Independent Democratic Conference

The Case for a Forensic Audit of the MTA

April 2011

Introduction:

The Metropolitan Transportation Authority (MTA) is responsible for operating the most comprehensive and busiest public transit system in the western hemisphere, a system that is critical for the continuing prosperity of the New York metropolitan region, the single largest metropolitan economy in the United States. Unfortunately for the thirteen million plus New Yorkers who live in the twelve counties covered by the MTA and additional 1.78 million Connecticut residents, the MTA is facing significant budget deficits in the foreseeable future. These long term deficits continue even though in 2009 New York passed a series of tax increases, including the implementation of a dedicated payroll tax on employers in the twelve county region, and the MTA implemented a schedule of fare and toll increases meant to cover the deficits. This inability to meet is financial responsibilities in the face of tax, toll, and fare hikes has left the legislature and the tax payers of New York with grave concerns. We must take actions to deal with these concerns and see once and for all where the taxpayers' money is going and what they are getting for their increased fares, payroll taxes and tolls. The one action that would go furthest in bringing back this trust is conducting a forensic audit of the MTA's full operations, as called for in Senate bill S. 4501, introduced by Sen. Carlucci. Such an audit would expose any management problems that might currently exist and force the MTA to solve.

Furthermore, such an audit should be paid for by the MTA itself as it is the MTA that must allay the concerns of New Yorkers and the NYS Legislature of bloat and inefficiency that numerous times has been unearthed.

The MTA's current budget situation:

The MTA operates the New York City (NYC) subway and bus system, as well as the Staten Island railroad, commuter railroads serving Long Island, the Hudson Valley, and Southwest Connecticut, and buses in Long Island. It also manages a number of key bridges and tunnels in the region. Each of these operations is handled by an independent agency within the larger MTA structure. The primary source of funding for MTA comes directly from fares, with a host of dedicated taxes including the new payroll tax the second largest revenue source. Tolls are the third largest revenue source, with State and local subsidies filling out the rest. Overall, according to the MTA's 2011 Adopted Budget, which was issued in February 2011[1], the MTA is expecting $12.25 billion in revenues and expects to spend $12.03 billion. This expense estimate does not account for depreciation (the drop in value of capital stock through wear and tear and aging), the cost of environmental remediation, nor other post-employment benefits (OPEB). Once those costs are figured in, the MTA runs a deficit, though not all of those other expenses (specially depreciation) actually require the MTA to spend cash. The cash deficit for the year 2011 was expected to be closed with existing cash reserves.

The MTA expected to have $3 million in positive cash balances by the end of 2011, and cash deficits of $247 million in 2012, $37 million in 2013, and $482 million in 2014. The agency expects these deficits even though, according to their own estimates, they have taken steps to cut recurring costs by a total of $750 million by 2014, including what the agency estimates to be

[1] MTA 2011 Adopted Budget February Financial Plan 2011-2014, pg. II-1. Available at: http://www.mta.info/mta/budget/feb2011/Master.pdf (Last accessed 4/7/11)

$575 million in recurring savings already implemented by this year[2]. According to the MTA, some of these recurring savings have been:

MTA Actions	Savings (in millions)
Administrative Overhead	$100
Unnecessary Overtime	$66
Two year Management Wage Freeze	$14
Overhaul of Bridge and Tunnel	$25
Contract Renegotiations	$22
Paratransit Operational Efficiencies	$80
Service cuts	$93
Total:	**$400**

According to the MTA, they hope to implement an additional $200 million in recurring savings over the next four years. The estimated cash deficits mentioned earlier would exist even if the MTA met this goal, and the 2013 and 2014 cash deficits assume a planned fare and toll hike in 2013. Clearly, the MTA will have to either find greater recurring efficiencies or find a way to raise more revenues by 2014 to close what they estimate to be close to a half billion dollar cash deficit.

The MTA must not only finance its operational expenses but also its capital expenses. These include the costs of replacing or upgrading stock (rail cars, buses), upgrading signals and other crucial infrastructure, and making expansions to the system. Significant capital improvements currently underway include a new Fulton Street subway station and the creation of a new subway line along 2nd Avenue, both in Manhattan. The MTA receives significant federal support for its capital programs, which are set every five years. The State and localities have also made contributions to the capital program, with the remainder funded primarily through borrowing. As an independent Authority, the MTA has the ability to sell municipal bonds to investors, the bonds being backed by the dedicated tax revenue that flows to the MTA. The recurring interest payments to the MTA's creditors is considered an operation expense, as we see in the expenses chart. Debt servicing will cost the MTA $2 billion this year.

