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*Office of Inspector General*  
***Audit Report***

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**LESSONS LEARNED FROM THE EAST SIDE  
ACCESS PROJECT CAN ENHANCE FTA'S  
OVERSIGHT OF MTA'S REPORTING ON  
REMAINING ARRA GRANTS**

*Federal Transit Administration*

*Report Number: MH-2013-098*

*Date Issued: June 12, 2013*






# Memorandum

U.S. Department of  
Transportation

Office of the Secretary  
of Transportation  
Office of Inspector General

Subject: **ACTION:** Final Report— Lessons Learned From  
the East Side Access Project Can Enhance FTA's  
Oversight of MTA's Reporting on Remaining  
ARRA Grants  
Federal Transit Administration  
Report No. MH-2013-098

Date: June 12, 2013

From: Joseph W. Comé   
Assistant Inspector General for  
Highway and Transit Audits

Reply to  
Attn. of: JA-40

To: Federal Transit Administrator

The Metropolitan Transportation Authority's (MTA) East Side Access (ESA) project, located in New York City, is one of the largest transit mega-projects in the country currently under construction, with a total estimated project cost of over \$9.8 billion and an estimated completion date of September 2019. ESA's primary purpose is to expand MTA Long Island Rail Road's (LIRR) commuter rail service in Manhattan to include Grand Central Terminal in addition to Penn Station, which is expected to shorten travel time for thousands of Long Island commuters and ease passenger crowding at Penn Station. The Federal Transit Administration (FTA) has committed nearly \$2.7 billion in Federal funding to the project, including the most American Recovery and Reinvestment Act (ARRA) New Starts funding of any project (\$195.4 million).<sup>1</sup> As with all ARRA-funded projects, MTA's ESA project has been subject to statutory and Office of Management and Budget (OMB) requirements for increased transparency and accountability.

We initiated this audit in May 2012.<sup>2</sup> However, after Hurricane Sandy struck the New York metropolitan area in October 2012, FTA and MTA staff needed to prioritize their efforts on restoring full transportation services, which understandably delayed our data collection efforts. To accommodate this situation,

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<sup>1</sup> Under ARRA, the Capital Investment Grants Program made \$750 million available for FTA's discretionary New Starts and Small Starts Programs. The total Federal funding commitment for each project did not increase; rather, the ARRA funding accelerated award of the funds already committed.

<sup>2</sup> OIG announcement letter, Audit Initiated of FTA's Oversight of Major Transit Projects in New York City: East Side Access, May 14, 2012. All OIG announcement letters and reports are available on our Web site at [www.oig.dot.gov](http://www.oig.dot.gov).

we separated the audit into two parts, with this report providing information concerning FTA’s compliance with ARRA requirements on the ESA project. Specifically, for this first report our objectives were to determine whether (1) MTA’s controls over the materials purchased with ARRA funds were sufficient to safeguard those items, and (2) FTA ensured that MTA met ARRA’s certification and reporting requirements for ESA. Our work on the second part of the audit—an assessment of FTA’s oversight of the ESA project’s cost, schedule, and local funding risks—is on hold so that we may support oversight of FTA’s Hurricane Sandy relief funding in accordance with the Disaster Relief Appropriations Act.

To conduct our ARRA-related work, we performed a physical inventory on a random sample of about \$10.8 million (approximately 57 percent) of materials that were pre-purchased using ARRA funds. We also reviewed ARRA regulations and guidance, and evaluated MTA’s ARRA certifications and reports and FTA’s oversight of those reports. We interviewed FTA Headquarters and Region II officials, and MTA officials. We conducted our work in accordance with generally accepted Government auditing standards. Exhibit A provides more detail on our audit scope and methodology.

## BACKGROUND

As figure 1 illustrates, the ESA project will connect the MTA LIRR’s commuter rail lines to an existing tunnel under the East River and to a new LIRR terminal at Grand Central Terminal—along with modifications to existing track alignments and construction of a storage yard and maintenance facilities.

