordance with federal and state law, MTA's Department of Diversity and Civil Rights (DDCR) oversees two similar programs aimed at increasing the participation of historically disadvantaged individuals and businesses in MTA's contracts with private companies. The program for federally funded contracts uses the term "Disadvantaged Business Enterprises" (DBEs); for state-funded contracts, those certified eligible are termed "Minority and Woman-Owned Business Enterprises" (M/WBEs). "MWDBE" is a compound term we use to refer generally to both programs and the participating contractors. The applicable laws and implementing DDCR programs serve an important governmental function of ensuring that certified firms have the opportunity to compete on a level playing field with those already established.

DDCR sets goals for MWDBE participation in most of MTA's larger contracts. By contract, each prime contractor must make "good faith efforts" to meet the goals. To ensure that certified subcontractors actually do the work and receive payment, DDCR is responsible for monitoring each project.

In this audit, the OIG assessed DDCR's performance in completing monitoring tasks that have the potential to detect and deter contractor fraud and other serious compliance violations. We examined DDCR's work on 17 completed federally-funded contracts and found that DDCR frequently did not perform one or more tasks that were required by its own procedures and critical to fraud prevention. These deficiencies directly affected DDCR's ability to confirm that prime contractors had utilized and paid DBE subcontractors as claimed.

We also made a number of specific recommendations to help DDCR improve its compliance monitoring and better perform its related responsibilities, including: regularly conducting on-site inspections, verifying subcontractor performance and payments, obtaining critical documentation, as well as promptly finishing its case-closing reviews of completed contracts and making its determination as to whether each contract met its goals. DDCR should also develop and use performance measures in tracking critical tasks and report on its compliance monitoring to the Audit Committee of the MTA Board.

DDCR accepted our findings and recommendations, stating that "this is an opportunity to improve performance" and that the Department has "begun implementing corrective action."

Business Service Center Hiring (MTA/OIG #2014-15)

The MTA Business Service Center (BSC) uses PeopleSoft, an integrated software system, to manage personnel information and financial data. Candidates for all non-civil service jobs apply online using PeopleSoft’s Employment interface, which is designed to help MTA staff process job applications efficiently and consistently across the agencies. BSC receives an extremely high number of applications—over 467,000 in 2013—and requires a reliable computerized system to manage this workload effectively.

Following a review and report by the MTA’s internal auditor regarding the BSC’s administration of the job application process, the OIG conducted its own independent assessment and confirmed two basic flaws in PeopleSoft that negatively affect BSC’s management of the LIRR recruitment process: (1) the system did not always correctly document applicants’ responses to screening questions, and (2) it placed some applicants on a list of qualified candidates even though those applicants had failed to meet the basic screening criteria. Additionally, BSC Information Technology Services staff acknowledged to us the existence of two other flaws in the way that PeopleSoft processes résumés. First, PeopleSoft sometimes erroneously processed applications without an attached résumé; second, even when a résumé was attached, PeopleSoft occasionally “dropped” it, meaning that the résumés were no longer available to hiring managers and other users. We made a number of recommendations to help BSC ensure that complete applicant information is visible and easily accessible to staff at every MTA hiring agency so that all qualified applicants have a fair and equal opportunity in the hiring process.

We discussed our findings and recommendations with BSC upper management, which accepted our recommendations and promptly initiated improvements.

The Management of Crane Services at MTA New York City Transit (MTA/OIG #2014-13)

In 2010, NYC Transit entered into five-year contract, valued at \$48.8 million, to provide for the lease, operation, and maintenance of 15 cranes. The agency uses cranes to move various types of materials in transit yards and on construction sites. Our review of the contract revealed lapses in contract management by Transit, as well as opportunities for Transit to ensure that the upcoming contract is more economical and attuned to agency needs.

NYC Transit’s contract with the current vendor began its fifth and final year on September 1, 2014 and the agency will solicit bids in 2015 for a new crane services contract. Based on our analysis, we found that NYC Transit must do a better job of: identifying and monitoring its equipment needs (e.g. the number and type of cranes that it requires to conduct its work most efficiently and which equipment to lease on a flat-rate

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versus an as-needed basis); specifying these requirements in its new contract for crane services; and periodically reassessing those needs and requirements throughout the life of the contract. The agency must also determine whether and to what extent it needs the leased equipment to be physically stored on Transit property. Regarding safety, Transit must immediately implement the recommendations relating to certification of equipment that MTA Audit Services issued and the agency accepted four years ago. In the same vein, Transit must also increase its monitoring to ensure that the vendor, for its part, adheres to contract provisions, particularly those that are safety-related.

NYC Transit agreed with all of our recommendations designed to use the contractor's services more safely and efficiently. For example, the agency indicated in its response that it had conducted a review of its current equipment needs, and will significantly reduce the number of cranes that it requires on a daily basis from 14 to 5, which has the potential to significantly reduce the agency's equipment leasing costs. Going forward, the agency intends to reassess its need for various types and quantities of cranes, finally implement recommendations previously made by MTA Audit Services, and establish protocols to ensure that safety-related contract provisions are enforced.

Inadequate Management Controls in Metro-North Railroad's Communications Division
(MTA/OIG #2014-26)

The OIG conducted an investigation regarding potential violations of the MTA Code of Ethics by an employee assigned to the Communications Division (Communications) of the Maintenance of Way Department of Metro-North Railroad. During the course of that investigation, we found numerous examples of inadequate and often non-existent controls over the work activities of the department's employees assigned to the Communications Field Systems unit (CFS), a subdivision of the Communications Division. The 40 employees assigned to CFS maintain Metro-North's fiber optic network, which plays a vital role in train operations, as well as the agency's cellular and telephone communications systems. A 2001 review by MTA Audit Services, which focused on processes used by Communications to monitor the repair work performed by its maintenance staff, found inadequate documentation and accountability.

OIG auditors interviewed supervisors and managers regarding Communications management, supervision, and recordkeeping practices and confirmed that workers were still not required to document their work and Communications supervisors and managers still do not track the performance of crews. As a result, managers and supervisors could not ensure that field crews are productive and accountable.

These findings echo those in our 2013 reports on the productivity of workers in Metro-North's Track and Structures divisions', and indicate that poor supervision and lack of accountability of field crews are systemic problems. In 2014, OIG worked

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closely with Metro-North management and made additional recommendations to address the individual acts of misconduct documented in our prior reports.

In its response, Metro-North senior management indicated that it recognized the need for a comprehensive, agency-wide solution to address the poor supervisory practices we have documented. To this end, management reported that it is advancing several interrelated initiatives, including:

- Utilization of its recently installed GPS system to track employee location.
- Utilization of electronic database technologies (rather than paper-based systems) to track and analyze employee work activities.
- Engaging consultants to conduct formal business process reviews in the major Maintenance of Way units in order to identify and recommend best practices, including a robust trouble-ticket and work-order system, which will enable reporting on all aspects of worker productivity.
- Development of an asset management system to help ensure that the agency's assets are properly maintained.

We will continue to monitor and work with Metro-North to address serious, longstanding, and deep-rooted issues.

