

THOMAS P. DINAPOLI
COMPTROLLER



110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

November 19, 2019

Mr. Patrick J. Foye
Chairman and Chief Executive Officer
Metropolitan Transportation Authority
2 Broadway
New York, NY 10004

Re: Fare Collection
Report 2018-S-53

Dear Mr. Foye:

Pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution and Section 2803 of the Public Authorities Law, we audited the Metropolitan Transportation Authority – Long Island Rail Road to determine if its fare collection method is effective and efficient. This audit covered the period January 1, 2015 through May 8, 2019.

Background

The Metropolitan Transportation Authority (MTA) is a State public authority created pursuant to Article 5, Title 11 of the Public Authorities Law. One of six MTA constituent agencies, the Long Island Rail Road (LIRR) is both the largest commuter railroad and the oldest railroad in America operating under its original name. It extends from three major New York City terminals – Penn Station, Manhattan; Atlantic Terminal, Brooklyn; and Hunterspoint Avenue, Queens – through a major transfer hub in Jamaica to the easternmost tip of Long Island (see Exhibit). The LIRR operates 24 hours a day, 7 days a week, including all holidays. In 2018, the LIRR carried 311,100 passengers on an average weekday.

The LIRR has a distance-based fare structure, with branches of service divided into eight fare zones. Two main types of tickets are offered: commutation (unlimited weekly and monthly travel within the specified zones shown on the ticket) and non-commutation (one-way, round-trip, and ten-trip travel to the limits of the zone or zones shown on the ticket). Peak fares are charged during business rush hours; off-peak fares are charged all other times on weekdays, all day on weekends, and on some holidays. LIRR tickets can be purchased in either hard copy or electronic form. One-way trips range from \$1.50 to \$29.25. Tickets can be purchased prior to boarding or, for an additional surcharge of up to \$6.50, on board the train.

The LIRR is authorized by New York State law to collect fares, tolls, or other fees for the use and operation of its railroad system. Per the New York Codes, Rules and Regulations, riders must present a valid LIRR ticket or pass or pay the applicable fare.

Train Service Personnel (TSP), who are part of the Transportation Services Department, are responsible for collecting fares from every rider. According to the Manual of Instructions to Passenger Train Service Employees (Manual), all tickets should be checked at least once during a trip. For example, tickets on a train that stops at Jamaica are checked before arrival and again upon departure. For hard copy non-commutation tickets, TSPs punch out part of the ticket upon inspection. Hard copy and electronic commutation tickets are visually inspected. In addition, twice per month, TSPs must punch out hard copy commutation tickets to identify frauds or counterfeits. Customers who cannot pay the cash fare on board the train or who need a receipt for a confiscated ticket are issued an ADL 6009 invoice (Invoice). From January 1, 2015 to December 16, 2018, the LIRR issued 329,612 Invoices worth \$4.4 million.

The LIRR Controller's Department has a Revenue & Revenue Systems (RRS) group responsible for establishing and implementing policies, goals, objectives, and procedures for revenue administration (e.g., refunds, ticket stock, and revenue tariff), revenue reporting/analysis/statistics, compliance, auditing, and internal controls. The RRS, in collaboration with several departments, including the Transportation Services Department, developed the Manual.

In the past, TSPs accepted cash for onboard hard copy tickets. In August 2017, the LIRR rolled out the On-Board Ticket Issuing Machine, which accepts credit cards and cash as payment for onboard tickets and can generate Invoices by either scanning an identification card or manually inputting a customer's information. As of December 20, 2018, 1,079 onboard machines were issued to TSPs.

Results of Audit

We found that LIRR employees did not always follow the required fare collection procedures. During a series of observations between December 2018 and May 2019, we noted that TSPs did not collect non-commutation fares 26 percent of the time (78 of 301 rides). We also found that TSPs often collected incorrect fare amounts (for example, when no onboard surcharge was collected).

While the sample cannot be projected to the LIRR system as a whole, if we were to use the percentages from the audit team's observations, we estimate a potential revenue loss of \$33.4 million due to uncollected or incorrect fares. Further, the LIRR did not always follow Invoice collection procedures, leading to additional lost revenue.

