

The Metropolitan Transportation Authority
Report to Management
Year Ended December 31, 2022

June 6, 2023

The Audit Committee
Metropolitan Transportation Authority
New York, New York

And

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

Dear Members of the Audit Committee and Management:

In connection with our audits of the financial statements of the Metropolitan Transportation Authority (inclusive of Metropolitan Transportation Authority's Headquarters), First Mutual Transportation Assurance Company, Long Island Rail Road Company, Metro-North Commuter Railroad Company, MTA Bus Company, New York City Transit Authority, Staten Island Rapid Transit Operating Authority and the Triborough Bridge and Tunnel Authority (collectively the "MTA") as of and for the year ended December 31, 2022 (on which we have issued our reports dated June 6, 2023), performed in accordance with auditing standards generally accepted in the United States of America (generally accepted auditing standards), we considered internal control relevant to the MTA's preparation of financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the MTA's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, in connection with our audits, we have identified, and included in the attached Appendix A, a certain matter involving the MTA's internal control over financial reporting that we consider to be a significant deficiency under generally accepted auditing standards.

We have also identified, and included in the attached Appendix A, other deficiencies involving the MTA's internal control over financial reporting as of December 31, 2022 that we wish to bring to your attention.

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

Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance, and (4) Independent Auditor's Report on Compliance for Each Major State of New York Department of Transportation Assistance Program; and Report on Internal Controls over Compliance; and Report on Schedule of State of New York Department of Transportation Assistance expended Required by Part 43 of the New York State Codification of Rules and Regulations.

The definitions of a deficiency, a material weakness, a significant deficiency, and other matters are set forth in the attached Appendix B.

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

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

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

Sincerely,

Deloitte & Touche LLP

**THE METROPOLITAN TRANSPORTATION AUTHORITY
TABLE OF CONTENTS**

	<u>Page</u>
APPENDIX A	
Metropolitan Transportation Authority- Headquarters	6
MTA Consolidated Information Technology Department	11
Metro North Commuter Railroad Company	25
Staten Island Rapid Transit Operating Assistance Company	27
Triborough Bridge and Tunnel Authority	29
First Mutual Transportation Assurance Company	35
APPENDIX B	
Definitions of a deficiency, a material weakness, a significant deficiency, and other matters	38
APPENDIX C	
Management’s responsibility for, and the objectives and inherent limitations of, internal control over financial reporting	39

APPENDIX A

METROPOLITAN TRANSPORTATION AUTHORITY- HEADQUARTERS

**METROPOLITAN TRANSPORTATION AUTHORITY- ALL AGENCIES
CURRENT YEAR COMMENTS- OTHER MATTERS-2022**

OTHER MATTERS

We identified, and included below, an Other Matter related to our observations concerning operations, compliance with laws and regulations, and best practices involving internal control over financial reporting as of December 31, 2022, related to the Metropolitan Transportation Authority (“MTA”) Controller’s Department that we wish to bring to your attention.

1. Succession Planning

Observation:

This comment has been tailored for the MTA Controller’s Department from the best practices issued by the Government Finance Officers Association (“GFOA”), as we feel it is applicable. Many governments face the challenge of ensuring continuity and consistency of service delivery due to employee turnover. In instances where large numbers of government employees are eligible to retire, there is a concern that not enough qualified or available workers will be prepared to replace them.

Background:

The GFOA encourages governments to address the following key issues and develop strategies concerning succession planning. □

- Develop an integrated approach to succession management. Key components of an integrated succession management approach include: workforce planning, succession planning, knowledge management practices, and recruitment and retention practices.
- Continually assess potential employee turnover.
- Provide a formal, written succession plan as a framework for succession initiatives. A formal plan identifies risks and strategies, thereby providing a guiding framework for specific succession initiatives, including how employees are eligible to participate and what being part of the succession plan means.
- Develop written policies and procedures to facilitate knowledge transfer. Knowledge transfer is a critical component of succession management. There should be written procedures in place to formalize the knowledge transfer.
- Design of better recruitment and retention practices may aid in the succession process. Making sure pay levels are competitive with the marketplace is a critical means of retaining employees. Providing career advancement opportunities for employees is another means of retention.