The fiscal situation for the MTA this year is now in fact worse than the 2001 budget expected because of the inclusion in the enacted budget of a cut in the State's MTA subsidy of $100 million. The MTA will have to find additional savings this year to make up for that lost revenue. This latest cut by the State is on top of cuts to the State's support of the MTA budget enacted last year in both the budget and deficit reduction plans.

MTA funding problems:

The deficits facing the MTA over the coming years are not a new phenomenon. The MTA has been facing deficits for the majority of this decade. This constant string of deficits is one reason

[2] MTA 2011 Final proposed budget, November Financial Plan 2011-2012, presentation to the Board (November 17, 2010), pgs. 3-4. Available at http://www.mta.info/news/pdf/FINAL%20November%20Plan%20Presentation%2011.17.10.pdf (Last accessed 4/7/11)

for the corrosion of public trust. Over the last decade, fares and tolls have risen significantly, and new dedicated taxes have been imposed, and yet none of these actions have stopped the flow of red ink. There are multiple reasons for these deficits, some caused by the MTA, and some that have been outside its control.

As noted before, the MTA must fund not only its operation expenses but also its capital program. Beginning with the 1992-1996 capital program and continuing through the 1996-1999 and 2000-2004 capital programs, the State and local governments in New York cut back funding support for the programs. The State government in fact provided no funding support for the 1992-96 and 2000-04 capital programs at all. The MTA had to replace a significant portion of this lost revenue with increased borrowing, which in turns has resulted in a huge escalation of debt management payments. A restructuring of previous debt during the 2000-04 capital program meant to increase the available revenue those years also increased the necessary debt payments in later years. According to a report by the Citizens Budget Commission in 2006[3], the escalating costs of debt servicing and depreciation of the capital stock accounted for half of the estimated deficits. In fact, the cost of debt servicing alone, according to the MTA, far outpaces the expected revenue from the payroll mobility tax imposed in 2009 on employers in the MTA service region[4].

The MTA has not only seen an increase in their debt servicing costs, but labor and benefit costs have increased as well. On the revenue side, the MTA has suffered a drop in tax receipts since the recession of 2008-09. While the MTA saw a similar decline in the dedicated .375 sales tax in the twelve county region for the MTA, the Metropolitan Mass Transportation Operating Assistance Fund, as the State and local governments saw with their sales taxes, some of its other dedicated tax revenue has seen a far more pronounced drop. For example, in 2005 the MTA got $725.5 million from the Mortgage Recording Tax, a small tax placed on all commercial and residential mortgages. The MTA is currently estimating that in 2011 they will collect $229 million after all reimbursements are made. This is a drop of close to half a billion dollars, without even taking into account inflation during this period. The MTA does not estimate this tax bringing in the kind of revenues that were coming in during the last decade's property boom any time soon. Fare revenue has increased by fits and starts in the last decade, with fare hikes and higher usage bringing up fare revenue from $3.74 billion in 2004 to $4.35 in 2009, an increase of over $600 million in the last five years.

The Payroll Mobility Tax created in 2009 is the single largest new source of revenues for the MTA, bringing in an estimated $1.35 billion in 2010, which is lower than what had been estimated for this year when the tax was implemented in 2009, primarily due to weaker than expected payroll numbers. A host of other new charges were created in 2009, though the additional revenue they bring in is much less. Unfortunately, this new revenue and the fare increases imposed this year by the MTA are not enough to close the expected deficits. The Payroll Mobility Tax has not only failed to bring in the amount of revenue expected when it was

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[3] Citizens Budget Commission, *How to Balance the MTA's Budget.* http://www.cbcny.org/CBC_HowToBalanceMTA.pdf (Last accessed 4/7/11)

[4] Data on debt service costs taken from MTA 2011 February Financial Plan, consolidated statement of operations by category. These numbers differ from the consolidated cash receipts and expenditures statement. For consistency, all later numbers continue to be taken from the consolidated statement of operations by category.

imposed, but it remains deeply unpopular, especially outside NYC. Several businesses and local governments have begun lawsuits against the MTA challenging the implementation of the tax.

The MTA has been unable to create sufficient public and political support to sustain adequate public funding to supplement fare and toll revenues. As noted before, the MTA lost most State and local support for its capital program in the 1990's and today, in the face of long term deficits, the political support for the most significant new revenue source is weak, leaving the future of public funding for the MTA uncertain.

