

Metropolitan Transportation Authority

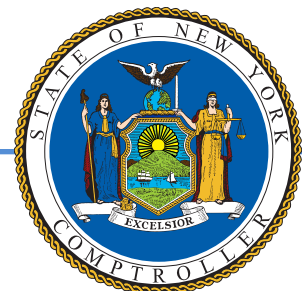
Transformation of the MTA

Report 2022-S-5 | August 2025

OFFICE OF THE NEW YORK STATE COMPTROLLER

Thomas P. DiNapoli, State Comptroller

Division of State Government Accountability



Audit Highlights

Objectives

To determine whether the Metropolitan Transportation Authority (MTA) established a working plan for implementing Transformation with completion dates and the savings to be achieved. We also determined whether MTA has implemented any aspect of the Transformation Plan (Plan) that resulted in improved service levels for the customer, process efficiencies, and cost reductions. The audit covers the period from January 2017 through October 2022.

About the Program

In April 2019, the New York State Legislature enacted changes in the Public Authorities Law (PAL) requiring MTA and its affiliated entities to develop and complete a personnel and reorganization plan no later than June 30, 2019, which shall, in whole or in part, assign, transfer, share, or consolidate any one or more of its powers, duties, functions, or activities, or any department, division or office, or any of those of its subsidiaries or affiliates. The legislation was signed by the Governor. The legislation expected to transform the organization—through elimination of redundancies, streamlining processes, and greater collaboration—in order to improve customer service, achieve greater efficiency, and realize cost savings. The Plan was designed to accomplish a significant reorganization or transformation of the many administrative support units that existed within each agency into centralized departments under MTA Headquarters (MTA HQ), thus allowing the agencies to refocus on safety, operations, and maintenance. The legislation also required the MTA Board to appoint a director of MTA Transformation who reports to the Board, and a forensic audit be performed. Additionally, the MTA Board was authorized to revise the Plan to incorporate the findings of the review within 90 days.

The legislation required that the reorganization plan be submitted to the MTA Board no later than June 30, 2019, with approval by July 30, 2019. On July 24, 2019, the MTA Board approved the Plan.

One consultant was chosen to perform the independent evaluation and develop the Plan. MTA hired a second consulting firm (roadmap consultant) to provide “transformation implementation roadmap support services.” The roadmap consultant was responsible for 25 deliverables such as developing an inventory of IT applications, confirming the staffing in the Plan for six of the consolidated functions, and working with MTA Procurement and Legal to develop a Request for Proposal to solicit one or more vendors to implement parts of the roadmap. MTA planned to hire an additional consultant (implementation consultant) to assist with the various functions in developing new systems, methods, and processes necessary to transform its business; however, MTA’s financial condition prevented the hiring of the implementation consultants, and all Transformation work was undertaken in-house by MTA employees within the Transformation Management Office (TMO). Depending on the structure of the consolidated MTA function, staff transfers were accomplished by two methods: “Post & Hire,” which involves posting job vacancy notices and interviewing and selecting individuals to fill the positions, or “Lift & Shift,” a process where employees are assigned by their management team, along with their current job function, into the consolidated MTA functions.

TMO held “Go/No-Go Meetings” (reviews to ensure readiness) with each function’s leadership, and then Town Hall meetings were held with staff to inform them of the changes. We found that all six of the functions under review conducted these meetings.

Key Findings

- MTA did not have a working plan for Transformation that identified the tasks to be completed and included specific dates and cost savings.
- The six departments we reviewed were created or consolidated under MTA HQ. However, full Transformation and delivery of the goals the Plan promised—improved customer service, process efficiencies, and cost reductions—were not supported by the work completed or based on documentation provided by the six departments.
- Savings called for under the Plan were achieved by eliminating both administrative and operational positions that had been vacant due to a 2018 hiring freeze. No further savings were identified during our audit beyond the removal from the MTA budget of the costs related to the positions that were already vacant.

Key Recommendations

- Ensure that future projects have a detailed working plan that includes specific dates, activities, and cost savings.
- Ensure that future projects document the status of goals.
- Ensure that future projects document what cost savings are achieved.



**Office of the New York State Comptroller
Division of State Government Accountability**

August 8, 2025

Janno Lieber
Chairman and Chief Executive Officer
Metropolitan Transportation Authority
2 Broadway
New York, NY 10004

Dear Mr. Lieber:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage their resources efficiently and effectively. By so doing, it provides accountability for the tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities, and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit of the Metropolitan Transportation Authority entitled *Transformation of the MTA*. This audit was performed pursuant to the State Comptroller's authority under Article X, Section 5 of the State Constitution and Section 2803 of the Public Authorities Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

Division of State Government Accountability

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Glossary of Terms

Term	Description	Identifier
MTA	Metropolitan Transportation Authority	<i>Auditee</i>
DDCR	Department of Diversity and Civil Rights	<i>Division</i>
EEO	Equal Employment Opportunity	<i>Key Term</i>
MTA HQ	MTA Headquarters	<i>Key Term</i>
PAL	Public Authorities Law	<i>Key Term</i>
Plan	Transformation Plan	<i>Key Term</i>
TMO	Transformation Management Office	<i>Key Term</i>

Background

In April 2019, the New York State Legislature enacted changes in the Public Authorities Law (PAL) requiring the Metropolitan Transportation Authority (MTA) and its affiliated entities to transform its organization. The legislation was signed by the Governor. It was expected to transform the organization—through elimination of redundancies, streamlining processes, and greater collaboration—in order to improve customer service, achieve greater efficiency, and realize cost savings. The Transformation Plan (Plan) was designed to accomplish a significant reorganization or transformation of the many administrative support units that existed within each agency into centralized departments under MTA Headquarters (MTA HQ), thus allowing the agencies to refocus on safety, operations, and maintenance. The legislation also required the MTA Board to appoint a director of MTA Transformation who reports to the Board, and a forensic audit be performed. Additionally, the MTA Board was authorized to revise the Plan to incorporate the findings of the review within 90 days.