Background:

- Consider non-traditional hiring strategies. Options such as part-time work, job-sharing, volunteers, and flexible schedules and flexible-place arrangements are providing mechanisms to both meet the needs of the organization and employees.

References:

- GFOA's Generational Change Task Force Report:
http://www.gfoa.org/downloads/GFOA_GenChangeReportFINAL.pdf

**METROPOLITAN TRANSPORTATION AUTHORITY- ALL AGENCIES
CURRENT YEAR COMMENTS- OTHER MATTERS-2022 (continued)**

- GFOA Advisory: Evaluating the Use of Early Retirement Incentives, 2004.
Approved by the GFOA's Executive Board, February, 2011.

Recommendation:

It is recommended that the MTA Controller's Department implement a strategic approach to succession planning, including the identification of mission critical positions; workforce analytics to identify potential high loss separations from the MTA Controller's Department; leadership development programs focused on continuous development and retention of high potential employees; and external recruitment for new staff who can grow and adapt to future MTA Controller's Department needs. In addition, the MTA Controller's Department should ensure that competitive compensation packages are in place in order to entice strong, competent, and talented candidates to come work for the MTA Controller's Department.

Management Response (2022):

MTA Controller's Department will review this recommendation to apply, as appropriate to more than just the financial reporting areas in the department. Working with the Human Resources department, changes and updates to compensation levels have occurred and continue to be evaluated. New and additional hires are being recruited.

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

We identified and previously communicated the following deficiency that was considered to be a significant deficiency in the MTA’s internal control over financial reporting during our audit of the financial statements of the MTA for the year ended December 31, 2021. As of the date of this report, we believe this deficiency has not yet been remediated by the MTA.

1. Non-operating Revenue Account Reconciliation - SIGNIFICANT DEFICIENCY

Agency:

Metropolitan Transportation Authority – (Headquarters, “MTAHQ”)

Criteria:

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

Condition:

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

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

Cause:

MTAHQ did not appropriately recognize revenue and the corresponding receivables for the year-ended 12/31/2021 related to non-operating revenues.

Effect:

As a result, non-operating revenue and corresponding receivables were misstated and consolidated financial statements were improperly accounted, reported, and disclosed, as described in the ‘*Condition*’ section above.

Recommendation:

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

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

Financial Statement Impact:

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

Management Response (2021):

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

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

Status Update (2022):

While some progress has been made on the enhancement of review over non-operating revenue, management recorded \$352 million of Federal Emergency Management Agency ("FEMA") grant revenue in the 2022 MTA consolidated financial statements for grant revenues received between 2016 and 2021. MTA originally recorded a third-party payable instead of FEMA revenue. While immaterial to the MTA consolidated financial statements, this is the second-year improper recognition of non-operating revenue occurred. Therefore, we reiterate our prior recommendation.

Management Response (2022):

Steps were taken to enhance the revenue confirmation and validation processes for 2022. The errors that occurred in 2021 were addressed with the changes made to the processes. The accounting for the FEMA grant revenue was corrected as a result of the increased management oversight for the grant revenue and intercompany accounting processes.

MTA CONSOLIDATED INFORMATION TECHNOLOGY (“IT”) DEPARTMENT

**METROPOLITAN CONSOLIDATED INFORMATION TECHNOLOGY DEPARTMENT
CURRENT YEAR COMMENTS- DEFICIENCIES-2022**

DEFICIENCIES

We identified, and included below, deficiencies involving the MTA Consolidated IT Department's internal control over financial reporting for the year ended December 31, 2022, that have not been previously communicated in writing or orally, by others within the MTA, or by us that we wish to bring to your attention.

1. CSS Application Privilege Access

Agency:

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

Criteria:

Privileged Level Access (e.g., Security administrators) is authorized and appropriately restricted.

Condition:

During our audit procedures, D&T identified 12 accounts that did not require the privilege access as per their job responsibilities and were currently working in a different profile were having elevated access in the system.