**Figure 1. ESA Project Map**



Source: MTA

Over \$2.6 billion of the nearly \$2.7 billion in Federal funds committed to the ESA project are from FTA's New Starts program, which provides Federal financial support for locally planned and operated public transit. The ESA project's New Starts funding includes \$195.4 million in ARRA New Starts funds for ESA that FTA awarded in March 2010 and that MTA expended by August 2010. New Starts funds usually require a non-Federal match when Federal funds are expended, but FTA deferred this local match for the ARRA funds through the end of the New Starts payout period.

ARRA established key requirements for recipients. ARRA Section 1511 requires that, for funds made available to State or local governments, the chief executive must (1) certify that each ARRA investment has received the full review and vetting required by law and (2) accept responsibility that it is an appropriate use of taxpayer dollars. In addition, ARRA Section 1512 requires recipients to submit quarterly reports on their use of ARRA funds that must include the name, description, evaluation of the completion status, and detailed information on any subcontracts or subgrants awarded. OMB and FTA provided related guidance on ARRA requirements, and FTA established processes to perform oversight of its ARRA grantees. In addition to the ARRA-specific requirements, FTA's ARRA grantees were subject to FTA's existing grant management requirements, including those to safeguard federally funded assets in accordance with FTA Circular 5010.1D. See Exhibit B for additional information on ARRA requirements, related OMB and FTA guidance, and the ESA ARRA New Starts grant.

## **RESULTS IN BRIEF**

MTA safeguarded the ESA materials purchased with ARRA funds. The ESA ARRA New Starts grant provided MTA with over \$19 million to procure materials in advance—such as wire, cable, conduit, and rail—and to store them until needed for installation on the project. We performed a physical inventory on a random sample of about \$10.8 million (about 57 percent) of materials stored in MTA LIRR's dedicated ESA warehouse and determined that the materials were present in the quantities expected.

MTA met ARRA certification requirements for the ESA ARRA New Starts funds but its Section 1512 reports omitted required data<sup>3</sup> that FTA quality reviews did not detect. Specifically, MTA's final report did not include required vendor

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<sup>3</sup> OMB Guidance related to ARRA Section 1512 requires recipients to submit quarterly reports on their use of ARRA funds until they meet the requirements for submitting a final report. According to OMB guidance M-10-14, Updated Guidance on the American Recovery and Reinvestment Act (dated March 22, 2010), recipients may submit a final Section 1512 report when: (1) the award period has ended, all ARRA funds are received, and the project status is complete; or (2) the award has been terminated or cancelled.

payment information for over \$19 million (nearly 10 percent) of the ESA ARRA grant funding. The omitted \$19 million in payments were for materials MTA procured in advance—the same materials we inventoried at MTA LIRR’s warehouse. OMB guidance on Section 1512 reporting requires detailed data on all vendor payments over \$25,000. Yet, MTA did not report 11 such payments in its final report. According to OMB guidance, these omitted payments are considered material omissions because required data were not reported.<sup>4</sup> MTA determined that these omissions resulted from an issue with the processes used to develop the report data. FTA’s data quality reviews did not account for instances of underreported vendor data and, therefore, did not identify these omissions in MTA’s Section 1512 reports. Accordingly, FTA underreported vendor payment data to the public.<sup>5</sup> While MTA has fully spent its ESA ARRA grant funds, issues with MTA’s reporting processes and FTA’s data quality checks could reduce the accuracy of MTA’s Section 1512 reports going forward. MTA is still responsible for submitting Section 1512 reports for its three remaining FTA ARRA grants—(1) Metro-North/New York City Transit Fixed Guideway Modernization, (2) Fulton Street Transit Center,<sup>6</sup> and (3) LIRR/Metro-North Railroad/New York City Transit Formula. These three ARRA grants had a total of \$106.7 million in unexpended ARRA funds through March 31, 2013.

We are making recommendations to improve MTA’s Section 1512 reporting and FTA’s data quality review processes for MTA’s remaining FTA ARRA grants.