In addition, under PAL Section 1279-f, MTA must have both an independent forensic audit completed, and an independent review of fraud, waste and abuse, controls, metrics, and practices and a review for duplication in the capital plan. One consultant was chosen to perform the independent evaluation and to develop the Plan. The legislation required that the reorganization plan be submitted to the MTA Board no later than June 30, 2019, with approval by July 30, 2019. On July 24, 2019, the MTA Board approved the Plan.

MTA hired a second consulting firm (roadmap consultant) to provide “transformation implementation roadmap support services.” The roadmap consultant was responsible for 25 deliverables such as developing an inventory of IT applications, confirming the staffing in the Plan for six of the consolidated functions, and working with MTA Procurement and Legal to develop a Request for Proposal to solicit one or more vendors to implement parts of the roadmap.

MTA planned to hire an additional consultant (implementation consultant) to assist with the various functions in developing new systems, methods, and processes necessary to transform their business. However, MTA’s financial condition prevented the hiring of the implementation consultants, and all Transformation work was undertaken in-house by MTA employees within the Transformation Management Office (TMO).

The consolidation of support functions (e.g., Human Resources/People, Communications, Legal, Department of Diversity and Civil Rights [DDCR], Finance, and Corporate Compliance) from across MTA required the transfer of employees into consolidated MTA functional areas within MTA HQ. The TMO assigned a liaison to each functional area to assist in managing the Transformation process. Most functions followed a similar process that occurred in a sequence known as waves, with several functions transforming in each wave. Some high-level employees were appointed to new positions heading these consolidated MTA functions.

Depending on the structure of the consolidated MTA function, staff transfers were accomplished by two methods: “Post & Hire,” which involved posting job vacancy

notices and interviewing and selecting individuals to fill the positions, or “Lift & Shift,” where employees are assigned by their management team, along with their current job function, into the consolidated MTA functions. Each functional area sent letters to their employees confirming their new assignment was permitted by PAL Section 1279-I. The letters stated that the new assignment did not affect their compensation or benefits. In addition, employees would continue to participate in the same pension plan, working title remains unchanged, and the work location would not be changed unless the employee was specifically notified otherwise.

TMO held “Go/No-Go Meetings” (reviews to ensure readiness) with leadership from the functions being consolidated, and then Town Hall meetings were held with staff to inform them of the changes. We found that all six of the functions reviewed conducted these meetings.

Additionally, all staff involved in the Plan received notification letters, advising them of their new assignment.

Audit Findings and Recommendations

The Plan was designed to accomplish a significant reorganization or transformation of the many administrative support units into new functional areas. By definition, to transform is to cause a marked change in someone or something, a major change in form, nature, or function, whereas a consolidation is forming into a compact unit or united into one system. The legislation required a transformation.

For this report, we reviewed six of the nine functions that were formed as part of Transformation: People, Finance, Legal, Communications, Corporate Compliance, and DDCR. The Plan established three key principles for the Transformation: 1) improved service levels for the customer, 2) process efficiencies, and 3) cost reductions.

As a result of MTA's efforts to transform, the six functions reviewed in this achieved consolidation; however, full Transformation and delivery of the goals Transformation promised (improved service levels for the customer, process efficiencies, and cost reductions) were not fulfilled.

Overview and Chronology

The Plan anticipated that the majority of the Transformation should take place over 6 to 9 months and be complete within 18 to 24 months. We found MTA did not have a working plan to implement the Plan that would meet the consultant's objectives, as approved by the MTA Board, to improve service levels for the customer, process efficiencies, and cost reductions.

In August 2019, MTA engaged a roadmap consultant to provide roadmap support services for the Transformation. MTA also expected to spend approximately \$60–\$70 million on a third group of implementation consultants to effect the Plan.

In March 2020, a disaster/emergency was declared in New York State due to the COVID-19 pandemic. A “pause” was initiated on all non-essential businesses and gatherings, and social distancing requirements were put into effect. This led to a reduction in MTA services, a drop-off in ridership, and a reduction in revenue. MTA received federal funding during the crisis to keep basic operations running.

In addition, as a result of its financial condition, MTA used in-house staff to implement the Plan. However, they did not follow the roadmap that MTA had previously paid the roadmap consultant to develop. For example, the creation of new central Engineering function to set standards ensuring quality and sustainability of infrastructure was not implemented. In addition, MTA did not “Establish uniform operating standards and design and optimize MTA-wide transit network across the entire system and region, rather than agency-by-agency.”

MTA officials told us that Transformation is complete, as stated by the Chair on February 15, 2022. However, this was not supported by the work/tasks completed based on documentation provided by the six functions we reviewed during our audit (People, Finance, Legal, Communications, Corporate Compliance, and DDCR). In addition, we were advised by one functional area that it cannot tell

when Transformation will be completed. MTA officials referred to the current stages as “continuous improvement.” We acknowledge that MTA is always focused on improvement, but Transformation is a specific body of work that had to be complete to show that the intent of the legislation was met and the objectives were achieved.