Cause:

D&T noted that users who no longer require access have inappropriate privileged level access to the application during the current audit period. The root cause of this deficiency is that IT Management did not enforce user access review process in a timely manner. This control is not dependent on any other GITCs. It was not caused by a deficiency in any other GITC, nor does it impact the performance of any other controls.

Effect:

These accounts can be utilized to access the reports and can make changes which might impact the credibility of the reports being generated and make inappropriate changes.

Recommendation:

We recommend that MNR management review the access permissions granted to users in elevated role and also monitor the activity performed by each user. When access of a user is not required, the management should make sure that the access is revoked in a timely manner.

Financial Statement Impact:

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

Management Response (2022):

Management Concur; Management will perform a monthly review and annual recertification.
Estimated Completion Date 4th Quarter 2023

**METROPOLITAN CONSOLIDATED INFORMATION TECHNOLOGY DEPARTMENT
CURRENT YEAR COMMENTS- DEFICIENCIES-2022**

2. Change Management Segregation of Duties - Access to Production – TSS Application & Database

Agency:

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

Criteria:

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

Condition:

D&T noted on 11 accounts, the MTA management failed to provide access confirmations about who accessed these accounts. Since these accounts were granted privilege access, it was imperative that management maintained relevant details around them.

There is a risk of unauthorized access of the system since these accounts have unregulated access.

Cause:

The root cause of this deficiency is that the team managing the relevant application and its database is not properly reviewing the access granted to the system and therefore unaware of the permission and user performing tasks in the system. MTA management failed to provide access confirmations since they were not sure about who accessed these accounts. While this control is dependent on the provisioning process, we noted that this access was set per management's intention and therefore was not caused by a deficiency in any other GITC, nor does it impact the performance of any other controls.

Effect:

If management does not review the user and permission granted in the system, there is a risk of unauthorized access of the system.

Recommendation:

We recommend that LIRR management review the access permissions granted to users in elevated roles and also monitor the activity performed by each user. When access of a user is not required, the management should make sure that the access is revoked in a timely manner.

Financial Statement Impact:

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

Management Response (2022):

Management Concur; Management will perform a monthly review and annual recertification.
Estimated Completion Date 4th Quarter 2023

MTA CONSOLIDATED INFORMATION TECHNOLOGY DEPARTMENT
PRIOR YEAR COMMENTS- DEFICIENCIES- 2021

3. OMNY Application Provisioning (Carryforward from prior year)

Agency:

MTA Headquarters

Criteria:

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

Condition:

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

Cause:

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

Effect:

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

Recommendation:

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

Financial Statement Impact:

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

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

Estimated Completion Date 4th Quarter 2022.

Status Update (2022): This deficiency remains unrectified in 2022 and as such our recommendation from prior year applies in the current year.

Management Response (2022): Management Concur: Management will establish a formalized process for access provisioning requests to add or update users to the OMNY (Cubic) application.

Estimated Completion Date 4th Quarter 2023.

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

4. OMNY Application Deprovisioning (Carryforward from prior year)

Agency:

MTA Headquarters

Criteria:

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

Condition:

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

Cause:

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

Effect:

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

Recommendation:

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

Financial Statement Impact:

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

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

Estimated Completion Date 4th Quarter 2022

Status Update (2022): This deficiency remains unrectified in 2022 and as such our recommendation from prior year applies in the current year.

Management Response (2022): Management Concur: Management will establish a formalized process for deprovisioning users access to the OMNY (Cubic) application.

Estimated Completion Date 4th Quarter 2023

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

5. AFC Application Provisioning (Carryforward from prior year)

Agency:

New York City Transit Authority

Criteria:

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

Condition:

D&T noted for 12 out of 15 sampled new hires/transfers there was no documentation related to the access request, including approval and access required. Per discussion with management, these users were discussed verbally with the IT team, but no evidence of the access request was retained.

Cause:

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

Effect:

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

Recommendation:

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

Financial Statement Impact:

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

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

Estimated Completion Date 4th Quarter 2022.

Status Update (2022): This deficiency remains unrectified in 2022 and as such our recommendation from prior year applies in the current year.