## **MTA SAFEGUARDED ESA MATERIALS PURCHASED WITH ARRA FUNDS**

We determined that MTA safeguarded the ESA materials it purchased with ARRA funds in accordance with grant management requirements in FTA Circular 5010.1D. The ESA ARRA New Starts grant provided MTA with over \$19 million to procure materials—such as wire, cable, conduit, and rail—in advance and to store them until needed for installation on the project. MTA implemented controls to safeguard these materials. For example, MTA stores materials purchased for the ESA project in a dedicated LIRR warehouse protected by a fence and a security system. In addition, LIRR’s warehouse staff maintains a list of personnel who are

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<sup>4</sup> According to OMB M-09-21, Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009 (dated June 22, 2009), material omissions are instances where required data are not reported or where reported information is not otherwise responsive to the data requests. Material omissions result in significant risk that the public is not fully informed as to the status of a Recovery Act project or activity.

<sup>5</sup> The Section 1512 reporting data are made public using the following process: after a recipient reports its data on [www.FederalReporting.gov](http://www.FederalReporting.gov), the Federal agency that awarded the grant reviews the data, and the Recovery Accountability and Transparency Board releases the data on [www.recovery.gov](http://www.recovery.gov). For its grantees, FTA also posts the released ARRA Section 1512 data from [www.recovery.gov](http://www.recovery.gov) on its Web site.

<sup>6</sup> We previously reported on FTA’s oversight of the Fulton Street Transit Center project, including its oversight of ARRA funding. See *New York City Fulton Street Transit Center: FTA’s Sustained Focus on Key Risk Areas Will Be Needed Until the Project Is Completed* (Report Number MH-2011-150), August 15, 2011.

authorized to charge out materials and assigns all materials charged out to a project number. The MTA ESA project office is responsible for generating documentation for each charge out, and LIRR performs periodic inventories of the materials. We performed a physical inventory on a random sample of about \$10.8 million (approximately 57 percent) of the ESA ARRA materials that were purchased in advance and determined that the materials were present in MTA LIRR's warehouse in the quantities expected.<sup>7</sup>

## **MTA MET ARRA CERTIFICATION REQUIREMENTS BUT OMITTED REQUIRED REPORTING DATA THAT FTA QUALITY REVIEWS DID NOT DETECT**

Although MTA met ARRA certification requirements for the ESA ARRA New Starts funds, it omitted required vendor payment information from its Section 1512 reports. FTA's data quality reviews of MTA's Section 1512 reports were not sufficient to detect these omissions. According to OMB guidance, these omitted payments are considered material omissions because required data were not reported, and OMB specifically calls for data quality reviews of Section 1512 reports to identify material omissions. As a result, MTA's ESA ARRA vendor payment information was underreported on FTA's ARRA Web site and [www.recovery.gov](http://www.recovery.gov).

## **MTA's Section 1511 Certification for the ESA ARRA New Starts Funds Met Requirements**

MTA issued a timely Section 1511 certification for the ESA ARRA New Starts grant that met ARRA requirements and followed FTA's guidance on implementing those requirements. ARRA Section 1511 requires that, for funds made available to State or local governments, the chief executive certify that each ARRA investment has received the full review and vetting required by law. FTA guidance also states that the certification must provide a description of the project, total funding, and ARRA funding. Our review determined that MTA's certification included the required statements, as well as a description of the investment, estimated total cost, and amount of ARRA funds to be used. Although the certification contained one error—MTA misstated the source of the ARRA funds—it had no material effect on the statements.

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<sup>7</sup> After we completed our inventory, the District Attorney from Nassau County, NY, announced on January 25, 2013, that 15 LIRR employees were charged with stealing more than \$250,000 of new and used copper wire from other LIRR facilities over a 3-year period. In response to this incident, the LIRR reported that it is taking immediate action to curb employee thefts and tighten security measures. MTA stated that, as of February 2013, the reported thefts did not involve the LIRR warehouse that stores the ESA materials.