We also noted that, contrary to the legislation, as part of the Plan, the consultant recommended a headcount reduction of between 1,900 and 2,700 administrative positions. The Plan indicated that MTA should eliminate administrative positions so as to not impact service delivery. However, the TMO team decided that the administrative workforce could not withstand a reduction ranging from 38% (1,900/5,000) to 54% (2,700/5,000) and chose to eliminate both administrative and operational vacant positions, without any funds savings that were still in the MTA constituent agencies. To meet this goal, the Finance function created a two-part reduction plan that was carried out in 2020. These positions were vacant since the 2018 hiring freeze and the reduction did not further affect operations.

Each constituent agency was told the percentage of their vacancies that had the potential to be filled, and the Plan claimed the total potential annual savings opportunities were estimated to be between \$370–\$530 million; however, MTA did not support that savings had occurred.

As a result of MTA’s efforts to transform, the six functions reviewed for this audit —People, Communications, Legal, Finance, Corporate Compliance, and DDCR —achieved consolidation; however, full Transformation and delivery of the goals Transformation promised (improved levels of service for the customer, process efficiencies, and cost reductions) were not achieved.

In response to our preliminary findings, MTA stated that all actions it has taken regarding Transformation have complied with the 2019 amendments to the PAL and have been consistent with the purpose of this legislation. It will continue to seek customer service improvements, process efficiencies, and cost reductions. However, MTA did not document it had a formal working plan, identify the tasks to be completed, or state the date when Transformation will be complete.

Functional Areas – Transformed

People

In June 2021, the Human Resources Department and Labor Relations function were consolidated into the People function. This involved 417 staff from the various agencies. According to MTA officials, the consolidation of People was completed “but it was still transforming.” However, the MTA Chairman indicated that Transformation ended in September 2021.

People management stated they accomplished the following:

- Created a New Talent Acquisition unit, centralized operations, implemented new technology (e.g., online job posting boards) and reduced the hiring process goal from 70 to 57 days.

-
- Created a new Organization Design & Development unit that provides non-operational training (e.g., leadership, interviewing skills) to MTA staff across the agencies. It also created the “MTA university” that provides training to all staff with electronic data access.

During the audit, we provided a preliminary finding to MTA that People did not have any documented goals as a result of Transformation. MTA disagreed and stated in its response “Deputy Chiefs within the People Department have goals that center around delivery of service to MTA’s operating agencies and headquarters. These can be summarized and shared prior to the issuance of the final draft report.” We requested, but did not receive, documentation to support their goals.

Communications

Service Communications was created in the Communications Department to monitor and communicate train service information to customers. We were advised the unit was working on projects such as updating work templates, changing the status box (e.g., whether the train is in service or canceled) for communicating train delays, and retraining staff on the goals and efforts to achieve them. Management developed a guideline of service information and social media protocols for customer interaction and is working on a Service Alert system that is scheduled to be operational in the near future.

For Strategy and Programs, management stated that the goal was to implement a cadence of surveys for MTA transit agencies with a standard survey questionnaire—a goal that was achieved. The next milestone was to create a uniform weighting methodology, which was achieved in spring 2022. Prior to Transformation, each agency used different weighting methodologies for surveys, which limited their ability to accurately monitor or track trends and changes. Management also was not able to share information across MTA customer groups and align customer satisfaction with performance indicators. The unit had one additional goal to implement a consolidated MTA market research effort across agencies to expand reporting of customer-facing metrics across all agencies, and management provided us with the key performance metrics of customer satisfaction.

Communications was the one functional area that demonstrated that it had been transformed.

Functional Areas – Consolidated

Four of the six functions—Finance, Legal, Corporate Compliance, and DDCR—were only consolidated.

Finance

We were informed that the Treasury and Capital Funding functions (Financial Services) were consolidated in 2014–2015. Consequently, they did not warrant additional actions as a result of Transformation.

The Finance function has a Deputy Chief Financial Officer who is supported by four deputy chiefs: Deputy Chief of Management & Budget (new), Acting Deputy Chief of the Controller's Office, Deputy Chief of Financial Operations (Time Keeping and Payroll), and Deputy Chief of Financial Services.

Planned changes included improved financial reporting, centralized pension accounting and other post-employment benefits at MTA HQ, improved payroll processing, and the creation of business partners to represent the different affiliated agencies and work on special projects. However, when we requested the status of items mentioned, we did not receive a response to our request.

Legal

Prior to Transformation, each agency, including MTA HQ, had its own General Counsel plus a number of lawyers who handled various legal specialty areas. For example, the counsels of employment law, procurement law, contract law, torts, and workers' compensation reported to the individual agency General Counsel.

The Transformation changed the structure of the Legal function by consolidating most attorneys and legal staff into the centralized office operating out of MTA HQ. The current reporting structure was realigned more like a law firm, organized by specialty. Pre-Transformation, Legal comprised 17 practice areas; post-Transformation Legal was organized with 16 practice areas. Each operating agency has a deputy General Counsel assigned, who functions as counsel to the operating agency president and as a liaison who can ensure that other legal needs of the operating agencies are forwarded to the appropriate specialty area.