A well run system of public transit is crucial for the continued economic health of the NYC metropolitan region, but as the authority tasked with its operation the MTA has failed to cement public support for itself and the systems under its control. This has made it possible for political leaders to lower the funding commitments of the State and local governments, allowing them to divert those funds to other projects or programs, which has forced the MTA to find funding elsewhere. At the same time, fare and toll hikes are deeply unpopular and there is constant political pressure to keep them as low as possible. This creates a perverse situation in which politicians have an interest in both lowering funding support for the MTA and opposing any attempts by the MTA to make up for this deficit by raising new revenue, except for borrowing money which the MTA can do without any approval from the voting public. Unfortunately for the MTA, while it and transit advocates continue to argue against this dynamic, it is impossible to move forward from this reality. The solution seems to be quite evident however. A forensic audit as called for by Senator Carlucci and the Independent Democratic Conference will for once and for all provide a clear picture of the inner workings of the MTA and provide a basis from which the Legislature can move forward to find real solutions to the woes of mass transit in New York, even possibly eliminating some of the crushing burdens that taxpayers are shouldering due to the inefficiencies that keep rearing their ugly head throughout the past 15 years with regards to the MTA,

Why a forensic audit?

In April 2003 a report by the Comptroller accused the MTA of having misled the public on its finances to justify the 33% fare hike, the largest in the authority's history that it implemented in 2003. According to this report[5], the publicly released financial plan in December 2002 had failed to disclose that the MTA, whose internal documents showed it ending that year with a $512.5 million cash surplus, had instead chosen to carry forward the bulk of those reserves to future years. This, according to the Comptroller's report, allowed the MTA to give the public financial reports showing small surpluses and large deficits in the short term that the authority used to justify the massive fare increase when the authority could have booked strong revenues from other sources and savings for that time, making the case for a fare hike far weaker. The Comptroller also criticized the MTA for having an opaque budgeting process that failed to meet generally agreed upon accounting principles and which kept too much information back from the public or produced information in difficult to understand formats, and for not having all its subunits use a unified accounting methodology.

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[5] Office of the State Comptroller, *An Examination of the Finances of the Metropolitan Transportation Authority* (April 2003). http://www.osc.state.ny.us/osdc/rpt404/rpt404.pdf (Last Accessed 4/7/11)

This comptroller's report became the basis for the infamous accusation that the MTA had two sets of books. It is important to note that the Comptroller was not accusing the MTA of stealing funds or channeling money outside the system – instead the accusation was that the MTA's secretive and closed budget system allowed it to manipulate financial information to make a political case for massive fare hikes at a time when the agency was getting massive revenues from other sources. The MTA leadership fought back strenuously against the Comptroller's report, dismissing the accusations. A lawsuit was filed against the fare hike on the basis that the MTA had made the decision by lying to the public. A Supreme Court judge initially found for the plaintiffs and ordered the fare hike reversed, but the MTA won the case upon appeal to the Appellate Court. The MTA has since then argued that the courts vindicated it and disproved the claim of "two books", except that what the Appellate Court found was that the MTA had met the "sparse" requirements according to existing law on public notice and that the MTA had the authority granted to it by the legislature to raise fares.

Since this 2003 report the MTA has undertaken significant reforms to its budget reporting process, implementing changes that have made their budget presentations more uniform and transparent to the public. In addition, the Public Authority Accountability Act of 2005 and the Public Authority Reform Act of 2009 have both increased public oversight over the operations of the various authorities in the State, including the MTA. And yet, we continue to see well justified concerns with regards to how the MTA is spending its money day to day.
In the past year there have been numerous instances of questionable spending, wasteful practices and concerns raised about how cost effective the MTA is being with the taxpayers' money. In the 2009 MTA Real Estate Portfolio Audit by the Comptroller, the OSC found that the MTA spent $2.88 million a year and $5.76 million in total as of July 2009 to operate its former Headquarters in Brooklyn while it sat vacant awaiting renovations. Concurrently it spent $1.4 million a year to lease temporary office space for the workers displaced. The same audit also determined that the MTA spent $1.3 million to install and maintain newspaper boxes while 61% sat vacant at the stations.

In 2010, the MTA Inspector General released a report which determined that the MTA doled out millions of dollars to sub-par contractors even going so far as to hide unsatisfactory work practices so as not to highlight the failure of the agency to conduct adequate evaluations. Just this past February, the Daily News pointed out that the MTA hired layers at a rate of $540.00 an hour for a total of $690,000 in legal fees to deny raises for toll booth workers. To make matters worse, even after losing in Manhattan Supreme Court and in the Appellate Division , the MTA continued to waste money on litigation filing a third appeal with the Appellate Division.