Management Response (2022): Management Concur: The current identity and Access Management System (IAMS) currently has a process. When a user needs to be added or modify the access, it is required to make entitlement requests in IAMS system, then approved by the user's manager, and then

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

obtain Data owner approval. MTA IT will reinforce the documentation requirements over the access request process with the end users and system administrators.

Estimated Completion Date 4th Quarter 2023

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

6. AFC Application Deprovisioning (Carryforward from prior year)

Agency:

New York City Transit Authority

Criteria:

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

Condition:

For 1 out of the 3 sampled terminated/deprovisioned users access was not removed in a timely manner.

Cause:

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

Effect:

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

Recommendation:

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

Financial Statement Impact:

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

Management Response (2021): Management Concur: The current process for terminated / Retired employee is revoking their account, and the recertification process will delete the revoked account. IAMS will look to expand the logic to revoke the account and delete the account automatically. Estimated Completion Date 3rd Quarter 2023.

Management Response (2022): Management Concur: The current process for terminated / Retired employee is revoking their account, and the recertification process will delete the revoked account. IAMS will look to expand the logic to revoke the account and delete the account automatically. Estimated Completion Date 3rd Quarter 2023.

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

7. TBTA Kronos Terminations (Carryforward from prior year)

Agency:

Triborough Bridge and Tunnel Authority (“TBTA”)

Criteria:

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

Condition:

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

Cause:

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

Effect:

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

Recommendation:

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

Financial Statement Impact:

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

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

Estimated Completion Date 1st Quarter 2023.

Management Response (2022): Management Concur: A manual process will be created to disable user accounts timely.

Estimated Completion Date 3rd Quarter 2023.

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

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

Agency:

Triborough Bridge and Tunnel Authority (“TBTA”)

Criteria:

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

Condition:

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

Cause:

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

Effect:

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

Recommendation:

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

Financial Statement Impact:

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

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

Estimation Completion Date 4th Quarter 2022.

Management Response (2022): Management Concur: a design & operation of control was put in place in 2023.

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

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

Agency:

Triborough Bridge and Tunnel Authority (“TBTA”)

Criteria:

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

Condition:

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

Cause:

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

Effect:

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

Recommendation:

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

Financial Statement Impact:

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

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

Estimated Completion 4th Quarter 2022.

Management Response (2022): Management Concur: a design & operation of control was put in place in 2023.

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

10. ORT Application Terminations (Carryforward from prior year)

Agency:

Triborough Bridge and Tunnel Authority (“TBTA”)

Criteria:

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

Condition:

During our audit procedures, D&T noted for 2 out of the 2 sampled terminated/deprovisioned users, access was not removed in a timely manner. The users were terminated on 1/12/2022 and 1/19/2022 and access was removed on 7/29/2022 for both.

Cause:

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

Effect:

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

Recommendation:

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

Financial Statement Impact:

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

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

Estimated Completion Date 4th quarter 2022.

Management Response (2022): Management Concur: a design & operation of control was put in place in 2023.

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

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

Agency:

Triborough Bridge and Tunnel Authority (“TBTA”)

Criteria:

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

Condition:

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

Cause:

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

Effect:

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

Recommendation:

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

Financial Statement Impact:

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

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

Estimated Completion Date 4th Quarter 2022.

Management Response (2022): Management Concur: a design & operation of control was put in place in 2023.

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

12. LIRR CAMS-FS Database & TSS Database Password Parameters (recurring from 2021)

Agency:

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

Criteria:

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

Condition:

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

Cause:

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

Effect:

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

Recommendation:

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

Financial Statement Impact:

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

Management Response (2022):

Management concurs system account passwords will be addressed by MTA IT as part of the CAMS - FS Oracle 12 upgrade.

Estimated Completion Date 2nd Quarter 2024

METRO NORTH COMMUTER RAILROAD COMPANY

METRO-NORTH COMMUTER RAILROAD COMPANY
CURRENT YEAR COMMENTS- DEFICIENCIES-2022

DEFICIENCIES

We identified, and included below, deficiencies involving the Metro-North Commuter Railroad Company's ("MNR") internal control over financial reporting for the year ended December 31, 2022, that have not been previously communicated in writing or orally, by others within MNR, or by us that we wish to bring to your attention.