As a result of Transformation, some of the following changes were made:

- Workers' Compensation stated that, because of Transformation, the unit is expanding its claims system, Origami.
- Torts¹ is re-evaluating its policies and procedures and aims to implement best practices, including using senior attorneys to identify and handle cases of multiple catastrophic injuries.
- Contracts and Procurement stated, as part of Transformation, a new process, "Request for Legal" system, was implemented.
- MTA has introduced "alternate dispute resolution," which may make federal Employee Labor Act case processing more efficient. In addition, new settlement authorizations levels have been put in place to resolve cases.

In addition, we were provided documentation of two changes in policies and procedures settlement authority and retaining outside counsel. Legal is also striving to engage more certified Minority- and Women-Owned Enterprise (MWBE) law firms.

¹ Act or omission that gives rise to injury or harm to another and amounts to a civil wrong for which courts impose liability.

Administration of Self-Insured Workers' Compensation Plans (Follow-Up)

We issued a final audit report *MTA – Administration of Self-Insured Workers' Compensation Plans* ([2018-S-33](#)) on September 25, 2020 and conducted a follow-up as part of this audit. The objective of the initial audit was to determine whether MTA's self-insured agencies administered their workers' compensation plans to ensure they met the self-insurers' regulatory obligations, including those related to employee claimants. The initial audit covered three agencies: New York City Transit (excluding Staten Island Railway), MTA Bus Company, and Triborough Bridge and Tunnel Authority. The audit period was from July 1, 2015 to June 30, 2018. We found there was room for improvement in how MTA's three self-insured agencies administered their workers' compensation plans. For example, inconsistent processes and application of the law across the agencies resulted in late, inaccurate, or sometimes missed administration of benefits, placing an undue financial burden on injured employees. We recommended MTA create and implement a workers' compensation manual for claims processing, document review procedures for claims processed by the third-party administrator, and develop a common procedure for processing payments for workers' compensation claims for the three agencies. The objective of the follow-up was to determine the implementation status of the recommendations.

MTA officials have made minimal progress in addressing the issues we identified in the initial audit, and more work needs to be done. Of the initial report's three audit recommendations, one has been partially implemented and two have not been implemented.

Recommendation 1

Create and implement a workers' compensation manual to guide claims processing for all self-insured agencies.

Status – Not Implemented

Agency Action – In its 180-day response to the recommendation, MTA agreed with this recommendation and set an implementation date of the fourth quarter of 2021. However, as of December 1, 2022, it has not created and implemented a workers' compensation manual. Legal Department management stated they will issue a Request for Proposal to obtain a consultant to draft the manual, including best practices.

Recommendation 2

Document review procedures for claims processed by the TPA [third-party administrator].

Status – Not Implemented

Agency Action – In their 180-day response to the prior audit, MTA officials agreed with this recommendation, and their plan was to establish a set of uniform

procedures. The target date for implementing this recommendation was the fourth quarter of 2021. However, it was not implemented.

Recommendation 3

Develop a common procedure for processing payments for workers' compensation claims for the three constituent agencies.

Status – Partially Implemented

Agency Action – MTA agreed with this recommendation, and as part of the Transformation Plan, it restructures workers' compensation under one operating center. This recommendation is partially implemented. Workers' compensation was targeted to be consolidated by April 1, 2021; however, it did not occur until October 2021. However, it does not have common procedures for processing payments for the three constituent agencies.

Corporate Compliance

We interviewed the Chief Corporate Compliance Officer, one of two Deputy Chiefs, and two of the four agency partners to obtain information and gain a better understanding of how Corporate Compliance was transformed.

Officials stated that, post-Transformation, all departments were consolidated into one at MTA HQ, and all agencies' Corporate Compliance units report to MTA HQ. Corporate Compliance has centralized its core activities and resources. Functions that were previously performed by the agencies are now centralized.

We asked officials if Corporate Compliance developed Transformation goals. Officials advised us that they did not develop specific Transformation goals because they were focused on hiring staff. In the absence of goals or other performance metrics, the effect of Corporate Compliance's Transformation cannot be measured in terms of improved service levels for the customer, process efficiencies, and cost reductions.

Department of Diversity and Civil Rights

We interviewed the key management of DDCR. They manage MTA's compliance with the Civil Rights Act and Title VI requirements, including filing and the Equal Employment Opportunity (EEO) program. DDCR manages diversity in contracting for both construction and non-construction procurement.

DDCR officials stated Transformation had a positive impact by centralizing policies and procedures and making coordination with the constituent agencies more efficient. Officials stated that, as a result of Transformation, DDCR issued policies across all of the agencies, but made them flexible enough to work in any individual agency.

In addition, DDCR created two additional towers within the Diversity and Equal Opportunity Unit: Title VI & Workforce Initiatives and Diversity & Inclusion Initiatives. Each tower has an assigned lead to ensure programmatic continuity across all MTA subsidiary and affiliate agencies.

We asked DDCR officials about goals, milestones, or metrics they used to measure the success of Transformation. DDCR provided the 2022 Goals document created based on internal communication within DDCR in spring 2022. The DDCR 2022 Goals were “established to further their efforts to align policies, procedures, and processes to the transformed One MTA Structure.” However, DDCR did not provide documentation of 2022 Goals achievements for Diversity and Inclusion. DDCR officials advised us that they have a shortage of staff. We also requested any key performance indicators DDCR has as a result of the Transformation; however, we did not receive any.

DDCR officials advised us that the “EEO All Agency Case Management and Tracking System” is the end result of consolidation. This system will allow MTA HQ EEO to track and enter all complaints, including EEO and Title VI. MTA senior management will have access to all agencies’ complaints and will be able to track them. It is currently in the “pilot” stage, and there is no target date for system implementation.