Review of Asset Recovery Unit Surplus Material Sales Process
(MTA/OIG #2014-29)

In 1996, MTA New York City Transit established the Asset Recovery Unit (ARU) to centralize the disposal of non-hazardous materials and equipment. ARU's primary goal was to remove unneeded items from MTA property in an expeditious manner beneficial to the environment. Although generating revenue was not a main objective of the unit, surplus sales generate \$3 million to \$6 million per year.

One disposal channel is the Surplus Material Sales (SMS) process, through which ARU sells items worth less than \$15,000. NYC Transit uses this process for such items as paratransit vehicles, forklifts, generators and other shop equipment. From 2011 through 2013, SMS proceeds totaled \$3.0 million-\$3.2 million each year, a substantial portion of the revenue earned by ARU.

The OIG performed a review to determine whether ARU was administering SMS sales in a fair and transparent manner. As part of our work, we analyzed 78 individual

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files from 54 sales listed between 2011 and 2014. We also interviewed the staff members responsible for, and researched the history of, each transaction.

While we found no evidence of incorrect award decisions or employee misconduct, we recommended that ARU management strengthen the unit's Standard Operating Procedures manual by establishing new policies to deter conflicts of interest—for example, by prohibiting MTA employees from making offers to buy surplus material or equipment. We also recommended that ARU prohibit revisions to offers without approval. Additionally, management needed to strengthen ARU's written policies and procedures to increase the confidentiality and consistency of its work, e.g. by documenting all significant communication with potential offerers. Such standards would help ensure fairness to all offerers and reduce the opportunity for favoritism or other impropriety. Finally, we recommended that the unit incorporate fraud prevention controls into its processes and supervisory practices, including a requirement that offerers display the time, date, and originating fax number or email address to confirm the timeliness and propriety of each submission. NYC Transit accepted all of our recommendations and has begun their implementation.

Performance Evaluations of Consultants Working on MTA Capital Projects
(MTA/OIG #2014-07)

The MTA maintains an All-Agency Contractor Evaluation (ACE) system and accompanying guidelines (the ACE Guidelines) to uniformly obtain and record reliable information on the performance of consultants and contractors working on MTA capital projects. These Guidelines require that capital project managers at each agency issue interim evaluations every six months after contract award and a final evaluation at the conclusion of the work, for all contracts valued at \$250,000 or more.

While managers have routinely evaluated all contractors, in order for this process to function effectively the MTA must also evaluate the performance of all consultants for each contract for which they are retained. Consultants create the designs for many of the MTA's capital construction projects. Consultants also perform construction management services, such as site management, cost estimating, and scheduling.

As part of the ongoing efforts by the OIG to assess and strengthen the effectiveness of the ACE process, we performed a compliance audit at four MTA agencies—B&T, the LIRR, MNR, and NYC Transit. We found that, except for B&T, which had evaluated all of its consultants according to ACE Guidelines, the agencies had failed to evaluate the performance of some of the consultants working on capital contracts. Specifically, the LIRR did not evaluate 8 percent of its consultants, Metro-North did not evaluate 21 percent, and NYC Transit did not evaluate the performance of 29 percent. This failure represents a missed opportunity to enhance the quality of consultants retained throughout the MTA. Therefore, we recommended that each agency

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evaluate all currently active consultant contracts in accordance with ACE Guidelines and establish procedures to ensure that all new consultant contracts are similarly evaluated.

In its response, the MTA Office of Construction Oversight (OCO) confirmed that it would issue guidance MTA-wide to reflect the OIG's recommendations, and that this guidance would be incorporated by NYC Transit, LIRR, and Metro-North into their respective procedures. OCO also confirmed that it will track each agency's compliance with ACE requirements to ensure that consultant evaluations are regularly performed. Further, these agencies individually confirmed their acceptance of our recommendations.

INVESTIGATIVE AND GENERAL SUPPORT BY AUDIT

Paratransit Taxi Reimbursement Fraud

During our audit of Paratransit taxi reimbursement controls, OIG auditors analyzed data for tens of thousands of taxi reimbursement requests and reviewed thousands of actual receipts. We identified many fraudulent receipts and detected patterns of fraudulent reimbursement requests for taxi trips that were likely never taken. The information was used as the basis of a joint investigation of Paratransit taxi reimbursement fraud by the OIG and the Office of the Kings County District Attorney, which resulted in three arrests and pending prosecutions.

LIRR Commissary Sales (Bar Cart Operations)

Special Services (the Commissary), a unit of the LIRR Station Services & Ticket Technology Department, operates bar carts that sell alcoholic/non-alcoholic beverages and snacks. Customers may purchase these items from Special Service Attendants (SSA) at various locations in Penn Station, Jamaica, Flatbush Avenue, Hunters Point, and aboard the Hampton Reserve Service trains, which operate during the summer months.

Following the arrest of an SSA in September 2014, on charges of Grand Larceny (a felony) for having misappropriated bar cart revenue, our Audit Division assisted the OIG Investigations Division by conducting a review of the bar-cart program, focusing specifically on the nature and extent of internal controls regarding: the handling of cash, the procurement process, and the inventory of the alcoholic/non-alcoholic beverages sold by the Commissary.

During the nine-month period from January to September 2014, the Commissary reported total cash sales of \$1.7 million. Regarding the accuracy of the inventory, we reviewed the records for 13 different alcoholic beverages with combined sales of \$1.28 (75% of the total sales) for that period and noted only small discrepancies between the recorded inventory and the vendors' invoices. However, we found that controls over the

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handling of cash sales and the procurement of the Commissary products needed to be strengthened.

As to cash transactions, the Collective Bargaining Agreement provides that SSAs must remit their cash receipts within 48 hours of the reported sales. We found that during the period from June to September 2014, only one of the 11 full-time SSAs consistently remitted his cash receipts on time; two others remitted their cash receipts late about 95 percent of the time. Perhaps explaining these lapses, we determined that LIRR management was not actively enforcing the SSAs cash remittance requirement. In fact, a revenue supervisor from the Office of the LIRR Controller admitted during the railroad's internal investigation that she was not even aware of this requirement.

We also found a lack of management oversight of the procurement of Commissary products. LIRR procurement procedures required the user department to submit purchase requisitions to the assigned Procurement & Logistics Department (P&L) buyer for review and approval prior to placing any order. However, Commissary purchases were not made in accordance with these procedures. Rather, the Commissary placed orders with the vendors first and only obtained the approvals after the delivery of the products.

This was not the first time the OIG investigated LIRR Commissary activities. In 2004, we conducted an investigation into an alleged mishandling of cash receipts by an SSA. That investigation found weaknesses in the Commissary operations that created opportunities for fraud. Accordingly, OIG made several recommendations to strengthen the internal controls over the operations, including: establishing/clarifying policies and procedures for SSA function, instituting a training program for SSAs, and having periodic inventory counts and audits conducted by an entity outside of the Commissary. However, LIRR had not implemented all of our prior recommendations as agreed.