1. Overstatement of ROU Assets and Lease Liability - DEFICIENCY

Agency:

Metro North Commuter Railroad Company ("MNR")

Criteria:

The ROU assets and lease liabilities are appropriately recorded and correctly stated on the Statement of Net Position, Statements of Revenue, Expenses and Changes in Net Position and Statement of Cash Flows in accordance with newly adopted accounting standard GASB 87- Leases.

Condition:

As a result of adoption of GASB 87, Metro-North identified an incorrect ROU Asset and Lease Liability's beginning balance. The Asset was already recorded in the Projects in Progress balance resulting in double counting of an Asset. As a result, ROU assets were overstated by \$10.87 million as of 12/31/2021 and beginning balance as of 12/31/2022.

Cause:

Although Management reviewed the schedules and accounting treatment of GASB 87 related to 2021 MNR's ROU asset and lease liabilities, D&T noted the oversight was attributable to the lack of review of the schedules that affected the restated 2021 balances on the issued 2022 financial statements.

Effect:

The ROU Asset and Lease Liabilities financial statement line items were misstated by \$10.87 million as of 12/31/2021 and beginning balance as of 12/31/2022.

Recommendation:

We recommend that Metro North Commuter Railroad Company management enhance review controls over the ROU assets and liability reconciliations to ensure that the ROU assets and lease liabilities are appropriately recognized and recorded in accordance with GASB 87.

Financial Statement Impact:

There was no financial statement impact as this overstatement was corrected by management and properly reflected in the financial Statements as of 12/31/2021 and beginning balance as of 12/31/2022

Management Response (2022): Management concurs. MNR will enhance reviews over the ROU assets and lease obligations to ensure that accounting treatment aligns with the GASB 87 accounting standard.

Staten Island Rapid Transit Operating Authority

**STATEN ISLAND RAPID TRANSIT OPERATING AUTHORITY
CURRENT YEAR COMMENTS- DEFICIENCIES-2022**

DEFICIENCIES

We identified, and included below, deficiencies involving the Staten Island Rapid Transit Operating Authority's ("SIRTOA") internal control over financial reporting for the year ended December 31, 2022, that have not been previously communicated in writing or orally, by others within SIRTOA, or by us that we wish to bring to your attention.

1. Current versus Noncurrent Liability Classification - DEFICIENCY

Agency:

Staten Island Rapid Transit Operating Authority – ("SIRTOA")

Criteria:

An estimated liability from injuries to persons is calculated by the SIRTOA's actuary each year. SIRTOA uses this estimate to record the appropriate liability and expense. An estimate of this liability includes a current and noncurrent portion.

Condition:

During our audit procedures, D&T identified a misclassification between the current and noncurrent portion of the estimated liability arising from injuries to persons.

Cause:

SIRTOA did not utilize the actuarial estimate to classify the liabilities between current and noncurrent. Instead, the current portion of the liability arising from injuries to persons was based on the historical methodology of using actual cash payouts for the current year (2022) to estimate the current portion of the liability arising from injuries to persons.

Effect:

As a result, the current liability arising from injuries to persons was understated by \$2.4 million and the noncurrent liability arising from injuries to persons was overstated by \$2.4 million.

Recommendation:

We recommend that SIRTOA management records the current estimated liability arising from injuries to persons utilizing the actuarial determined estimate.

Financial Statement Impact:

There was no Financial Statement impact as the 2022 Financial Statements were adjusted to utilize the actuarial estimate.

Management Response (2022):

Going forward, SIRTOA management will record the current liability arising from injuries to persons from the Actuary report.

TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY

**TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY
CURRENT YEAR COMMENTS- DEFICIENCIES-2022**

DEFICIENCIES

We identified, and included below, deficiencies involving the Triborough Bridge and Tunnel Authority's ("TBTA") internal control over financial reporting for the year ended December 31, 2022, that have not been previously communicated in writing or orally, by others within TBTA, or by us that we wish to bring to your attention.