## FTA's Data Quality Reviews Did Not Detect MTA's Omission of Required Information From Its Section 1512 Reports

FTA data quality reviews were insufficient to detect that MTA did not report required vendor payment information for over \$19 million (nearly 10 percent) of the ESA ARRA grant funding in its final report. OMB guidance requires Federal agencies to perform data quality reviews on all Section 1512 reports and states that the reviews are intended to avoid two key reporting problems—material omissions and significant reporting errors. OMB defines material omissions as instances where required data are not reported or where reported information is not otherwise responsive to the data requests. Accordingly, MTA's vendor payment omissions are considered material because MTA did not include detailed reporting for vendor payments over \$25,000, which ARRA requires. FTA acknowledged that MTA's ESA Section 1512 reports should have included these vendor payments to comply with OMB guidance but did not agree that these omissions were material.

To comply with ARRA Section 1512, MTA submitted three quarterly reports on the use of ESA ARRA grant funds, including a final report submitted in October 2010. As figure 2 below shows, the final ESA Section 1512 report provided detailed information on four vendor payments over \$25,000—totaling about \$176.4 million.

### **Figure 2. Excerpt from ESA ARRA Final Section 1512 Report**

#### VENDOR TRANSACTIONS

##### GRAMERCY GROUP, INC. – NY-36-0002

Product & Service Description: Madison Yard Demolition

Payment Amount: \$31,663,054

##### GRANITE-TRAYLOR-FRONTIER (JV) – NY-36-0002

Product & Service Description: Construct Queens Bored Infrastructure

Payment Amount: \$139,031,054

##### PERINI CORPORATION – NY-36-0002

Product & Service Description: Harold Structures (Part 2A)

Payment Amount: \$2,065,559

##### YONKERS CONTRACTING CO, INC – NY-36-0002

Product & Service Description: East 44<sup>th</sup> St. and 245 Park Ave. Entrance

Payment Amount: \$3,596,834

Source: [www.recovery.gov](http://www.recovery.gov)

Our review identified 11 additional vendor payments over \$25,000 that were not included in MTA's final Section 1512 report. MTA inadvertently omitted all vendor payments related to advanced procurement of materials—the same materials we inventoried at MTA LIRR's warehouse. After we shared our findings with MTA, MTA determined that the algorithm it used to develop its Section 1512 reports for all ARRA grants was set up to report only vendors that had job hours associated with their contracts. Because the vendors providing materials did not

charge job hours, the algorithm did not include them in the reports. MTA is evaluating the effect that this algorithm issue may have had on the Section 1512 reports for its other ARRA grants.

To carry out OMB's requirement to perform data quality reviews on all Section 1512 reports, FTA developed a Data Quality Review Plan (Plan). The Plan calls for FTA to perform two different checks of vendor payments in Section 1512 reports but does not include a step that would identify underreporting of vendor payments. FTA's first step for vendor payments is to check whether the reports have expenditures over an established threshold and to flag any reports that do not include any vendor information. Because MTA reported some vendor information, it met the requirements of the first check. The second step is to check the amount paid to vendors with the total award amount and to flag any report where the amount paid to vendors exceeds the total award. Because MTA underreported its vendor information, the second FTA check would not have detected an error.

FTA would likely have detected MTA's underreporting of vendor payments if the Plan had included an additional step to total the vendor payments and subaward amounts in the final report, and then compare that total with the amount expended. According to FTA, the administrative costs associated with performing a data quality check to flag underreported vendor payments outweigh the benefits. However, limiting such checks to the final report could address FTA concerns about the additional burdens imposed.