During our current review, OIG auditors both provided support to our Investigations Division and worked closely with LIRR staff from various departments, including the Controller's Office, Customer Services, P&L, and Business Process Management Controls & Compliance, to identify internal control weaknesses in the areas of cash, inventory, and procurement. Audit made several suggestions to strengthen the controls over these areas, including: requiring the Controller's Office to be more active in monitoring SSAs' cash remittances, charging P&L with maintaining inventory records in the agency's computerized inventory system (MAXIMO), conducting unannounced physical inventory counts periodically by either P&L personnel or the Commissary Senior Manager, and ensuring that Commissary management adheres to the applicable procurement policies/procedures.

FOLLOW-UP ON PREVIOUS WORK

Minimizing Additional Work Orders on NYC Transit Capital Projects (MTA/OIG #2012-10) (Follow -Up)

In 2012, NYC Transit Capital Program Management (CPM) rehabilitated 12 stations and segments of the elevated steel structure on the West End Line (the West End Rehabilitation), which carries the D train in Brooklyn. While the work was progressing, OIG conducted a review and issued a report.

During the original OIG review it became clear that the problems we encountered on this project were systemic. For example, we found that CPM did not ensure that the construction contracts provided the contractors with sufficient design details for certain repairs. Consequently, critical repair work not included in the construction contracts had to be added later as Additional Work Orders (AWOs), which increased costs and engendered delays. This approach resulted in nearly \$1.4 million in AWOs and contributed to 12 months of project delays.

CPM had hired a design consultant to conduct specific inspections and to develop a design for the construction work in order to determine at the outset which work to include in the construction contracts. However, we found that the consultant did not perform all contractually required inspections. CPM also did not provide sufficient oversight. As a consequence, needed repair work was overlooked by the consultant and therefore not included in the bid proposal, resulting in another \$1.6 million in AWOs.

In response to the 2012 OIG report, NYC Transit accepted all of our recommendations and took steps to implement them that same year. At that time, NYC Transit assured the OIG that it would review the AWOs for the project, and if it found that the consultant was responsible for design errors or omissions that led to the need for the AWOs, the agency would reflect this outcome in the MTA All-Agency Contractor Evaluation database. The agency would also explore the feasibility of claiming damages against the consultants.

In 2014, the agency reported that the design consultant's work was satisfactorily performed under the direction and supervision of the Stations Program Design Manager, and did not require any changes within the ACE system. The agency also found, however, that the consultant committed design errors that created the need for six specific AWOs during construction. NYC Transit stated that CPM will initiate the process to claim damages against the consultant for the costs of these AWOs. OIG will continue to monitor as appropriate.

MTA Bus Procurement Card Follow-Up

(MTA/OIG #2014-30) (Follow-up)

In November 2008, OIG issued a report (MTA/OIG #2008-11) finding that the MTA Bus Company did not exercise adequate control and oversight over the use of procurement cards. Accordingly, we recommended that the agency establish written guidelines to address the weaknesses identified in that audit. In 2014, we conducted a follow-up audit to determine if MTA Bus implemented our prior recommendations and found that the agency had addressed our concerns.

OIG confirmed that MTA Bus implemented a procurement card policy manual, which appropriately establishes a \$2,500 limit on individual purchases; imposes spending limits on individual users; requires card holders to utilize vendors who provide discounts to MTA Bus; establishes a process to review and approve procurement card transactions; identifies items that should not be purchased with a procurement card; and specifies items that require approval prior to the purchase.

In 2014, to test the implementation of these new rules, OIG Audit reviewed MTA Bus procurement card statements for all 25 employees who were authorized procurement card holders during all or part of the 19-month period from January 2013 to August 2014. During that period, these employees purchased a total \$748,217 of goods and services with their procurement cards, an amount representing approximately 0.25 percent of the total payments made by MTA Bus for goods and services at that time. Additionally, we performed a more detailed review of the procurement card purchases made by five selected card holders with high usage. Collectively, these five spent a total of \$250,539 (33 percent) of total procurement card purchases during our audit period. In each case, we found that procurement card holders made their purchases in accordance with the established policies and that management reviewed and approved those transactions.

LIRR Discipline

(MTA/OIG Report #2014-24) (Follow-Up)

In 2005, the OIG released two comprehensive audit reports on the LIRR disciplinary system. Our first report, *Long Island Rail Road's Transportation Department Has Failed to Implement an Effective Discipline System* (OIG #2005-25L) found that Transportation managers ignored LIRR policy at each stage of the disciplinary process: they failed to implement disciplinary charges for all alleged violators, did not consistently increase penalties for subsequent violations, and neglected to assess and enforce appropriate suspensions. In our second report, *Human Resources' Involvement with Long Island Rail Road's Discipline Process* (OIG Report #2005-26L), we found that disciplinary records maintained by the LIRR Human Resources Department were not consistently accurate or kept up to date. In both reports we made specific recommendations for improvement.

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In 2014, OIG revisited the LIRR disciplinary process to determine whether the agency had made improvements. We found that LIRR had addressed the problems found in past OIG audits, significantly improving the agency's management of the process. We also found Human Resources now maintained accurate and up-to-date employee records. We further found that the Transportation Department had made great strides overall in enhancing its disciplinary process. Specifically, improvements were evident in the way Transportation pursues progressive discipline for both attendance-related and operational violations. Information was more accurate and complete, allowing charges to be brought in a timely manner. Suspensions were imposed consistently for repeated violations, and those suspensions were served. A significant reason for the system's improved consistency was that LIRR had created a central office to administer the disciplinary process for Transportation, independent of that department's management structure.

In short, we found an essentially satisfactory disciplinary process in which Transportation management used an appropriate blend of discretion and adherence to policy to assess and administer discipline in a fair and consistent manner. To balance these interests and tailor the discipline appropriately, the process provided managers with a reasonable degree of discretion and flexibility. Importantly, though, allowing such discretion increased the need for decision-makers to document their actions and accept responsibility for them. In that regard, we observed that Transportation managers were not reliably documenting their disciplinary decisions. Based on these findings, we recommended that Transportation update disciplinary records and document in writing their involvement in the process and the rationale for their decisions.

LIRR accepted our recommendations, stating in its response that "LIRR shares your interest in ensuring accountability by ensuring records and written justifications are properly maintained and your audit will assist us in that effort."

The Lightning Strike and Long Island Rail Road Service Disruption –September 29, 2011

(MTA/OIG #2012-01) (Follow-Up)

In 2012, the OIG issued its report detailing the causes of a 12-hour LIRR service disruption that occurred in September 2011. The event resulted from a lightning strike that disabled the LIRR signal system west of the Jamaica railroad station. Several hours later, a LIRR worker inadvertently disabled the signal system east of that station. Our report included recommendations, accepted by both LIRR and MTA, as to measures LIRR could implement that would help prevent a recurrence, mitigate the duration of future outages, and improve communication with passengers. In our 2013 follow up, LIRR confirmed that most recommendations have been fully implemented but that a pilot program to supplement staffing in major stations was still underway.

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At the time of that follow up, the agency was testing a strategy of having seven Customer Ambassadors on duty during peak periods dedicated solely to the dissemination of information to riders. These employees worked a split shift, meaning that they were on duty for four hours during the morning rush period, were relieved for four hours in the middle of the day, and then returned to work for an additional four hours during the evening rush. Equipped with tablet computers and smart phones, Customer Ambassadors and other emergency staff could obtain up-to-date information from apps specifically created for them.