In light of the concerns, highlighted mismanagement of resources and continued evidence of waste, Senator Carlucci and the Independent Democratic Conference reiterate the need for a forensic audit of the MTA, funded solely by the MTA to establish once and for all how and where taxpayer money is being spent.

Senate Bill 4501

A forensic audit is a specialized form of audit conducted with the aim of finding evidence of inappropriate financial activity that could possibly lead to criminal action. Forensic audits are usually conducted when allegations of fraud or corruption are made against individuals, organizations, or corporations. These audits must be conducted by firms that have experience with looking at financial documents while trying to find patterns of possible fraud. These are also labor intensive audits, and tend to be expensive to conduct when compared to a regular audit whose aim is ensure cost effectiveness and the accurate filling of reports and documentation.

Senate bill 4501 is not the first attempt by the Legislature to have an audit of the MTA conducted. As part of the 2009 MTA rescue plan (S. 5451 of 2009), the law was changed to give the President Pro Tempore of the Senate and the Speaker of the Assembly the power to initiate an audit the MTA that year, and possibly every two years going forward. However, the language of the bill left the scope of the audit subject to an agreement of legislative leaders and it did not have a dedicated funding stream to pay for it. The time frame to conduct such an audit lapsed with no action taken. Under Senate bill 4501, the scope will be comprehensive and the MTA itself would be responsible for payment. There is already support for this solution in the State Senate, which in their 2010-2011 budget resolution included language that would have had the MTA fund an audit.

The MTA has rebuffed calls for a forensic audit of the authority with a variety of arguments they state that the authority has greatly increased the transparency of its operations, particularly as a result of the acts previously mentioned, so an audit is unnecessary. They have repeatedly stated that their books are open to anyone willing to examine them and in fact, there are organizations examining those books. The MTA also argues that a forensic audit of all their operations would be very costly, and in this time of deficits it is unaffordable.

The Office of the State Comptroller has oversight of the MTA and they continue to conduct audits of portions of the MTA's operations. A recent audit of the MTA's overtime spending conducted in 2009-2010[6], which will be discussed in better detail later, found sufficient problems with some of the documentation used to justify overtime payments that the Comptroller announced on August 30, 2010[7] that it would conduct a forensic audit of the MTA's overtime spending. This is the first forensic audit the Comptroller's Office conducts of any part of the MTA's operation, but while the MTA does spend large sums on overtime, this remains just one part of a vast $12 billion operation. The forensic audit that this office recommends would encompass all aspects of the MTA's operations to ensure a thorough examination of the authorities' operations.

Such an audit will not be cheap. In our discussions with MTA officials, they have quoted the cost of such an audit as possibly $10 million. While $10 million is a significant sum, the MTA's operations are such that such a one-time cost can paid for without hurting services. The MTA leadership needs to view such an audit as a crucial long term investment for its fiscal health.

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[6] Office of the State Comptroller, *Metropolitan Transportation Authority, Management and Control of Employee Overtime Costs, Report 2009-S-88*. http://osc.state.ny.us/audits/allaudits/093010/09s88.pdf (last accessed 4/7/11)

[7] Office of the State Comptroller, "DiNapoli Launches Forensic Audit of MTA Overtime Spending" http://www.osc.state.ny.us/press/releases/aug10/083010a.htm (Last accessed 4/7/11)

How to pay for a forensic audit:

Finding $10 million to fund an audit is possible in an operation that costs $12 billion plus a year. We recommend that the money could be found by continuing to tackle the problem of excessive overtime and by taking steps to improve the handling of the agencies' real estate operations. By lowering the amount spent on unnecessary overtime and rents, the MTA should be able to find $10 million to pay for the crucial investment in public trust that a forensic audit would constitute.

As noted before, in 2010 the Comptroller issued the results of an audit on the MTA's overtime spending. This audit has led to a forensic audit on the MTA's overtime spending due to findings of possibly unjustified or undocumented overtime being paid out. Beyond these findings, the MTA also found a variety of inefficient policies that led to increased overtime costs that did not improve service or operations. One example was the fact that on Metro North and the Long Island Railroad, track maintenance workers were assigned to day shifts even though they could not actually do track maintenance during the day because of the fact that the trains run during the day. Most of their work then was achieved while on overtime at night. The Comptroller noted that at Metro North management could have, without needing input from the unions representing the workers, assigned these workers to a night shift, which would have paid a slightly higher wage than day work, but that rate would have been much lower than what the employees were getting paid in overtime. The Comptroller's audit estimated that if only 400 workers were reassigned from a day to night shift at the commuter rail lines, the MTA could save $38.9 million annually. The Comptroller's office also noted that overtime costs have a direct effect on pensions expenses at the authority, since overtime is used in the calculation of pensions.