Recommendations

1. Ensure that future projects have a detailed working plan that includes specific dates, activities, and cost savings.
2. Ensure that future projects document the status of goals.
3. Ensure that future projects document what cost savings are achieved.
4. Identify, document, and track the sharing of best practices among MTA agencies and the results of their implementation.

Audit Scope, Objectives, and Methodology

The objectives of our audit were to determine whether MTA established a working plan for implementing Transformation with completion dates and the savings to be achieved. We also determined whether MTA has implemented any aspect of the Plan that resulted in improved service levels for the customer, process efficiencies, and cost reductions. The audit covers the period from January 2017 through October 2022.

To accomplish our objectives and assess related internal controls, we interviewed management and staff in six functions—People, Finance, DDCR, Legal, Communications, and Corporate Compliance—and reviewed documents such as procedures and policies, programs, reports from the Customer Center, and MTA Board minutes. We also reviewed the PAL provisions relative to the MTA Transformation.

We used a non-statistical sampling approach to provide conclusions on our audit objectives and to test internal controls and compliance. We selected random samples; however, because we used a non-statistical sampling approach for our tests, we cannot project the results to the respective populations. Our samples include a random sample of 152 of the 1,512 employees in the six functional areas that were transferred by Lift & Shift to determine whether the employees were notified of their new assignments and that it would not affect their compensation or benefits as follows:

- 42 of 424 letters for Finance
- 29 of 285 letters for Communications
- 33 of 331 letters for Legal
- 42 of 417 letters for People
- Five of 46 letters for DDCR
- One of nine letters for Corporate Compliance

We tested the data used to select our samples and conduct our audit work and determined that It was sufficiently reliable for the purpose of our audit objectives.

Statutory Requirements

Authority

The audit was performed pursuant to the State Comptroller's authority under Article X, Section 5 of the State Constitution and Section 2803 of the Public Authorities Law.

We conducted our performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State, including some duties on behalf of public authorities. For MTA, these include reporting MTA as a discrete component unit in the State's financial statements and approving selected contracts. These duties could be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our professional judgment, these duties do not affect our ability to conduct this independent audit of Transformation of the MTA.

Reporting Requirements

We provided a draft copy of this report to MTA officials for their review and comment. We considered their comments in preparing this final report. Their comments are attached in their entirety at the end of this report. In response to our draft report, MTA officials indicated they carried out the requirements in the 2019 amendments to the PAL 1279-e and that the consolidation of support departments was completed in fall 2021. While they stated that information and documentation was provided to show the Transformation shared best practices across the organization, resulting in more efficient operations and the delivery of first-rate services to the organization, we found the information insufficient to document actions taken or their outcomes. Our responses to certain MTA comments are embedded within MTA's response as State Comptroller's Comments.

Within 180 days after the final release of this report, as required by Section 170 of the Executive Law, the Chairman of the Metropolitan Transportation Authority shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees advising what steps were taken to implement the recommendations contained herein, and where the recommendations were not implemented, the reasons why.

Agency Comments and State Comptroller's Comments

2 Broadway
New York, NY 10004
212 878-7000 Tel

Janno Lieber
Chairman and Chief Executive Officer



Metropolitan Transportation Authority

State of New York

January 10, 2025

VIA E-MAIL

Ms. Carmen Maldonado
Audit Director
The Office of the State Comptroller
Division of State Government Accountability
59 Maiden Lane, 21st Floor
New York, NY 10038

Re: Draft Report #2022-S-5 (Transformation of the MTA)

Dear Ms. Maldonado:

This is in reply to your letter requesting a response to the referenced draft report.

I attach a letter from Laura Wiles, MTA Chief of Staff, that provides important context concerning how the MTA has changed since the 2019 amendments to the Public Authorities Law. This letter from Ms. Wiles, who was the project manager for the MTA Transformation Plan in its very early phases, was crucial in standing up MTA C&D, and now works to advance the MTA's Strategic Priorities, provides context necessary to understand how the MTA has changed, both in form and substance, while finding significant cost savings.

I also attach for your information a letter from Ms. Wiles which specifically addresses the findings and recommendations of your draft report.

Sincerely,

A handwritten signature in black ink, appearing to read "Janno Lieber".

Janno Lieber

c: Laura Wiles, MTA Chief of Staff
Monica Murray, Auditor General, MTA Audit Services

The agencies of the MTA

MTA New York City Transit
MTA Long Island Rail Road

MTA Metro-North Railroad
MTA Bridges and Tunnels

MTA Construction & Development
MTA Bus Company

2 Broadway
New York, NY 10004
212 878-7000 Tel



Metropolitan Transportation Authority

State of New York

January 10, 2025

VIA E-MAIL

Janno Lieber
Chair and Chief Executive Officer
Metropolitan Transportation Authority
2 Broadway
New York, NY 10004

Re: **Draft Report 2022-S-5, Transformation of the MTA**

Dear Chair Lieber:

This letter is to provide the Metropolitan Transportation Authority's ("MTA") response to the Office of the State Comptroller's ("OSC") Draft Report 2022-S-5, Transformation of the MTA.