We followed up in 2014 to determine whether the agency had evaluated this pilot program. While LIRR had not prepared a formal evaluation, the agency reported to us that the program was well received by customers and proved valuable during adverse service conditions so the Customer Ambassadors were made permanent positions. The LIRR has incorporated this program into its Emergency Action Plans for Penn and Jamaica stations and we plan to follow up further in 2015.

PREVIEW OF SELECTED ONGOING WORK

MTA Certification Practices for the DBE Program

As noted previously (see page 13), the DBE program was established by the federal government to ensure that qualified firms can compete fairly for designated federally-funded, transportation-related projects. As part of that program, federal regulations required that each state have a one-stop-shopping certification process, meaning that a firm need only apply to one certifying agency and that agency's decision would be honored by all other DBE certifying agencies that receive funds from the United States Department of Transportation.

Accordingly, the New York State Unified Certification Program was established, and authorized the MTA and three other agencies in New York to certify applicant firms based on program criteria, and to review these firms annually to ensure that they continue to qualify for DBE status. The other three New York agencies authorized to certify businesses as DBEs are the New York State Department of Transportation, the Niagara Frontier Transportation Authority, and the Port Authority of New York and New Jersey

In 2014 we began a separate review focused on the MTA's DBE certification practices. This review is examining adherence to federal and state guidelines that govern program participation; how thoroughly the MTA processes applications for certification; and whether and to what extent the MTA conducts annual reviews to determine continued program qualification. We expect to complete our review in 2015.

Oversight of All-Agency Contract for Background Check Services

To ensure that new employees have the necessary qualifications to perform their assigned tasks, MTA requires candidates to undergo a background check. In 2013, MTA contracted with Sterling Infosystems, Inc. (Sterling) to conduct these checks over a three-year period for every MTA agency. After receiving various complaints, OIG began a review of this joint procurement in 2014.

We found that despite their partnership in this joint procurement, BSC and agency liaisons did not jointly inform Sterling of recurring performance problems. This inadequate oversight and coordination allowed weaknesses to persist. Specifically, Sterling's background checks were often incomplete and more costly than reasonably expected. Additionally, there was a delay in the implementation of contract amendments that would have allowed Sterling to provide services better designed to meet MTA's needs at a lower cost.

To ensure that MTA receives acceptable and cost-effective service for the remainder of the contract period, we discussed with Agency officials the need for both improved communication among the agencies and monitoring of the timeliness of Sterling's work. We also discussed the need to amend the Sterling contract to more effectively and efficiently meet agency requirements. Agency officials responded positively to our findings and draft recommendations. We will issue our Audit report in 2015.

Recruitment, Selection and Compensation of Temporary Professional Staff for New York City Transit Capital Projects

In 2011, NYC Transit awarded contracts to five staffing firms to provide temporary professional staff on an as-needed basis. These contracts are designed to help Transit and other MTA agencies meet their needs for engineering and construction management professionals, such as architects, electrical engineers, and construction inspectors. While the contracts are administered by NYC Transit's Capital Program Management Department, the personnel assigned to work at CPM remain employees of the staffing firms.

The OIG commenced a review of this recruitment process. Based on our review, including analysis of documents pertaining to the agency's engagement of 21 temporary professional staff, we found a lack of accountability on the part of the staffing firms, and poor management of these firms by CPM. Specifically, we found that in all 21 cases, the pre-qualifications and background checks performed by staffing firms were incomplete.

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Our preliminary findings, which have already been shared with NYC Transit, also reflect that a number of staffing firms knowingly forwarded for consideration certain candidates who did not meet the job qualifications.

Controls over Non-Revenue E-ZPass Tags
(MTA/OIG #2014-09)

MTA Bridges and Tunnels has a long history of providing toll-free passage to active and retired employees, as well as to certain outside agencies. Before the introduction of E-ZPass tags, toll booth operators personally verified the identity of those granted free passage, referred to here as non-revenue service. While automated passage provides many benefits, including faster movement through toll booths, automation also makes EZ Pass tags more vulnerable to misuse.

To address this vulnerability, we evaluated B&T's fraud controls and conducted limited reviews of non-revenue E-ZPass records to identify specific instances of abuse. We shared our findings with B&T officials and made recommendations to improve internal controls, some of which have already been implemented.

We expect to issue our final report in 2015.

Security of Property at Long Island Rail Road Lost And Found Office

For almost 20 years, the LIRR has maintained a Lost and Found Office (LFO) to facilitate the return of property. For the convenience of those who lost property on LIRR trains and in its facilities, the LFO is centrally located in Penn Station. In 2013 alone, the LFO accepted over 15,500 items ranging from paperback books to diamond jewelry.

In 2014, the OIG received a complaint from an LIRR customer who had lost his wallet on a train. Upon receiving positive confirmation from a LIRR employee that it was in the LFO, the customer attempted to retrieve it. The wallet could not be located by LFO staff. After a protracted search, the contents of the wallet were eventually found on the floor, missing two gift cards which had a combined value of over \$200.

In response to this incident and other complaints received about lost property, OIG began a review to determine whether LIRR is adequately securing lost property turned in to the LFO. While our review found that many items are returned to their owners, property in the LFO is at risk of avoidable misplacement or theft.

We expect to issue our Audit report in 2015.

INVESTIGATIONS

The Investigations Division (Investigations) receives and investigates complaints, from within and outside the MTA or upon its own initiative, concerning alleged criminality, fraud, waste, and abuse, as well as safety, service, and management deficiencies. The division's priorities are the detection and deterrence of fraud, the protection of MTA assets and assuring the safety of our ridership. In accordance with our statutory powers and duties, we refer matters to appropriate law enforcement and other governmental officials for further investigation, in which the division routinely participates, and/or for criminal or civil enforcement. The division is comprised of experienced investigators and forensic experts who work with staff attorneys; additional subject matter expertise and analytical support is provided by OIG Audit. Besides the expertise of the staff and the Inspector General's statutorily authorized "full and unrestricted access" to all information and materials of the MTA, Investigations has a host of additional tools available to it. These include the statutory authority to subpoena witnesses, administer oaths, take testimony, and compel the production of records and other documents relevant to any inquiry or investigation.

Within Investigations is a specialized Construction Fraud Unit (CFU), established by the Inspector General in 2008, consisting of attorneys, investigators, forensic accountants and analysts, and a professional engineer. CFU concentrates on deterring and detecting fraud and other wrongdoing by contractors engaged in the construction, rehabilitation, and maintenance of MTA facilities. From its inception in 2008 through 2014, CFU's investigations have resulted in monetary recoveries and court ordered forfeitures of over \$72 million from contractors. We highlight below CFU's substantial efforts to reduce fraud, both in terms of its investigative work, as well as its oversight and training regarding construction fraud. Also within the division is the Intake and Intelligence Unit, which receives complaints from the public, as well as from MTA employees, contractors and vendors

The division engages in criminal and other investigations in areas including suspect construction practices; procurement-related fraud; prevailing wage and other labor law violations; disadvantaged minority and/or women's business enterprise fraud; employee theft of time and property; overbilling; and pension fraud. Below is a sampling of our investigations and other work performed by the division in 2014, including our joint activities with various federal, state, and local law enforcement agencies, as well as an update regarding certain matters from our previous annual reports.