1. Review of Claims Liability - DEFICIENCY

Agency:

Triborough Bridge and Tunnel Authority ("TBTA")

Criteria:

An estimated liability from injuries to persons is calculated by the TBTA's actuary each year. TBTA uses this estimate to record the appropriate liability and expense. An estimate of this liability includes a current and noncurrent classification.

Condition:

During our audit procedures, D&T identified a misclassification between the current and noncurrent estimated liability arising from injuries to persons.

Cause:

TBTA did not utilize the correct actuarial estimate to classify the liabilities between current and noncurrent based on their review of the Oliver Wyman actuarial report.

Effect:

As a result, the current liability arising from injuries to persons was overstated by \$1.8 million and the noncurrent liability arising from injuries to persons was understated by \$1.8 million.

Recommendation:

We recommend that TBTA management enhances review controls over claims liability for the classification of current and noncurrent estimated liability arising from injuries to persons on the financial statements.

Financial Statement Impact:

There was no Financial Statement impact as the 2022 Financial Statements were adjusted to utilize the correct actuarial estimate.

Management Response (2022):

Management will use the appropriate section of the actuary report in recording the current and noncurrent claims liability arising from injuries to persons.

**TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY
CURRENT YEAR COMMENTS- DEFICIENCIES-2022 (continued)**

2. Review of Investments Reconciliation - DEFICIENCY

Agency:

Triborough Bridge and Tunnel Authority (“TBTA”)

Criteria:

TBTA performs a monthly reconciliation of all daily investment activity and cash movements to the general ledger. As part of the TBTA’s month-end close procedure, it is ensured that each investment fund per the MTA investment log agrees to the general ledger.

Condition:

During our audit procedures, we identified a deficiency in TBTA’s investments reconciliation as the unrealized gain/loss from investment income was inappropriately netted against interest expense and loan receivable from the MTA as of December 31, 2022.

Cause:

TBTA did not properly monitor the amount of the impact of netting interest expense with unrealized investment income in the current year. Management has a convention that nets as long as the amounts are not material.

Effect:

As a result, the following account balances were understated: loan receivable – MTA by \$4,433,000, interest expense by \$5,114,000, and unrealized gain/loss from investment income by \$9,547,000.

Recommendation:

We recommend that TBTA management records the unrealized gain/loss from investment income, interest expense and loan receivable from the MTA without netting the accounts to appropriately reflect the balances on the financial statements.

Financial Statement Impact:

There was no Financial Statement impact as the accounts identified were adjusted and reported correctly in the 2022 Financial Statements.

Management Response (2022):

Management will record the unrealized gain/loss from investment and interest expense transactions without netting the accounts so these are reflected separately in the financial statements.

**TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY
CURRENT YEAR COMMENTS- DEFICIENCIES-2022 (continued)**

3. Review of GASB 87 Adoption/Implementation Schedules- DEFICIENCY

Agency:

Triborough Bridge and Tunnel Authority (“TBTA”)

Criteria:

TBTA reviewed the GASB 87 implementation schedules – lease journal entries and underlying support to ensure it is properly recorded to the general ledger in the correct period.

Condition:

During our audit procedures, we identified a deficiency in TBTA’s review of GASB 87 implementation schedules. Based on substantive testing performed on the 2021 beginning balance lessor leases recorded in the general ledger, the present value of contractual payments per the lease agreement for two selections were understated. This resulted in an understatement of lease receivable and deferred inflows of resources – leases as of 12/31/2021.

Cause:

Although Management reviewed the schedules and accounting treatment of GASB 87 related to the 2021 TBTA’s lease receivable and deferred inflow for resources schedules, D&T noted the oversight was attributable to the lack of review of the schedules that affected the restated 2021 balances on the issued 2022 financial statements

Effect:

As a result, both lease receivable and deferred inflows of resources – leases were understated by \$2,082,351 as of 12/31/2021 and beginning balance as of 12/31/2022.