Further, because FTA's data quality reviews did not detect MTA's reporting omissions, the ARRA information reported to the public is inaccurate. The Section 1512 reporting data are made public using the following process: after MTA reports its data on [www.FederalReporting.gov](http://www.FederalReporting.gov), FTA reviews the data, and the Recovery Accountability and Transparency Board releases the data on [www.recovery.gov](http://www.recovery.gov). FTA also posts the released data from [www.recovery.gov](http://www.recovery.gov) for its grantees on its Web site to comply with the ARRA Section 1512 requirement to do so. However, the information on both [www.recovery.gov](http://www.recovery.gov) and FTA's Web site underreported MTA's vendor payment information for the ESA ARRA funds by about \$19 million.

Although MTA has now spent all of its ESA ARRA funds, issues with MTA's reporting algorithm and FTA's data quality checks could reduce the accuracy of MTA's Section 1512 reports going forward. MTA is still responsible for submitting Section 1512 reports for its three remaining FTA ARRA grants: (1) Metro-North/New York City Transit Fixed Guideway Modernization, (2) Fulton Street Transit Center, and (3) LIRR/Metro-North Railroad/New York City Transit Formula, which had a total of \$106.7 million in unexpended funds through March 31, 2013. As required by OMB, MTA must continue to submit



Section 1512 reports for these grants until all ARRA funds are expended or the project is completed.

## **CONCLUSION**

The ESA project, which is designed to provide more efficient transportation services for thousands of travelers into Manhattan, received more ARRA New Starts funding than any other single transit project in the country. MTA took steps to safeguard the materials purchased with ARRA funds and has submitted all required ARRA reports. However, more could have been done to ensure that its ESA Section 1512 reports contained complete and accurate information. FTA needs to work with MTA to improve reporting on any remaining ARRA funds and make targeted improvements to its own data quality reviews, so that Congress and the public have access to more accurate ARRA-related information.

## **RECOMMENDATIONS**

We recommend that the Federal Transit Administrator:

1. Identify and validate the steps MTA plans to take to improve the accuracy of the vendor payment data in its Section 1512 reports to prevent future omissions; and
2. Perform an additional data quality check when reviewing the final report for each of MTA's three remaining FTA ARRA grants to compare total vendor payment and subaward amounts with the total amount expended.

## **AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

We provided FTA with our draft report on April 16, 2013. FTA provided its formal response on May 28, 2013. FTA's formal response is included in its entirety as an appendix to this report. FTA fully concurred with our two recommendations and provided appropriate planned actions and target dates for their completion. FTA's planned actions are responsive to our recommendations, and we consider the two recommendations resolved but open pending completion of all planned actions.

## **ACTIONS REQUIRED**

FTA's planned actions for our two recommendations are responsive. In accordance with follow-up provisions in Department of Transportation Order 8000.1C, we request that FTA provide our office with documentation

demonstrating completion of its planned actions within 30 days of completion. Both recommendations will remain open pending receipt of this documentation.

We appreciate the courtesies and cooperation of FTA representatives during this audit. If you have any questions concerning this report, please call me at (202) 366-5630 or Anthony Zakel, Program Director, at (202) 366-0202.

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cc: FTA Audit Liaison (TBP-30)  
DOT Audit Liaison (M-1)

## **EXHIBIT A. SCOPE AND METHODOLOGY**

We conducted our work from June 2012 through April 2013 in accordance with generally accepted Government auditing standards as prescribed by the Comptroller General of the United States. 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.

To assess whether MTA has sufficient controls to safeguard the materials purchased with ARRA funds, we obtained a statistically selected sample of nearly \$14.4 million (75 percent) of materials that were pre-purchased using ARRA funds. With the exception of very large materials such as rails, the pre-purchased materials were stored in the MTA LIRR's ESA warehouse in Glendale (Queens), NY. Our sample included about \$3.5 million in rails that LIRR stored along its right of way. Due to the dangers of physically inspecting this area, we confirmed the presence of the rail but did not count individual rails. We performed a physical inventory on the about \$10.8 million of materials in the sample that were stored in the ESA warehouse—approximately 57 percent of the materials purchased with the ARRA funds. We inventoried these materials because we determined these materials are susceptible to fraud, waste, or abuse.