SELECTED INVESTIGATIONS REFERRED TO PROSECUTORS

In 2012, the OIG referred to the Office of the New York County District Attorney (DANY) a matter involving MWDBE fraud. The investigation quickly expanded to include multiple targets and the investigative team grew to include the Port Authority Office of New York and New Jersey Inspector General (Port Authority) and the New York City Department of Investigation (DOI). This year, our ongoing joint efforts resulted in the following settlements and a guilty plea relating to fraud in the utilization and reporting of MWDBEs:

- **Contracting Firm Enters into Non-Prosecution Agreement and Agrees to Pay \$6,000,000**

A contracting firm with a significant number of MTA contracts entered into a non-prosecution agreement and agreed to make a settlement payment of \$6,000,000.

- **Lumber Supplier Entered into a Deferred Prosecution Agreement with Forfeiture; Principal Pled Guilty**

The principal of a lumber-supply company pleaded guilty to Offering a False Instrument for Filing in the Second Degree, a class A misdemeanor. In addition, the company itself entered into a deferred prosecution agreement with the DANY and agreed to a forfeiture of \$2,000,000.

- **Building Materials Supplier Entered into a Non-Prosecution Agreement and Forfeited \$1,000,000**

A building materials supplier entered into a non-prosecution agreement with the DANY and agreed to a forfeiture of \$1,000,000.

- **Owner of Roofing-Supply Company Pleads Guilty in M/WBE Fraud; Company Pays Forfeiture**

A roofing-supply company was charged with Offering a False Instrument for Filing in the First Degree, a class E felony, and its owner was charged with Offering a False Instrument for Filing in the Second Degree. The company entered into a deferred prosecution agreement and the owner pleaded guilty as charged. The owner was sentenced to a conditional discharge and the company agreed to a forfeiture of \$800,000.

- **Electrical Contracting Company and its Owner Indicted**

An electrical contracting company and its owner were indicted by a New York County grand jury on charges of Scheme to Defraud in the First Degree, and Offering a False Instrument for Filing in the First Degree, both class E

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felonies. The charges are currently pending in New York County Supreme Court.

- **Plumbing Supplier Entered into Non-Prosecution Agreement and Forfeited \$2,500,000**

A Plumbing supplier entered into a Non-Prosecution agreement to settle charges related to M/WBE fraud.

Grand Jury Report on M/WBE Fraud

As a further result of the ongoing investigation by the OIG and its partners, the New York County District Attorney empaneled a separate grand jury to hear evidence relating to Minority and Women-Owned Business Enterprise fraud. The grand jury issued a report released in November 2014.

The report made recommendations to improve the M/WBE program in various ways, including: (1) strengthening accountability by requiring a signature and certification evidencing that the signer has reviewed and verified the contents of the completed form and understands that a false statement can lead to prosecution and termination of the contract; (2) requiring the certifying agencies to both scrutinize applicants more rigorously and share information using a shared database; and (3) enhancing the criminal statutes used in prosecuting M/WBE fraud. The OIG is currently working with the MTA to implement the recommendations contained in that report.

Contractor Paid \$3,000,000 in Settlement of False Claims Act Charge

In a case investigated by the OIG as a member of the civil DBE Task Force established by the United States Attorney for the Southern District of New York (SDNY), a prime contractor agreed to settle the matter for \$3,000,000. This case involved the filing of false documents relating to the contractor's claimed utilization of DBE subcontractors.

NYC Transit Vendor Pleaded Guilty to Supplying Counterfeit Transmission Fluid

NYC Transit contracted with an oil company to provide brand-specific transmission fluid for buses. After learning that the company was not an authorized dealer of the required brand, NYC Transit referred the matter to the OIG, which led to a joint investigation with the Office of the New York County District Attorney. Pursuant to a search warrant, investigators discovered evidence that the transmission fluid was counterfeit and that a letter sent by the company regarding the source of the transmission fluid was forged. The company's owner pleaded guilty to the class D felony of Grand Larceny in the Third Degree and will be sentenced to serve three months of weekends in jail concurrent with 5 years of probation; pay restitution to NYC Transit in the amount of \$863,000; and pay the OIG for the costs of its investigation.

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Theft by NYC Transit Station Agent
(MTA/OIG #2014-20)

The OIG, in a joint investigation with the Office of the Special Commissioner of Investigation for the New York City School District, determined that a NYC Transit station agent obtained stolen MetroCards from a NYC Department of Education employee and then sold them from his NYC Transit token booth. Additionally, in a separate investigation, the OIG determined that the same station agent violated NYC Transit policy and procedure by failing to return what he believed to be a lost Apple iPad device given to him by an OIG investigator posing as a customer. NYC Transit suspended the station agent without pay and initiated disciplinary proceedings resulting in the agent's resignation. The matter was referred to the DANY.

Theft of Lost Property by Bus Driver
(MTA/OIG #2014-05)

The OIG investigated a customer complaint that a NYC Transit bus driver failed to properly secure a backpack containing diamond earrings that the customer had left on his bus. Following a review of onboard bus video footage and witness interviews, the OIG found that the driver failed to safeguard the backpack and its contents and by this failure violated NYC Transit procedures. OIG referred the matter to the Office of the New York County District Attorney and also recommended that NYC Transit terminate the driver's employment.

The bus driver was indicted by a grand jury on charges of Grand Larceny in the Fourth Degree and Official Misconduct. After the driver's acquittal on criminal charges, NYC Transit conducted a disciplinary hearing and terminated the driver's employment; that termination was upheld by an arbitrator on appeal.

OTHER SELECTED INVESTIGATIONS

MTA Police Department Promotional Examination
(MTA/OIG #2014-21)

The OIG received an anonymous complaint alleging that the integrity of the August 2014 MTA Police Department (MTAPD) Sergeant's Promotional Exam (SPE) was compromised when candidates disregarded testing protocols during the examination.

Our review established that during a disruption caused by a medical emergency that began during the closed book portion of the examination, a large number of the 182 test participants left their seats, formed a line at the restroom and engaged in conversation, contrary to announced protocols. Although our review did not establish that cheating actually occurred, we suggested that MTAPD consider re-administering the

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closed book portion of the SPE. Additionally, we recommended that going forward the MTAPD implement protocols, policies, and procedures similar to those used by the New York City Department of Citywide Administrative Services (DCAS) to administer its civil service examinations.

The MTAPD agreed to consult with DCAS prior to scheduling future examinations.

Improper Hiring of a NYC Transit Consultant
(MTA/OIG #2014-25)

The OIG received a complaint alleging that a NYC Transit Capital Program Management technical consulting contract had been used improperly to hire the wife of a CPM employee. The complainant alleged that the wife was not performing the work for which she had been hired, i.e. a specifications writer, but was instead working as a typist.