Recommendation:

We recommend that TBTA management enhance review controls by adding another layer of review over the GASB 87 leases journal entries and underlying support to ensure the lease-related accounts are appropriately reflected in TBTA’s financial statement as of year-end.

Financial Statement Impact:

There was no financial statement impact as the understatements were corrected by management and properly reflected in the financial statements as of 12/31/2021 and beginning balance as of 12/31/2022.

Management Response (2022):

Management will enhance reviews over the lease transactions to ensure that these are appropriately set-up in the system.

**TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY
CURRENT YEAR COMMENTS- DEFICIENCIES-2022 (continued)**

4. Review of Non-operating Revenue- DEFICIENCY

Agency:

Triborough Bridge and Tunnel Authority (“TBTA”)

Criteria:

TBTA performs a monthly close of non-operating revenue (i.e., internet tax revenue) and receivables to the general ledger. As part of TBTA’s month-end close procedure, funds received and yet to be received from New York State are recorded to the general ledger.

Condition:

During our audit procedures, we identified a deficiency in TBTA’s review of non-operating revenue as inappropriate amounts were recognized as non-operating revenue when they were transfers from MTAHQ. This resulted in an overstatement of non-operating revenue and an understatement of transfer in from MTA for the year ended 12/31/2022.

Cause:

TBTA did not appropriately recognize non-operating revenue for the year ended December 31, 2022.

Effect:

As a result, non-operating revenue was overstated by \$2,435,193, and transfers in – MTA was understated by \$2,435,193. There was no impact on the Change in Net Position.

Recommendation:

We recommend that TBTA management enhance review controls of non-operating revenue to ensure appropriate recognition of non-operating revenue for the year is properly reflected in the financial statements.

Financial Statement Impact:

The effect of the known errors identified was \$2,435,193 Internet revenue tax on the Statements of Revenues, Expenses, and Changes in Net Position for the year ended 12/31/2022.

Management Response (2022):

TBTA management will ensure agreement from MTA HQ is obtained to substantiate unusual and material items impacting the financial statements prior to recording in the Agency ledger.

**TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY
CURRENT YEAR COMMENTS- OTHER MATTERS-2022**

OTHER MATTERS

We identified, and have included below, Other Matters related to our observations concerning operations and best practices involving internal control over financial reporting as of December 31, 2022, related to the Triborough Bridge and Tunnel Authority (“TBTA”) that we wish to bring to your attention.

1. Legal expenses

Criteria:

As part of legal expenses reconciliation, TBTA accounting team records legal expense accruals on a quarterly basis in accordance with GASB Codification C50, *Claims and Judgements*. Based on communications with the Legal department, a reserve is recorded on legal cases where the incurrence of the liability is probable, and the amount of loss can be reasonably estimated.

Condition:

Through our review of legal reserve on pending or threatened litigation and unasserted claims or assessments, we noted management was only focusing on matters above D&T established thresholds and leaving out all other matters less than our threshold. Prior to the end of our audit, management verified that the amounts individually and in aggregate are immaterial and D&T has assessed the impact and concluded they are immaterial.

Effect:

There is a risk of inaccurate/unsupported expense accruals.

Recommendation:

We recommend to management more frequent and detailed communication between TBTA accounting team and the Legal department so that all legal matters regardless of a threshold are properly reflected in the underlying books and financial statements.

Financial Statement Impact:

No impact noted.

Management Response (2022):

TBTA General Counsel and MTA Risk Management will coordinate to ensure all loss contingencies meeting GASB codification section 50 are properly accrued for in TBTA financial statements.

FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY

**FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY
CURRENT YEAR COMMENT-OTHER MATTERS- 2022**

OTHER MATTERS

We identified, and have included below, Other Matters related to our observations concerning operations and best practices involving internal control over financial reporting as of December 31, 2022, related to the First Mutual Transportation Assurance Company (“FMTAC”) that we wish to bring to your attention.