To assess whether FTA ensured that MTA met ARRA certification and reporting requirements for ESA, we reviewed ARRA regulations and guidance, evaluated MTA's ARRA certifications and reports, and assessed FTA's oversight of those reports. We also interviewed FTA Headquarters and Region II officials and MTA officials.

## EXHIBIT B. ADDITIONAL BACKGROUND INFORMATION

MTA received \$195.4 million in ARRA New Starts funds for the ESA project. The funding was awarded for six activities, as shown in table 1.

**Table 1. ESA ARRA New Starts Grant Budget**

Grant activity	FTA funding	Total eligible cost <sup>a</sup>
<b>Advanced procurement materials</b>		
1 Advanced procurement materials for Harold Interlocking	\$ 2,522,192	\$ 6,005,219
2 Advanced procurement materials for third-party systems	<u>16,531,307</u>	<u>39,360,255</u>
Subtotal for advanced procurement materials <sup>b</sup>	19,053,499	45,365,474
<b>Other activities</b>		
3 Queens bored tunnels	139,031,054	331,024,414
4 44 St. vent structure and 245 Park Ave. entrance	3,596,834	8,563,890
5 Harold Interlocking structures, part 2	2,065,559	4,917,998
6 Madison Yard demolition and site clearance	<u>31,663,054</u>	<u>75,388,224</u>
Subtotal for other activities	176,356,501	419,894,526
<b>Totals</b>	<b>\$195,410,000</b>	<b>\$465,260,000</b>

<sup>a</sup> MTA was required to provide almost \$270 million in non-Federal funds to match the ARRA funds (the difference between the FTA funding and total eligible cost columns). MTA's match was 42 percent of the total eligible cost. Through March 30, 2013, MTA had provided about \$187 million (40 percent) of its required match.

<sup>b</sup> We performed a physical inventory on a sample of about \$10.8 million (approximately 57 percent) of the \$19,053,499 in materials that MTA procured in advance using ARRA funds.

Source: FTA's Transportation Electronic Award Management system

ARRA established key requirements for recipients, and OMB and FTA provided related guidance. FTA also established oversight processes. For example:

- **ARRA Section 1511** requires that, for funds made available to State or local governments, the chief executive must certify that each ARRA investment has received the full review and vetting required by law and that the chief executive accepts responsibility that it is an appropriate use of taxpayer dollars. Accordingly, FTA guidance states that grantees should include the statements that (1) the project(s) have "received the full review and vetting required by law" and that (2) the appropriate official "accepts responsibility" that the project(s) are "an appropriate use of taxpayer (ARRA) dollars." FTA guidance also states that the certification must provide a description of the project(s), total funding, and ARRA funding.
- **ARRA Section 1512** requires recipients to submit quarterly reports on their use of ARRA funds. These quarterly reports must include the name, description, evaluation of the completion status, estimate of the number of jobs created and retained, and detailed information on any subcontracts or subgrants

awarded. OMB guidance on implementing ARRA Section 1512 requires reviews for data quality (i.e., accuracy, completeness, and timely reporting of information) intended to emphasize the avoidance of two key data problems—material omissions and significant reporting errors. The reports are made public using the following process: after a recipient reports its data on [www.FederalReporting.gov](http://www.FederalReporting.gov), the Federal agency that awarded the grant reviews the data, and the Recovery Accountability and Transparency Board releases the data on [www.recovery.gov](http://www.recovery.gov). Section 1512 also requires Federal agencies to post the recipient report information on a Web site each quarter.