During an OIG interview, the wife was not truthful and forthcoming regarding how she learned about the temporary position or about her husband's employment at NYC Transit in the same division. Moreover, on her disclosure form, she did not enter her husband's work address as required—evidence that she intended to conceal where her husband worked relative to where she was being assigned. Based on the OIG investigation, NYC Transit terminated the wife's employment.

As for the husband, he told OIG investigators that he did not know that his wife was considering leaving her job to apply for a position at NYC Transit. He further denied knowing that she was interviewing for a position in his own division of CPM. He even claimed that he did not know until her first day of work that she would be employed as a consultant for NYC Transit. The OIG found his statements incredible, and recommended that NYC Transit take appropriate action. NYC Transit demoted the husband.

To address the underlying problems revealed by our investigation, we also made specific recommendations as to the need for NYC Transit to strengthen the controls and approval process for hiring consultants. We are awaiting the agency's response

Unauthorized Dual Employment/Outside Activity, Violation of Leave Procedure
(MTA/OIG #2014-27)

An OIG investigation established that two Metro-North employees, a site construction manager in Capital Programs and a communications maintainer assigned to Communications and Signals, engaged in unauthorized dual employment as a fire department chief and assistant chief, respectively. Additionally, we found that they attended fire department functions during their work hours but failed to charge appropriate leave time. Our investigation also revealed that the construction manager

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misapplied leave procedures in regard to personal compensatory time. We referred our findings to Metro-North and recommended discipline for both employees. Additionally, we recommended a review of personal compensatory time practices in Capital Programs and other departments to ensure that these practices are consistently applied. Finally, we recommended a review of the dual employment/outside activity policy given inconsistencies and confusion related to its application to volunteer fire fighters. Metro-North agreed to implement our recommendations and issued new policies regarding dual employment.

NYC Transit – Financial Disclosure Statements
(MTA/OIG # 2014-03)

OIG investigators established that a buyer in NYC Transit’s Division of Materiel is the spouse of the sales manager of a long-time vendor to NYC Transit, but found no evidence that the NYC Transit employee had any dealings or was in a position to influence transactions with that vendor for at least the last 20 years. We did find, however, that the employee had failed to declare his wife’s employment by an MTA vendor, as required, in seven consecutive annual financial disclosure statements that he completed. When we brought this matter to his attention, the employee explained that his failure was inadvertent.

After consulting with the MTA’s Office of Corporate Compliance, and as provided for by the procedures of the Joint Commission on Public Ethics (JCOPE), the employee filed revised financial disclosure statements reflecting his wife’s employment, and also executed a formal recusal from matters pertaining to her employer. NYC Transit conducted a follow-up review and determined that the employee’s failure to report was inadvertent and that he had not participated in any procurement decisions related to his wife’s company. NYC Transit also determined that the employee is currently in compliance with all policies and procedures.

NYC Transit Department of Buses Random Drug Screening
(MTA/IG #2014-06)

NYC Transit suspended a bus operator without pay after he tested positive for marijuana use for the first time during a random test. The applicable Collective Bargaining Agreement (CBA) allows for treatment by a union-provided service under these circumstances. Following the suspension, the operator’s leave status was mischaracterized as a voluntary placement on leave, rather than as suspended pending treatment and retesting.

The error was not discovered until the operator attempted to return to work one month after the failed test. At that time, the dispatcher prevented him from driving because he had not been retested. After performing non-transportation union duties on release time for a short period, he reported back for regular duty and was placed in

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passenger service despite not having been retested as required. He remained in passenger service for approximately one month until the OIG intervened. Thereafter, the operator was retested and passed, but remained in limited, non-passenger service pending our investigation, and was ultimately returned to regular passenger service.

During the course of the investigation, the OIG and the agency worked together to put systems in place to prevent a reoccurrence and ensure proper screening and retesting.

Misconduct Regarding Leave of Absence
(MTA/OIG #2014-23)

OIG investigators, working with the MTA Police Department and the New York City Department of Investigation determined that a Metro-North engineer had served as a probationary firefighter in the New York City Fire Department while on a leave of absence—a violation of Metro-North’s dual employment/outside activities policy. Specifically, the engineer took an unpaid leave of absence, purportedly to care for his children while his wife was activated for military service, when in fact he was training to become a firefighter. While his leave request was pending, the engineer also improperly used both vacation and sick leave. Following an OIG recommendation that he be disciplined up to and including termination, and the commencement of disciplinary proceedings by NYC Transit, the engineer resigned. We shared our information with the New York City Fire Department’s Bureau of Investigations and Trials.

Misconduct by Deputy Chief, Department of Security
(MTA/OIG 2014-12)

An OIG investigation found that a high-level, long-tenured, and “policy-making” employee of NYC Transit, Department of Security, violated both the MTA Code of Ethics provision relating to cooperation with audits and investigations and NYC Transit rules regarding dual employment/outside activities.

Based on our findings, we recommended that NYC Transit impose discipline, up to and including termination. Further, because it appeared that the employee also violated certain provisions of the New York State Public Officers Law regarding dual employment, filing required financial disclosure statements, and public trust, OIG referred the matter to JCOPE, which is currently reviewing the matter.

In response to OIG’s recommendations, NYC Transit dismissed the employee and that determination was upheld on appeal.

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Abandonment of Duty by NYC Transit Bus Operator
(MTA/OIG#2014-8)

Our investigation substantiated a complaint that a southbound M5 bus filled with passengers made its regular stop at West 135th Street between Broadway and Riverside Drive, whereupon the bus operator announced that he was taking his break even though his relief driver had not arrived. According to a witness, the operator then walked off the bus, leaving the engine running and the front and rear doors open. The passengers remained unattended in the bus this way until a relief operator arrived some 10 to 15 minutes later.

OIG recommended that NYC Transit impose appropriate discipline upon the operator up to and including dismissal. The agency initiated disciplinary charges involving conduct unbecoming an employee and at arbitration sought a 30-day suspension; the union requested dismissal of the charges. After arbitration hearings, the arbitrator declined to impose suspension and instead imposed a disciplinary warning. Owing to the rules of arbitration, this decision is effectively non-appealable.

Violation of MTA/NYC Transit Nepotism Policy
(MTA/OIG #2014-14)

The OIG investigated and substantiated a complaint that a NYC Transit general superintendent in the Elevators and Escalators Department was supervising his wife, a mechanic in the same department, in violation of NYC Transit rules and the MTA Code of Ethics provisions regarding nepotism. We recommended specifically that NYC Transit transfer the Superintendent, or transfer his wife outside of his chain of command. Additionally, we made recommendations to help the agency better monitor and enforce its nepotism rules. NYC Transit accepted all of our recommendations and transferred the superintendent's wife to a different chain of command.

Conductor on LIRR Failing to Check Tickets
(MTA/OIG #2014-11)

A LIRR commuter informed the OIG that a conductor was only checking passenger's tickets at Penn Station, the train's point of origin, and not checking the tickets of passengers boarding at subsequent stops, a violation of LIRR rules.

OIG investigators made five separate observations of this conductor. On each of the five, the conductor was seen checking passenger's tickets shortly after leaving Penn Station, but was not seen checking tickets thereafter or even walking through the cars for the duration of the train's run. In all observations of other conductors made on different trains, all tickets were checked of passengers boarding at intermediate stops.