In 2019 the Public Authorities Law ("PAL") was amended to require and empower the MTA to create and implement a transformation plan to bring together administrative and business functions from across the MTA operating entities into unified departments at the MTA to effectively and efficiently support the MTA's operating agencies. In summary, PAL 1279-e(1)(a) required the MTA to "develop and complete a personnel and reorganization plan" by June 30, 2019, to "in whole or in part, assign, transfer, share, or consolidate any one or more of its powers, duties, functions, or any department, division or office established therewith, or any of those of their subsidiaries, or affiliates or their subsidiaries ... in a manner consistent with the provisions of this section." The personnel and reorganization plan was required to "identify common functions and assign, transfer, share or consolidate, in whole or in part, such functions between the MTA and its subsidiaries and affiliates" and to "be accompanied by an independent evaluation of existing personnel within or between itself, its subsidiaries, or affiliates or their subsidiaries in coordination with the authority's senior management." *Id.* The MTA engaged an outside consultant to aid in the creation of the statutorily mandated personnel and reorganization plan. Pursuant to PAL § 1279-e(1)(a) the board approved the Transformation Plan on July 30, 2019, as required.

The consolidation of the support departments was complete in Fall 2021. As to business process improvements and standardizations, in September 2021, department Chiefs were assigned these challenges using the resources available within those functional areas and other internal MTA resources. Having brought together strategic and core support functions from across the MTA into unified all-Agency departments within MTA Headquarters, the MTA has

The agencies of the MTA

MTA New York City Transit
MTA Long Island Rail Road

MTA Metro-North Railroad
MTA Bridges and Tunnels

MTA Construction & Development
MTA Bus Company

been able to focus efforts on improving efficiency wherever possible, which has always been a top priority for the organization. Leadership in the consolidated departments provided the audit team with information and documentation concerning how they have taken advantage of transformation to share best practices from across the organization, operate more efficiently, and continue to deliver first-rate services to the organization. This, of course, is an ongoing endeavor and the MTA will continue to make improvements to its business processes through our Strategic Priorities.

RESPONSE TO KEY FINDINGS

The draft report focuses on three key findings, which the MTA responds to below.

Key Finding 1: “MTA did not have a working plan for Transformation that identified the tasks to be completed and included specific dates and cost savings.”

Response to Key Finding 1:

The MTA successfully implemented the Transformation Plan in conformity with the PAL. The manner in which this was done was shared with the OSC. As part of that process, in August 2019 a steering committee was established to guide the implementation of the Transformation Plan, make decisions regarding recommendations in the plan, and assure that the transformation occurred in a manner that advanced the MTA’s operations. For example, the Steering Committee made decisions regarding the Plan’s recommendations relating to the Engineering function. In addition, the Steering Committee reviewed and approved the organizational design proposals for the consolidated administrative functions.

State Comptroller’s Comment – If the Transformation Plan was a working plan, it was not followed. Moreover, improved operating efficiencies were not sufficiently documented by the functions covered in this audit report, nor were improved services for customers.

In addition, the OSC was provided documents used to implement the “lift and shift” of employees into the new unified departments. OSC reviewed a sample of the reassignment letters to employees to test whether this was done properly. No errors were reported to MTA by OSC.

Key Finding 2: “The six departments we reviewed were created or consolidated under MTA HQ. However, full Transformation and delivery of the goals of the Plan promised—improved customer service, process efficiencies, and cost reductions—were not supported by the work completed or based on documentation provided by the six departments.”

Response to Key Finding 2:

While it is difficult to quantify direct cost reductions unrelated to a reduction in positions in the context of support functions, each of the areas reviewed by OSC provided information and documentation related to improving internal customer service, process improvements, and shared best practices.

Key Finding 3: “Savings called for under the Plan were achieved by eliminating both administrative and operational positions that had been vacant due to a 2018 hiring freeze. No

further savings were identified during our audit beyond the removal from the MTA budget of the costs related to the positions that were already vacant.”

Response to Key Finding 3:

The Report neglects to provide important context to the decision to remove vacant positions from the MTA’s budget. As an initial matter, the transformation plan stated that the actions it recommended the MTA consider “could result in a potential reduction of roughly 1,900 -2,700 positions.” See Transformation Plan, at 5. As noted above, the pandemic struck right at the outset of the transformation, leading to enormous operational and fiscal challenges for the MTA. The MTA received an influx of emergency federal funding under the CARES Act, CRRSSA, and ARPA, which allowed it to continue to provide crucial transportation services. In order to maintain maximum flexibility regarding the use of funds received under the CARES Act, CRRSSA, and ARPA, the MTA was required to certify that it had not furloughed or laid off any employees since March 27, 2020 (the enactment date of the CARES Act).

To meet the transformation goal of reducing positions in the context of a global pandemic and resulting financial crisis, the MTA decided to remove 2,725 vacant positions from across the MTA, including administrative and operational positions. The positions removed included some that were vacant since the MTA’s 2018 hiring freeze and others that became vacant during the pandemic. The removal of these positions and the associated savings were reflected in the MTA’s 2021 Final Budget. The MTA provided the State Comptroller with relevant records and answered all questions posed regarding the process and the how the associated savings were accounted for.

State Comptroller’s Comment – The removal of vacant positions from the budget that date back to 2018 is not a realized savings.

While it is difficult to quantify direct savings unrelated to a reduction in positions in the context of support functions, as noted above, each of the areas reviewed by OSC provided information and documentation related to process improvements and shared best practices.