**EXHIBIT C. MAJOR CONTRIBUTORS TO THIS REPORT**

<b><u>Name</u></b>	<b><u>Title</u></b>
Anthony Zakel	Program Director
George Lavanco	Project Manager
Tiffany Mostert	Senior Analyst
Michael Dzandza	Auditor
Rosa Scalice	Auditor
Joseph Tschurilow	Auditor
Petra Swartzlander	Statistician
Megha P. Joshipura	Statistician
Amy Berks	Senior Counsel
Christina Lee	Writer-Editor

## APPENDIX. AGENCY COMMENTS




U.S. Department  
of Transportation  
**Federal Transit  
Administration**

# Memorandum

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Subject: **INFORMATION:** Management Response to the Office of Inspector General Draft Report on FTA's East Side Access (ESA) ARRA Reporting Date: May 28, 2013

From: Peter M. Rogoff Administrator  Reply to Attn. of: Dominique Paukowits (202) 366-5152

To: Calvin L. Scovel III  
Inspector General

FTA has established and implemented robust oversight measures to ensure recipients of the American Recovery and Reinvestment Act (ARRA) met reporting requirements under Section 1512. These requirements placed unprecedented expectations on FTA to ensure that its grant and contract recipients provide timely, complete, and accurate information on the projects funded under ARRA. To respond to these challenges, FTA offered unparalleled customer service, engaged in cycles of learning and refinement to improve its work processes, and produced results for timely and accurate reports that place it in the Federal government's top echelon, when FTA's results are compared with other agencies.

To ensure agencies complied with 1512 reporting, FTA educated over 600 grant recipients on reporting requirements and the use of the reporting systems. FTA ensured that over 900 reports were submitted within a narrow window of time and contained accurate data and transparent narrative information. As a result, since the beginning of the Section 1512 reporting process in 2009, over 95% of all FTA grantee reports have been submitted by the deadline for each reporting period.

FTA has also made a concerted effort to identify errors or potential errors in Section 1512 reports and to reach out to our recipients to request that they correct mistakes. These efforts led to a reduction in the error rate over time, with errors or likely errors declining 65 percent from an already low 1.02 per report in the first reports submitted in October 2009 to 0.35 errors per report in the 4<sup>th</sup> quarter of 2012. As a result, FTA's transit capital assistance grant program consistently ranks in the top 10 out of over 200 Federal governmental ARRA programs in terms of the number of corrections made to Section 1512 reports, according to [www.recovery.gov](http://www.recovery.gov).

## RECOMMENDATIONS AND RESPONSE

**Recommendation #:1** FTA should identify and validate the steps MTA plans to take to improve the accuracy of vendor payment data in its Section 1512 reports to prevent future omissions.

**Response:** *Concur.* FTA will request that MTA provide information to ensure that the agency has procedures in place to avoid under-reporting vendor payments in their Section 1512 reports. FTA will request that MTA provide us with this information by June 30, 2013, which is prior to the start of the next Section 1512 reporting period. FTA will validate that MTA has taken sufficient steps to avoid under-reporting of vendor payments by implementing our response to recommendation #2 (see below).

**Recommendation #:2** FTA should perform an additional data quality check when reviewing the final report for each of MTA's three remaining FTA ARRA grants to compare total vendor payment and subaward amounts with the total amount expended.

**Response:** *Concur.* FTA will review the Section 1512 reports submitted for MTA's three remaining open ARRA grants and perform a data quality check that compares the sum of the vendor payments reported and the subrecipient payments reported to the total expenditures reported. If the sum of vendor payments and subrecipient payments do not equal the total expenditures reported, FTA will enter a comment into the MTA's Section 1512 report via [www.federalreporting.gov](http://www.federalreporting.gov) to note the discrepancy and request that MTA follow up to confirm whether the discrepancy is the result of vendor payments being under-reported or whether there is some other reason for the discrepancy. MTA will be expected to either update the data provided in their 1512 report or provide a response to FTA explaining the cause of the discrepancy.

FTA will implement this additional data quality check and communication with MTA on a quarterly basis beginning with the next Section 1512 Federal Agency review period which takes place from July 14-29, 2013.

We appreciate this opportunity to offer additional perspective on the OIG draft report. We also appreciate the courtesies of the OIG staff in conducting this review. Please contact Henrika Buchanan-Smith at 202-366-4020 with any questions or requests for additional assistance.

## APPENDIX. AGENCY COMMENTS