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Cased on our investigation, we recommended that LIRR take appropriate disciplinary action. We are awaiting the agency's response.

Employee Use of Social Media

(MTA/OIG #2014-02)

The OIG investigated a complaint by a passenger that a LIRR conductor, while on duty, was posting offensive messages about the passenger on Facebook; the passenger provided copies of two such postings. When interviewed by OIG, the conductor, employed in that capacity since 1996, admitted posting the offensive comments while on duty. He stated that the postings were in reaction to a private dispute he had with the passenger.

LIRR rules prohibit employees from using or even carrying personal electronic devices while performing service except in an emergency or if radio communication fails. Compounding the violation of these rules was the offensive nature of the postings themselves.

Following our investigation, LIRR suspended the conductor for 25 calendar days, with 12 days to be served immediately and the additional 13 calendar days held in abeyance for a one-year probationary period

MTA Bus Company Cleaner Unauthorized Absence from Duty

(MTA/OIG # 2014-17)

An OIG investigation established that on numerous occasions between January and May 2104, an MTA Bus Company cleaner failed to work his full shift. The Cleaner accepted a 30 day suspension without pay and agreed to be placed in a "Last Chance" final warning status.

Collecting Agent Unauthorized Dual Employment

(MTA/OIG #2014-19)

An OIG investigation found that a NYC Transit Collecting Agent engaged in unauthorized dual employment with a private company (Storage), and that his outside employment schedule violated the NYC Transit requirements for safety sensitive positions. Through our analysis of his NYC Transit and Storage time and attendance records, we determined that his employment schedule at the private company did not allow him the requisite eight consecutive non-working hours in the 16-hour period before he reported to NYC Transit, a violation of both the MTA and NYC Transit rules governing dual employment for this employee's position. As an aggravating factor, the employee falsely denied during his OIG interview that he even worked for Storage, and then, immediately following our interview, resigned from his outside position.

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As a result of this investigation, NYC Transit initiated disciplinary proceedings and dismissed the Collecting Agent from service. Following an appeal, an arbitrator imposed a penalty of time-served suspension and a demotion to a non-safety sensitive position.

Car Appearance Maintainer Unauthorized Dual Employment
(MTA/OIG #2014-28)

OIG investigators determined that a LIRR car appearance maintainer had engaged in unauthorized dual employment as a construction worker in violation of LIRR's dual employment/outside activities policy. Specifically, during our interview the maintainer admitted to working for various construction companies as a maintenance prevention traffic supervisor since 2009 without filing a dual employment form. OIG also found that the maintainer was engaging in secondary employment while on sick leave status. We recommended to LIRR that it impose discipline and are awaiting its response.

MONITORING HURRICANE SANDY RECOVERY EFFORTS

In response to a Federal Transit Administration requirement to provide monitors for the projects funded by the \$4 billion Hurricane Sandy Recovery Grants, the MTA established a monitoring oversight committee chaired by the MTA Auditor General. The committee comprised staff from the OIG, MTA Audit Services, MTA Corporate Compliance and the MTA Office of Construction Oversight. The committee meets regularly to provide coordination between and among all of the members. Additionally, the OIG works with its investigative partners, including the Port Authority, the United States Department of Transportation Inspector General, and others charged with overseeing Sandy Recovery funds.

In 2014, OIG staff performed the following monitoring/training activities:

- Conducted 25 fraud awareness training sessions for 442 attendees, including both MTA agency employees and consultants. These sessions have yielded leads regarding misconduct that are currently being investigated.
- Conducted 56 integrity reviews of vendors and contractors.
- Attended 8 kick off meetings, 11 progress meetings and conducted 16 site visits. Information from these provided the bases for investigations of contractor misconduct.
- Conducted 10 office visits of DBE firms on Sandy-related projects to ensure that the entity is real and commercially viable. Additionally, we conducted 14 payment verifications and 19 DBE certification checks. We are currently

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working with the United States Department of Transportation Office of the Inspector General on a criminal investigation into DBE fraud discovered during these oversight activities.

- Conducted Davis-Bacon Act prevailing wage reviews of 22 contractors.
- Reviewed all change orders valued between \$100K and \$1M and made recommendations related to the change order process that CPM has implemented.

CONSTRUCTION FRAUD UNIT

CFU has continued to employ its partnership approach to deter and detect fraud and other wrongdoing by contractors engaged in the construction, rehabilitation, and maintenance of MTA facilities.

DBE Task Force

We continue to work with the Task Force on investigating alleged DBE violations with the goal of filing civil actions under the False Claims Act against contractors committing fraud. The Task Force is composed of representatives of the Office of the United States Attorney for the SDNY, the OIG CFU, the United States Department of Transportation Office of Inspector General and the United States Department of Labor Inspector General, the Port Authority Inspector General, and NYC DOI.

In 2014, the Task Force obtained a settlement (see page 28) that resulted in a contractor paying \$3,000,000 to the United States Attorney's Office, which turned the funds over to the Federal Transit Administration.

New York County District Attorney Construction Fraud Task Force

At the request of the New York County District Attorney, the OIG joined the District Attorney's Construction Task Force established in 2014. Other investigative entities participating include: Port Authority Inspector General, the New York City Department of Investigation, the Dormitory Authority of the State of New York, and The City University of New York.

Assistance to NYC Transit Vendor Relations

The OIG Construction Fraud Unit is often called upon to assist NYC Transit Vendor Relations staff in determining whether a low bidding contractor, who may have a questionable background, is a responsible bidder. Our assistance ranges from sharing intelligence to attending and participating in responsibility hearings.

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Kickoff and Progress Meetings

OIG staff regularly attend kickoff and progress meetings on construction projects, where the members address the contractors and project managers regarding the OIG's oversight role. Specifically, the contractors are informed that it is a felony to file a false document with an MTA agency with intent to deceive the MTA, and that any fraud in connection with these projects may constitute a state or federal crime, or both, depending on the funding source. Contractors are also made aware of their obligations relating to certified payrolls, DBE submissions, and change orders.

Site Visit Program

The Construction Fraud Unit continued its site inspection program involving unannounced visits to construction sites to ensure contractor compliance with legal and contractual obligations. These obligations include use of appropriate construction materials, safe construction practices, prevailing wage compliance, and limiting site-access to approved contractors, subcontractors, and other authorized personnel. OIG investigators interviewed workers on site to determine the identity of their employers, whether workers are being paid the prevailing wage, and whether they have proper identification and proof that they have completed required safety training.

Monitors

The CFU staff attended kick-off meetings on MTA monitorship projects, reviewed monitors' reports, provided monitoring assistance to MTA agencies and provided assistance to the outside monitors themselves.

Assessment of Compliance Program Relating to DBE Fraud

The MTA required a major contracting company to have an assessment made of its compliance program—an ethics program including a section relating to DBE compliance—after it entered into a settlement agreement with the United States Attorney for the SDNY relating to DBE fraud. The OIG agreed to perform the assessment. The Construction Fraud Unit reviewed this program and made a number of recommendations. As a result, the company created a “Commercially Useful Function” checklist as recommended by OIG, and agreed to have its Chief Executive Officer meet with members of the Construction Fraud Unit to discuss the implementation of the program.

