



Memorandum

**U.S. Department of
Transportation**

Office of the Secretary
of Transportation
Office of Inspector General

Subject: **INFORMATION:** Audit Announcement –
FTA’s Oversight of Major Transit Projects
in New York City
Project Number 10U3011M000

Date: March 25, 2010

From: Joseph W. Comé 
Assistant Inspector General
for Surface and Maritime Program Audits

Reply to
Attn. of: JA-40

To: Federal Transit Administrator

The Office of Inspector General (OIG) plans to conduct a series of audits of the Federal Transit Administration’s (FTA) oversight of the following major transit projects in New York City: the Metropolitan Transportation Authority’s (MTA) Fulton Street Transit Center, Second Avenue Subway, East Side Access projects, and the Port Authority of New York & New Jersey’s (Port Authority) Trans-Hudson (PATH) Terminal project. In recent years, FTA has provided funding totaling over \$7 billion for these complex, high-profile transit projects. They have been approved for a combination of Lower Manhattan Recovery, New Starts, and American Recovery and Reinvestment Act (ARRA) funding. The ARRA funding allocated to three of these projects is significant—\$700 million out of FTA’s total ARRA funding of \$8.4 billion.

So far, these four projects, in total, have experienced billions in cost overruns and years of schedule delays. For example, the PATH Terminal’s estimated costs increased from \$2 billion to \$3 billion, and the estimated completion date has been pushed out from April 2012 to June 2014.

Vigilant FTA oversight of these transit projects is critical to maximizing the return on the significant Federal investment and completing them in a timely manner. Further, ARRA-funded projects require unprecedented levels of accountability and transparency to minimize the potential for fraud, waste, and mismanagement.

Accordingly, for each selected project, our audit objectives will be to: (1) evaluate the effectiveness of FTA's oversight of the project, including cost, schedule, funding, and grantee management issues, and (2) assess whether ARRA goals and requirements are being met, if applicable. Our approach will be to conduct an audit of each project, starting with the Fulton Street Transit Center, the project receiving the largest amount of ARRA funding from FTA. We will then report on our findings and recommendations as each project assessment is completed.

We plan to begin this audit the week of March 29, 2010. We will conduct our work at FTA Headquarters, Region II, and other related sites, as needed. We will contact your audit liaison to schedule an entrance conference and explain our approach in further detail. If I can answer any questions or be of further assistance, please contact me at (202) 366-5630, or Tom Yatsco, Program Director, at (202) 366-1302.

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cc: Audit Liaison, FTA, TBP-60
Audit Liaison, OST, M-1