1. Unearned Revenue for OCIP Projects

Criteria:

As part of FMTAC's calculation of unearned revenue for Owner-Controlled Insurance Program (OCIP) programs, the MTA OCIP team reviews project costs details for the period and updates the unearned revenue calculation file that is sent to Marsh Captive Solutions (“Marsh”), third-party captive manager. Marsh uses this file to record unearned revenue for OCIP projects. FMTAC is responsible for recording unearned revenue based on proper support.

Condition:

We note that through our testing of Unearned Revenue, the MTA OCIP team initially was not able to provide the FY22 cost details that tied to the Unearned Revenue schedule obtained from Marsh. When D&T asked for detail that agrees to the schedule, MTA OCIP Team was not clear on how to provide an accurate schedule. This situation was primarily due to the retirement of the employee who performed this reconciliation and provided the balances to Marsh. Eventually, after our inquiries the MTA OCIP team was able to provide the supporting schedules.

Effect:

There is a risk of inaccurate calculation of unearned revenue for OCIP projects if the correct project-level detail is not communicated to Marsh, who records the Unearned Revenue entries for FMTAC based on input from the MTA OCIP team.

Recommendation:

We note this other matter was mainly caused by the retirement of an experienced employee. Even so, we recommend that there should be more frequent communication between the MTA OCIP team and Marsh in terms of calculating unearned revenue for OCIP projects. Additionally, we recommend enhancing the unearned revenue control by Marsh reviewing the project cost detail for the period and agreeing it to the unearned revenue calculation. As Marsh is the main point of contact for the audit, they should be able to timely provide details that agree to their subledgers.

Financial Statement Impact:

No impact noted.

Management Response:

Management accepts this recommendation This inaccuracy was mainly due to the timing from when Marsh provided the report to when the MTA OCIP team provided the report with updated numbers. For FY22, the corrected reconciliation was completed by RIM's Assistant Director of Budget and Non-OCIP Deputy Director. Going forward it will be completed by the MTA OCIP team. The MTA OCIP team will incorporate more frequent communication with Marsh on these OCIP programs, and Marsh will review the detail with Management and agree it to the Unearned Revenue schedule.

**FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY
CURRENT YEAR COMMENT-OTHER MATTERS- 2022**

2. Intercompany Risk Management Fees

Criteria:

As part of expenses, MTA HQ sends the various agencies quarterly invoices for work performed for those agencies, which are recorded at FMTAC as risk management fees. MTA HQ and the agencies reconcile their intercompany balances, investigating any differences. Agencies are responsible for recording the respective accruals based on proper support.

Condition:

The agencies (including FMTAC) record quarterly expense accruals based on services performed for the agencies by MTA HQ. D&T notes that during our initial review, the risk management fee accrual was not properly supported for the full amount. Management accrued based on the first three quarterly invoices however, this amount was too low for the amount recorded. As such, we concluded that initially there was a discrepancy between the accrued amount and support provided.

Effect:

There is a risk of inaccurate/unsupported expense accruals if the intercompany amounts are not properly communicated, reconciled and confirmed on a periodic basis between agencies.

Recommendation:

We recommend to management more frequent and detailed communication between FMTAC and MTA HQ of intercompany amounts so material discrepancies are avoided throughout the year on quarterly basis.

Financial Statement Impact:

No impact noted. After our finding, the complete support was provided and the accrued amount was properly supported. As such, there was no impact to the Financial Statements.

Management Response:

Management accepts this recommendation. The finding occurred whereby accounts normally charged back were excluded in first three quarter invoices which caused the discrepancy upon annualizing. This discrepancy has been corrected. FMTAC will incorporate more frequent communication with MTA HQ on these expenses.

APPENDIX B

DEFINITION

The definitions of a deficiency, a material weakness, a significant deficiency, and other matters are as follows:

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

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Other matters are matters that are neither control deficiencies nor misstatements resulting in a material impact on the financial statements. They are related to our observations concerning operations, compliance with laws and regulations, and best practices involving internal control over financial reporting that we wish to bring to your attention at this time.

APPENDIX C

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

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

Management’s Responsibility

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

Objectives of Internal Control over Financial Reporting

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

Inherent Limitations of Internal Control over Financial Reporting

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

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