Fare Collection

Onboard Collection Procedures

TSPs must make every effort to collect fares throughout an entire trip and remain visible at all times to ensure that customers do not ride beyond what their fares cover. If

onboard conditions prevent proper collection, TSPs should note the condition, provide details of where the fares could not be collected, and resume fare collection as soon as conditions permit.

Commuter Tickets

Office of the New York State Comptroller staff observed TSP ticket collection practices during 301 trips from January 1, 2019 through February 5, 2019 and from April 12, 2019 through May 3, 2019 and recorded their observations (i.e., dates, employee badge numbers, relevant train information). TSPs did not completely collect non-commutation fares for 78 trips of the 301 trips (26 percent).

For 34 of the 78 trips, we noted that the TSP did not check tickets for a valid fare zone either before or after Jamaica. In 30 of the 44 instances where the TSP did not check fares at all, the conductor was seen at least once. In one case, the TSP went into the conductor's compartment before the train left the station and did not come out. The TSP was only seen again looking out the window signaling to close the train car doors. For 14 rides, the TSP was never seen. The value of the non-collected trips ranged from \$16 to \$20, which represents the cost of a peak one-way ticket between Zone 1 and as far as Zone 7.

Audit Team Observations

In addition to the commuter observations, the audit team conducted scenario-based tests of the fare collection system on 68 trips from December 4, 2018 through May 8, 2019. We tested the following scenarios: onboard and pre-purchased regular fares; short fares where an individual needed to either upgrade an off-peak ticket to peak (step-up) or pay the additional fare to go beyond the zone stated on the ticket (extension); special or discounted fares (e.g., senior fare or Atlantic Ticket); and Invoices.

For 6 of the 68 trips (8.8 percent), the TSPs did not collect fares. For two of those six, the auditor was instructed to purchase an onboard ticket; by not collecting onboard fares, the TSP loses the fare revenue in addition to the onboard surcharge.

In addition, for 23 of the 68 trips (33.8 percent), the TSP collected the incorrect fare from the auditor by missing fare extensions and step-up fares, allowing the misuse of special tickets or fares, and giving incorrect change. While the Manual requires TSPs to collect the proper fare from all customers and to ensure that customers do not ride beyond points that their fares cover, our testing found the LIRR does not continuously check fares for the duration of the trip.

According to the LIRR, it sold about \$14 million in non-commutation tickets for 1.6 million trips during February 2019. Using our observed 8.8 percent non-collection rate, this would equate to an estimated \$14.8 million loss per year (trips*non-collection rate*average daily fare*12 months). Further, using our 33.8 percent incorrect fare collection rate, we estimated an additional \$18.6 million loss. This resulted in an estimated potential loss of \$33.4 million.

TSP Tour Comments

If TSPs are unable to collect fares, they should document the reason (e.g., heavy standing passenger volume). We reviewed the tour comments (TSP notes regarding onboard conditions) for 89 trips where fares were not properly collected and found that 65 percent did not have any notes. Of the ones with comments, ten were of concern because the same comment (fare could not be collected due to overcrowded cars) was noted over seven consecutive business days, which may indicate a systemic issue.

Punch Days

TSPs must inspect and punch hard copy commutation tickets twice per month (punch days) to check for alterations and/or counterfeits. Fraudulent tickets result in potential loss of revenue. On non-punch days, TSPs must inspect commutation tickets to check whether any need to be punched and if all other servicing requirements have been completed.

TSPs are notified of punch days by calendars, reminders on end-of-day cash report receipts, and Superintendent of Train Service Notices. The Transportation Services Department also issues a monthly newsletter to conductors that covers ticket collections, special events, and rule reminders. Based on our testing, we found that TSPs were properly notified of designated punch days.

Servicing Commutation Tickets

For 2018, auditors also tested if commutation tickets were serviced. In total, they examined 32 monthly tickets. These tickets were used to commute on 53 of the 64 designated punch days on three different branches (Babylon, Far Rockaway, and Long Beach). None of these tickets had the required punches.