UPDATES FROM PRIOR INVESTIGATIONS

Theft of Copper by Long Island Railroad Employees

As reported in 2013, 15 LIRR employees pleaded guilty in connection with a scheme to steal new and recyclable copper belonging to the LIRR, and to sell the stolen wire to a scrap metal company.

In 2014, our continuing investigation resulted in the arrests of three additional LIRR employees on charges of Grand Larceny in the Third and Fourth degrees and Criminal Possession of Stolen Property in the Fifth Degree. All three pleaded guilty, one to attempted Grand Larceny in the Fourth Degree and the other two to Attempted Criminal Possession of Stolen Property in the Fifth Degree, both class A misdemeanors. Each was sentenced to probation and community service and paid a combined total \$12,000 in restitution to the LIRR.

These pleas bring the total number of LIRR employees convicted in connection with this scheme to 18 and the railroad has terminated their employment. As a result of this investigation, LIRR instituted a new valuable-metals policy to maintain better control over the usage and disposal of such metals/materials in the Engineering Department.

Unethical Employee Conduct in Connection with a Vendor (MTA/OIG #2012-02)

An OIG investigation established that a longtime NYC Transit track engineering manager had violated the MTA All-Agency Code of Ethics provisions regarding gifts, public trust, and confidential information, as well as NYC Transit policies prohibiting certain contact with vendors. Thereafter, as reported in our 2013 Annual Report, the agency disciplined the manager.

In 2014, following our referral, JCOPE, entered into a settlement with the manager who admitted that he provided confidential information to a supplier to the MTA. JCOPE fined the manager \$2,000.

MTA Small Business Mentoring Program (MTA/OIG 2013-12)

As reported in 2013, OIG identified and made a number of recommendations to correct deficiencies in Small Business Mentoring Program (SBMP) procedures, including recording or transcribing all “qualification hearings” for SBMP contracts, and implementing procedures to ensure that before the SBMP contract is awarded, that agency’s procurement department receives appropriate input from both the MTA Office

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of Construction Oversight (OCO), through its construction management consultant, TDX, and the agency's construction management team.

In 2014, the MTA accepted all of our recommendations and, according to the agency, have now implemented them.

Website Offering Discounted E-ZPass Tags Defrauded E-ZPass Agencies

As reported in 2012, a joint investigation involving the OIG, the United States Secret Service, the Port Authority, and the Office of the United States Attorney for the SDNY, culminated in the arrest and prosecution of two individuals for engaging in a \$6 million internet-based credit card fraud scheme. In 2014, following a jury trial, both defendants were convicted of Conspiracy to Commit Access Device Fraud, Conspiracy to Commit Mail Fraud and Bank Fraud, Mail Fraud, Bank Fraud, Aggravated Identify Theft and Conspiracy to Steal Government funds. Sentencing is pending.

NYC Transit Employee Billing Fraud

As reported in 2009, an OIG investigation established that a NYC Transit employee, who headed the Legal Support Unit within the Torts Division of the agency's Law Department, had engaged in a scheme to defraud NYC Transit. The scheme involved the approval, management, and administration of medical examinations and medical record retrieval functions for which that employee was responsible. OIG referred the matter to the Office of the Kings County District Attorney, which obtained indictments against the employee and two co-defendants: the owner of a record retrieval company and a NYC Transit outside counsel who owned a company that provided independent medical examinations to the Torts Division. The owner of the company pleaded guilty to Grand Larceny in the Third Degree, a Class D felony and is scheduled to be sentenced in 2015.

In March of 2014, the outside counsel was found guilty after trial of four counts of Offering a False Instrument for Filing in the First Degree and two counts of Rewarding Official Misconduct in the Second Degree. He was sentenced to probation for a period of three years, including six weeks of community service. The NYC Transit manager, who was terminated by NYC Transit, was acquitted after trial.

OTHER INVESTIGATIVE ACTIVITIES

Prevailing Wage Actions

This year we continued our work in support of prevailing wage enforcement and refer the results to outside enforcement agencies where appropriate. Additionally, the

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MTA Auditor General performed a prevailing wage audit on one construction contract each quarter as recommended by OIG.

Security and Integrity Compliance

The Security and Integrity Compliance Program involves unannounced inspections by OIG teams of up to ten investigators to test the security at facilities, determine whether staff are present and performing their assigned duties, and ensure that staff is following safety protocols. In 2014, OIG investigators conducted 31 such inspections throughout the MTA system. OIG notified the respective agencies of any improprieties revealed, and made recommendations for disciplinary action as appropriate. The deterrent effect of this long-standing proactive initiative is that employees throughout the MTA are on notice that they are subject to unannounced inspections at any time by an independent office providing oversight of the MTA. Over the years, OIG has received positive feedback on this program from upper management which itself had referred suggested sites for OIG inspection.

OUTREACH



TRAINING/EDUCATION

OIG both conducts fraud awareness and ethics training and participates in training classes presented by law enforcement, regulatory, investigative, prosecutorial, and other oversight entities. Notably, we also provide educational outreach to contractors and labor representatives.

In 2014, OIG staff presented fraud awareness training seminars to MTA agency employees as well as to MTA consultants managing construction projects. These sessions were specifically tailored to those specializing in procurement and contract management.

Additionally, OIG staff made four separate presentations of “Global Positioning System: A Powerful Tool for the IG Community” to the Association of Inspectors General New York/New Jersey chapter; the National Conference of the Association of Inspectors General in Newark; the New York Chapter of the Association of Local Government Auditors; and the New York State Internal Control Association. This presentation highlighted the way the OIG has utilized GPS in both audits and investigations. Specifically, the OIG provided guidance on a number of ways GPS has been utilized in the course of OIG investigations regarding employees who steal agency property or who conduct personal business away from the job site during the work day. We also explained how the OIG utilizes GPS to identify and address the costly—and often illegal—prolonged idling of agency vehicles.

INTERGOVERNMENTAL COOPERATION

During 2014, OIG maintained relationships with federal, state, and local agencies and task forces, including:

Federal

United States Attorney for the Eastern District of New York
United States Attorney for the Southern District of New York
United States Attorney for the District of New Jersey
Internal Revenue Service, Criminal Investigation Division
United States Department of Labor, Office of the Inspector General
United States Department of Transportation, Office of the Inspector General
United States General Services Administration, Office of the Inspector General
United States Postal Inspection Service
Eastern District of New York Federal Construction Fraud Task Force

Interstate Agency

Port Authority of New York and New Jersey, Office of the Inspector General

New York State

Office of the State Comptroller
Office of the New York State Inspector General
Department of Labor
Department of Transportation
Dormitory Authority
Joint Commission on Public Ethics
Empire State Development Corporation

Local

Office of the New York City Comptroller
Bronx County District Attorney
Kings County District Attorney
Nassau County District Attorney
New York County District Attorney
New York City Department of Investigation
New York City Department of Buildings
New York City School Construction Authority, Office of Inspector General
New York City Business Integrity Commission