As we reported before, according to the MTA, the authority has taken steps that they claim will save $66 million in unnecessary overtime annually. This is certainly a welcomed step, but according to the MTA's 2011 budget, the agency still plans to spend $478 million dollars just in overtime, and the agency expects to spend over $470 annually in overtime for the next several years. This is not only a significant amount, but it represents a major portion of all salary and wages at the authority.

(costs in millions)	2009	2010	2011	2012	2013	2014
Payroll	$ 4,163	$ 4,128	$ 4,194	$ 4,242	$ 4,288	$ 4,386
Overtime	$ 499	$ 494	$ 478	$ 471	$ 471	$ 478
Total wages	$ 4,662	$ 4,622	$ 4,672	$ 4,713	$ 4,759	$ 4,864
Percent in overtime	10.70%	10.69%	10.23%	9.99%	9.90%	9.83%

The ration of payroll to overtime is even worse if we look at each of the various independent sections of the MTA. For some of these agencies, overtime can be equal to over 15% of payroll.

Agency	2011 Payroll (in millions)	Overtime (in millions)	Overtime as percent of payroll
LIRR	$404.308	$69.837	17.3%
Metro-North	$394.896	$53.103	13.4%
MTA Bus Co.	$222.790	$43.494	19.5%
Bridge & Tunnels	$123.947	$21.294	17.2%
MTA LI Bus	$63.758	$9.622	15.1%
NYC Transit	$2,811.149	$271.149	9.6%
TOTALS:	**$4,020.848**	**$468.499**	**11.7%**

As can be seen, four of these agencies pay overtime in excess of 15% of payroll. This is a very substantial amount. After all, overtime is supposed to be used only in cases in which workers have to work beyond what is their agreed upon work day. Overtime should be a way to cover absences or extraordinary circumstances. If there are not enough man hours to fulfill all the work that needs to be done while paying regular full time and not time and a half, perhaps those agencies need to change their staffing levels or change work rules that make operations less efficient.

If the MTA were to change their policies so that overtime at the LIRR would account for 16% of payroll, as opposed to 17.3%, that would save $5.15 million. If overtime at the MTA Bus Comp. was cut to 18% of payroll, as opposed to 19.5%, that would save $3.4 million. If overtime at Bridges & Tunnels were cut to 16% of payroll, as opposed to 17.2%, that would save $1.5 million. These savings would cover the entire $10 million estimate cost of a forensic audit. Let us keep in mind that $10 million would represent 2.1% of all planned overtime expenditures by the MTA in 2011. The MTA states that it has already cut $66 million recurring unnecessary overtime. We believe that the MTA can find more such overtime, certainly enough more to pay for a critical investment in public trust.

Another recent audit of MTA operations by the Comptroller, released in June of 2010[8], looked at the MTA's real estate holdings. The MTA owns or leases a very significant amount of property. They control not only that property directly related to the operations of mass transit (stations, rail lines, depots, and train yards) but also control some commercial real estate and air rights above some of the properties they control. As with their audit of the MTA's overtime expenses, the Comptroller found places in which the MTA is spending more than they should, or in this case also letting possible revenue go to waste.

According to the Comptroller's audit, as of May 2009 the MTA was owed $9 million in late rents from non-governmental tenants. The Comptroller noted that the Real Estate Bureau had no clear statement of what late charges or interest it would assess on tenants who were late paying

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[8] Office of the State Comptroller, *Metropolitan Transportation Authority, Real Estate Portfolio, 2009-S-10*. http://osc.state.ny.us/audits/allaudits/093010/09s10.pdf (Last accessed 4/7/11)

their rent. Just making sure all this outstanding rent were paid with interest would have been enough to cover a comprehensive forensic audit back then.