For instance, January 17, 2019 was a designated punch day. Eight auditors commuted on the LIRR that day from various origins to Penn Station or Atlantic Terminal. These trips occurred between 6:15 a.m. and 9:41 a.m. on eight different trains on four different branches (Port Washington, Babylon, Port Jefferson, and Far Rockaway). Six auditors used hard copy monthly tickets and did not have their tickets punched. Two used electronic tickets and, although they saw the TSP at least once, did not observe the tickets of other commuters being punched. The cost of the monthly commutation tickets used ranged from \$226 to \$297.

In response to our preliminary finding, the LIRR stated that it will enhance management oversight of fare collection activities, expand customer and train crew education regarding fare structure and fare collection procedures, and strategically deploy train crew to collect fares on board. They added, "Transportation is investigating the specific instances identified in your finding to identify probable causes and corrective actions. These actions will be incorporated into the anti-fare evasion strategy."

We reviewed the strategy document, which included enhancing train crew education efforts. As part of these efforts, the LIRR said that it launched a more robust education

campaign through internal communications to train crews (e.g., through bulletin boards, FAQs, notices). However, as noted earlier, these methods have already been used and, based on our observations, were not effective.

Rider Invoices

We found the LIRR did not always follow Invoice procedures. For example, it did not always follow up on Invoices and only made limited efforts to find non-paying riders.

Customers must pay Invoices within 14 days to avoid penalties. The LIRR has an undocumented process where it issues second request letters to customers with three or fewer open Invoices by the middle of the month following the Invoice issue date. There is a similar process for repeat offender letters, which are sent to customers with more than three open Invoices by the end of the month following the Invoice issue date.

We selected a judgmental sample of 75 Invoices (15 for each invoice status) and found 58 where the required notice had not been sent to the customer. Fifteen were categorized as “undeliverable”; however, the LIRR did not document any efforts to find the correct addresses. We also noted that the LIRR issued waivers for forgotten tickets, which is not allowed under the procedures on the MTA website. However, waivers were granted as part of a practice that allows Public Affairs to grant a one-time exception after three years have elapsed. For the remaining 17 invoices, 16 had either been sent on time, waived, or paid prior to the need for a notice, while the other had a second request letter sent 14 months after payment was made.

In response to our preliminary findings, the LIRR stated that it may grant waivers on a case-by-case basis. Nevertheless, it will update its written procedures to include when notices are sent to customers and formalize its Invoice waiver policy. Officials further stated that the MTA expects to launch a new agency-wide fare payment system by 2021, which will provide new sales technology and back-office databases. This system will include a new process to record, analyze, and collect on open Invoices. Officials also noted that the RRS group explored adding employees for Invoice processing; however, they determined that it would not improve collection rates and found it more cost effective to retain its collection agency.

We noted that the LIRR’s sister agencies (New York City Transit’s Transit Adjudication Bureau and Triborough Bridge and Tunnel Authority’s Tolls by Mail) have a process to add interest and/or penalties to late payments.

Invoice Database

The LIRR uses its Invoice Database to compile a list of the top 800 individuals who have requested seven or more Invoices with a total value of over \$100. This list is issued to TSPs and the MTA Police Department (MTAPD). If individuals on this list request an additional Invoice, the TSP must inform the Operations Control Center, which will contact the MTAPD to take further action. In addition, each month, the LIRR sends a list of Invoices older than 60 days for individuals with six or more offenses to a collection

agency. The LIRR then receives a monthly report from the collection agency and sends back a list of those that can be closed.

We reviewed 13 of the individuals with the highest unpaid Invoice balances from the August 31, 2018 list and found that they were all sent to the LIRR's collection agency between September 2018 and June 2019.

However, we found that these 13 individuals were issued a combined 85 additional Invoices valued at \$1,175 despite being on the February 15, 2018 and/or the August 31, 2018 ineligible lists. The LIRR noted that if the name and address provided by the individual does not exactly match what is on the ineligible list, then the TSP will issue an Invoice. The LIRR further noted that these lists are mailed to the TSPs' homes; therefore, the lists are delayed and may not be used until up to two weeks later.