**RESPONSE TO ADMINISTRATION OF SELF-INSURED WORKERS
COMPENSATION PLANS (FOLLOW-UP REVIEW)**

In late 2022, the MTA engaged a consulting firm to review the MTA’s Workers’ Compensation programs and recommend short-term and long-term strategic initiatives. Their principal recommendation was that the program should be outsourced to a third-party administrator (“TPA”). In September 2024, the MTA Board authorized a TPA contract award for a three-year term with three one-year options. Transition planning work is underway and the TPA is scheduled to begin administering the MTA’s Workers Compensation claims in 2025.

RESPONSE TO RECOMMENDATIONS

OSC’s draft report contains four recommendations, to which the MTA responds to below.

Recommendation 1: “Ensure that all future projects have a detailed working plan that includes specific dates, activities, and cost savings.”

Recommendation 2: “Ensure that future projects document the status of goals.”

Recommendation 3: “Ensure that future projects document what cost savings are achieved.”

Response to Recommendations 1-3:

The MTA does not disagree as a general matter that documentation and project management is important and provides visibility and accountability. The MTA acknowledges the OSC’s Standards for Control in State Government’s recommendation regarding the timely creation of project documentation provided it has a clear purpose and is in a usable format that adds to the efficiency and effectiveness of the organization. The MTA will continue to ensure that such future projects relating to consolidated departments will be appropriately documented.

Recommendation 4: “Identify, document, and track the sharing of best practices among MTA agencies and the results of their implementation.”

Response to Recommendation 4:

The MTA does not disagree as a general matter that sharing best practices is important and it will continue to identify and share best practices from across the MTA. Where identification of a best practice requires a change in a policy, written procedure, or rule, the MTA agrees to document that change and how it is shared. However, creating new standards, policies, and procedures around the sharing of best practices would unnecessarily bureaucratize the work to deliver service improvements and cost efficiencies, currently being led by the Strategic Initiatives department. Unless it would add to the efficiency and effectiveness of the organization, the MTA does not agree to track the implementation of any such change.

We ask that you please convey to the OSC that we appreciate their consideration of this response in issuing a final report. Should they need additional information or have questions, they should reach out to the designated MTA contacts who have been helping coordinate their audit.

Very truly yours,



Laura Wiles
MTA Chief of Staff

c: Paige Graves, MTA General Counsel
Monica Murray, MTA Auditor General
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Metropolitan Transportation Authority

State of New York

January 10, 2025

VIA E-MAIL

Ms. Carmen Maldonado
Audit Director
The Office of the State Comptroller
Division of State Government Accountability
59 Maiden Lane, 21st Floor
New York, NY 10038

Re: **Draft Report 2022-S-5, Transformation of the MTA**

Dear Ms. Maldonado,

Today you received MTA's formal response to OSC's specific comments and recommendations in the captioned draft audit. To add context to our formal response, I have been asked to respond to your recent audit of the "MTA Transformation Plan" covering the period of January 2017 through October 2022 with some additional information based on my personal experience.

In April 2019, when I was a Senior Associate in Strategic Initiatives at MTA Headquarters, I was asked to serve as the full-time Project Manager for a new initiative – an "MTA Transformation Plan" required by legislation that had been pushed through by then-Governor Andrew Cuomo and included in the New York State budget. The Plan was developed over a 12-week period by AlixPartners, a consultant specializing in corporate restructuring.

Indeed, MTA desperately needed change. A legacy of the MTA's creation as a holding company for four separate transportation agencies, was that we had six different customer communications departments, seven different legal departments, and six different human resource departments. Our business processes were atomized and agency-specific, technology was outdated and inconsistent, and capital construction projects across the MTA needed a single point of accountability. But after the Plan developed by AlixPartners was approved by the Board, and we had complied with the legislative mandate calling for the formal consolidation of duplicate departments, there was a ton of work left unfinished. It was my view that the politically generated "Transformation Plan" was never going to succeed if it was implemented by a standalone office, supervising external consultants, that was divorced from the operating agencies – New York City Transit, Metro-North Railroad, Long Island Rail Road and Triborough Bridge & Tunnel Authority. Anthony McCord, then Chief Transformation Officer recruited by

The agencies of the MTA

MTA New York City Transit
MTA Long Island Rail Road

MTA Metro-North Railroad
MTA Bridges and Tunnels

MTA Construction & Development
MTA Bus Company

the Governor Cuomo’s team at great expense, had virtually no relevant experience. His last project in Canada was building a new hospital wing. Nevertheless, he started in late October 2019.

State Comptroller’s Comment – The response does not address the lack of documentation of the actual work that needed to be performed or what was actually done and the outcomes. The MTA Transformation was statutorily required, and not only should the MTA have documented plans as well as the implementation and outcomes as part of a good system of internal controls, but such reporting is part of basic accountability.

Soon after McCord stepped into his new position as Chief Transformation Officer, I moved from the Transformation office to the fledgling MTA C&D, the organization created to consolidate the five different construction groups spread across the agency. C&D developed new standards for capital planning and new concepts for efficiently bundling projects and leveraging design build contracts to deliver work faster and at less expense. But the operational and process challenges to create an alternative new operation were huge, C&D had to reorganize over 1,500 employees in new business units and to develop new business processes. The job requirements and responsibilities for employees had to be re-conceived and revised, while preserving applicable pension and legal standards, along new reporting lines. And C&D had to do it during a complete hiring freeze.

This work was accomplished by a new C&D leadership team pulled from the ranks of the MTA: former MTA Chief of Staff Fredericka Cuenca; NYCT Senior Vice President Tim Mulligan; Mark Roche, an experienced mega project engineer who led Tapan Zee Bridge rebuild; and Evan Eisland, Chief Counsel to MTA Capital Construction. Then, just as C&D consolidation was getting underway, COVID hit, threatening to derail the progress of 500 projects already underway.