According to the MTA, they have been able to realize significant and long term savings of $100 million through cutting administrative staff by 15% across the entire MTA and by 20% in its headquarters. This lower staff means of course that the authorities' need for office space has declined significantly. According to a recent Wall Street Journal article[9], the MTA is currently examining what it can do to spend less on rent for space and if perhaps it can get one time infusions of cash from selling some of its real estate holdings. One property that the MTA should look very closely at is the old NYC Transit headquarters building at 370 Jay Street in Brooklyn. This large office building has been left almost completely empty while the authority planned to renovate the building at a significant cost. At the same time, the agencies main headquarters on Madison Avenue next to Grand Central Station sits 20% empty. According to the Comptroller's audit, the MTA is spending around $2.9 million a year to maintain an empty building. Given that its main headquarters is 20% empty, it might make more sense for the MTA to stop having to pay maintenance for a building that would house staff it no longer has. The MTA would save $2.9 million just from no longer paying to maintain the building, which is actually owned by NYC. Perhaps the MTA would be best off creating an agreement with NYC that would transfer the building back to the City and then the City and the MTA could share in any revenue raised from selling the building to private developers. Of course, we suggest that the $2.9 million saved should be re-invested by the MTA to pay for a forensic audit, if cutting overtime spending by a further 2.1% proved too difficult.

While overtime costs and real estate management are two areas where we believe the MTA could find enough efficiency to fully fund this necessary audit, they are not the only aspects of the MTA's operations in which money could be found. A report by the Citizens Budget Commission comparing the cost efficiency of various MTA operations when compared to other mass transit systems in the country[10] found that when compared by the cost per passenger mile, the LIRR was the most expensive of the large commuter rail system in the country, and while Metro North did better, its costs were still slightly over the median. In analyzing bus service, both the NYC Transit bus system and the MTA Bus company system were the most costly amongst the ten largest bus systems in the country in a number of criteria, including overall labor costs and maintenance costs. This report illustrates the fact that there are remaining efficiencies to be found in the MTA's operations, and that cost savings of $10 million, when spread out amongst a variety of MTA operations and expenses, could be found if the MTA wanted, especially since they have already found over $500 million in recurring savings and plan to find $200 million more. Again, conducting this audit is critical to the MTA's future ability to gain political support in order to finally solve its long term funding problems.

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[9] Andrew Grossman, "To Raise Cash, MTA May Sell Some Buildings" *The Wall Street Journal*, March 23, 2011 (Lexis-Nexis)

[10] Citizens Budget Commission, *Benchmarking Efficiency for the Metropolitan Transportation Authority's Services*. April 2011. http://www.cbcny.org/sites/default/files/REPORT_MTA_04062011.pdf (Last accessed 4/7/11)

Conclusion:

The MTA is responsible for some of the most economically critical infrastructure in the State of New York, and the efficient operations of the bridges, tunnels, buses, trains, and subways controlled by the MTA are vital for the businesses and residents of the twelve county MTA region. Unfortunately, the MTA faces deep and long term problems with finding the funds to run this operation effectively and the Stae Legislature and the taxpayers are justifiably wary of investing anymore capital into a system they view as broken. The solution to addressing this problem is for the MTA to conduct a full forensic audit of its operations, as is called for in S. 4501 by Sen. Carlucci. This audit, which would be conducted by an independent firm with no pre-existing ties to the MTA, would find any problems with the MTA's operations, allowing the MTA to fix them. Forensic audits are costly and complicated, and the MTA estimates that such an audit would cost $10 million. While this may seem like an impossible amount to find, given the MTA's existing financial problems, the truth is that in a $12 billion operation, enough money can be found to fund this critical investment. Such savings can be seen from regular audits conducted by the Comptroller's office in just the last two years.

As we have shown, if the MTA implemented a further 2.1% cut in overtime across the entire agency, it would be able to fully fund such an audit. Just by cutting down overtime in three of their constituent agencies so that it constituted no more than 16% or 18% of payroll, the agency would save the $10 million necessary, while keeping overtime at those agencies excessively high when compared to payroll. The MTA would be able to save $2.9 million by no longer paying to maintain an empty building which might be totally unnecessary now that administrative staff has been cut significantly. Millions more might be available if the MTA just made sure all its commercial tenants paid back rent. The MTA itself states that it can implement hundreds of millions more in permanent cuts without hurting service. What we argue is that these savings, if realized, should be re-invested into a forensic audit.

Until the MTAconducts this audit, , finding a long term solution to its funding woes will be a challenge. Even with all the improvements that the MTA has made in the last few years since the stinging allegations of "two sets of books", it is clear the public does not believe them. Undertaking the forensic audit mandated by S. 4501 will show the public that the MTA is ready to clean house internally, and this will give them a stronger hand in the future. Implementing S. 4501 would be an important first step in coming up with a politically viable long term solution to the New York Metropolitan region's transportation funding problems.