State Comptroller’s Comment – These comments commend C&D for its accomplishments; however, our audit did not include C&D.

Even with most staff working from home, we managed to continue the work of the agency. All projects remained active through the pandemic, and C&D was able to award \$5.4 billion in new contracts in 2020 alone at a time when most of the industry was paralyzed by supply chain issues. In the years since, we’ve delivered projects big and small faster and cheaper than ever, including 45 new ADA accessible stations, plus megaprojects like the L Train Tunnel Rehab, LIRR Third Track and the new Penn Station Concourse. Even Grand Central Madison, formerly known as East Side Access, is now fully operational.

State Comptroller’s Comment – Transformation was an initiative that is defined by Law. While the MTA may wish to redefine it to include a variety of other initiatives, they are not part of Transformation. For instance, while train service to Grand Central Madison (GCM) opened after the Transformation, it is not a product of it. The history and cost of East Side Access (now GCM) is well known, and it is outside of Transformation.

After reading your audit of “Transformation” it seems to me that over the past two years, you may have been looking for change too narrowly. As of November 2021, we don’t refer to “Transformation” to describe our continuous improvement. Rather, the charge to these new

department heads has been to deliver on MTA’s Strategic Priorities:

- Deliver Better Transit Service
- Increase Appeal for Customers
- Promote Safety & Respect – in the transit system and the workplace
- Strengthen and Expand the Network
- Achieve Financial Stability and Viability
- Revive Talent and Culture

Learning from the success of MTA C&D, where department leaders owned the mission of enacting major change rather than outsourcing it to a separate standalone entity or some “Transformation” process, we have challenged the MTA agencies and department heads to deliver more for customers and employees, more cost-effectively, through these Strategic Priorities. I am proud of the work of these leaders, supported by the thousands of front-line employees who deliver for our customers every day.

The MTA Board was briefed on our Strategic Priorities when they were unveiled in 2022. We describe these Priorities on our website (<https://new.mta.info/transparency/strategic-priorities>), and report on our initiatives in these areas every year in our Annual Reports. Our Annual Reports are shared with our Board, published on our website for customers and stakeholders to review, and distributed to the Executive Chamber and State Legislature. We published these in 2022 and 2023 and are currently drafting the 2024 Annual Report. Those outcomes are the true measure of the success of Transformation.

I should note that nearly all MTAHQ department chiefs serving during the McCord era of Transformation have since retired or exited the organization – these include the former chiefs of the People, Finance, Procurement, Diversity & Inclusion, Communications, Legal and Safety departments. (And—sidenote—presented with an opportunity to hire into these roles, we now have by far the most racially and gender diverse leadership team in MTA history.)

So, having read your report, I can now understand why you did not hear the type of response you appear to have expected when you asked department heads, nearly all of whom were not in their current roles at the MTA during the McCord-era about the status of Transformation. Five years after the legislative mandate of an MTA Transformation Plan, the MTA doesn’t use the phrase “Transformation” to describe our efforts to increase efficiency and deliver for customers. However, to make the leap that MTA hasn’t had a major change in form, nature, or function since 2019, by only investigating whether there is documentation of initiatives branded as Transformation, seems designed to prove a failure.

State Comptroller’s Comment – The auditors expected that the MTA, as part of a good system of internal controls, would have documented its plans as well as details of plan implementation and resulting outcomes. Employee retirement should not impact whether the agency can support its actions, as these decisions should be appropriately documented.

As it pertains to cost savings – which I know is of special interest to the Comptroller – MTA’s operating budget is 3% lower in real terms today than it was in 2019. This is true despite the fact that we are providing more service on LIRR lines (40%), on subways (11%) and also

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operating a new 400,000 square foot terminal at Grand Central Madison. This is due to both the headcount reductions taken during the McCord-era of Transformation and the redoubled focus on operating cost savings following that era.

State Comptroller's Comment – This information was not provided during the audit and, therefore, we cannot comment on the validity of these statements.

The MTA first reduced 599 administrative positions in February 2020, followed by a 2,725 MTA-wide position reduction in February 2021 of which 270 were administrative. Over this period, 869 administrative positions were reduced, representing an over 20% reduction. While this information was provided to your staff over the course of the audit, it is not featured in your draft report, which is a head-scratcher.

State Comptroller's Comment – This is mentioned on page 9 of our report. However, the report notes that the planned reduction of 1,900 to 2,700 positions was not just in administrative areas but in operational areas as well because the MTA believed such a reduction could not be borne by administrative areas alone, as planned.

While the McCord era of Transformation was replaced by the more comprehensive Strategic Priorities, through this period MTA has remained singularly focused on cost savings. MTA leadership instituted a new, robust program of Agency-led cost savings initiatives referred to internally as the “Fiscal Baseline Reset”. Starting in 2022, MTA leadership set an aggressive savings target of \$100M in 2023, growing to \$400M in 2024, and \$500M in 2025, which have been realized and are built into the financial plan every year. We continue to brief the Board on these initiatives regularly, most recently at the Agency committee meetings in October 2024. We welcome the Comptroller’s unique perspective on expanded or new areas for cost savings, given our continued focus in this area.

Regards,



Laura Wiles
MTA Chief of Staff

c: Paige Graves, MTA General Counsel
Monica Murray, MTA Auditor General

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