Recommendations

1. Determine why TSPs did not adhere to fare collection requirements, and develop a corrective action plan accordingly.
2. Determine whether the current onboard train staff is sufficient to collect fares and document such efforts.
3. Standardize and document all Invoice policies and procedures.
4. Review the data on the system and remove and archive any data that is not current to make room for new data.
5. Document all Invoice collection efforts, including any follow-up attempts for undeliverable notices.
6. Evaluate the feasibility of changing the procedures to include additional charges such as late fees, and document the results.

Audit Scope, Objective, and Methodology

The objective of our audit was to determine whether the LIRR's fare collection method was effective and efficient. The audit covered the period January 1, 2015 through May 8, 2019.

To accomplish our objective and assess related internal controls, we reviewed LIRR policies, procedures, and guidelines as well as regulations and laws. We interviewed LIRR management and employees to obtain an understanding of the fare collection process.

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

objective. Our samples were not designed to be projected to the entire population. In the case of fare collection, we concluded that, based on our observations, we estimated the LIRR's potential annual loss could be \$33.4 million.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions, and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

Reporting Requirements

We provided a draft copy of this report to MTA officials for their review and formal comment. Their comments were considered in preparing this final report and are included in their entirety at the end of the report.

In their response, LIRR officials agree with two of our recommendations and indicate they are already in compliance with another four. However, we believe the data do not support this position. Our responses to certain comments are included as State Comptroller's Comments, embedded within the MTA's response.

Within 90 days after the final release of this report, as required by Section 170 of the Executive Law, the Chairman of the Metropolitan Transportation Authority shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where the recommendations were not implemented, the reasons why.

Contributors to this report were Robert C. Mehrhoff, Erica Zawrotniak, Anthony Belgrave, Celedonia Deaver, and Netash Phull.

We wish to thank the management and staff of the Metropolitan Transportation Authority and the Long Island Rail Road for the courtesy and cooperation extended to our auditors during this audit.

Very truly yours,

Carmen Maldonado
Audit Director

cc: M. Woods, MTA Acting Auditor General
D. Jurgens, MTA Audit Director
Division of the Budget

Exhibit

Long Island Rail Road Branches and Terminal



Agency Comments and State Comptroller's Comments

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

Patrick J. Foye
Chairman and Chief Executive Officer



October 25, 2019

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

Re: Draft Report #2018-S-53 (Long Island Rail Road: Fare Collection)

Dear Ms. Maldonado:

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

I have attached for your information the comments of Phillip Eng, President, MTA Long Island Rail Road which address this report.

Additionally, I will be working with staff to ensure that management is following up on and enforcing the audit's recommendations, where appropriate, and requesting regular, interim reports to that effect.

State Comptroller's Comment – While LIRR officials indicated they are already in compliance, our audit shows this is not the case.

Sincerely,

A handwritten signature in blue ink that reads 'Pat Foye'.

Patrick J. Foye
Chairman and Chief Executive Officer

c: Helene Fromm, MTA Chief of Staff
Michele Woods, Acting Auditor General, MTA Audit Services

The agencies of the MTA

MTA New York City Transit
MTA Long Island Rail Road

MTA Metro-North Railroad
MTA Bridges and Tunnels

MTA Capital Construction
MTA Bus Company

Jamaica Station
Jamaica, NY 11435-4380
718 558-8254 Tel
718 657-9047 Fax

Phillip Eng
President



October 23, 2019

Mr. Patrick Foye
Chairman and Chief Executive Officer
Metropolitan Transportation Authority
2 Broadway
New York, NY 10004

**RE: MTA Long Island Rail Road
Fare Collection
Report 2018-S-53**

Dear Chairman Foye:

As required by Section 170 of the Executive Law, detailed below are the updated actions that have or will soon be taken to address the recommendations contained in the State Comptroller's (OSC) Audit of the Long Island Rail Road's (LIRR) Fare Collection.

The LIRR's goal is to validate all tickets onboard and ensure that all customers pay the correct fare. As noted in the OSC's report, on board conditions can prevent proper collection, resulting in a challenge for the LIRR with respect to fare collection. In 2018 ridership reached a modern-day record, resulting in crowded trains affecting the ability of train crews to easily maneuver through trains and validate all tickets onboard. The LIRR recognizes that fare collection is a top priority, and in response has recently announced its anti-fare evasion strategy. The on-board component of the strategy centers on enhancing management oversight of fare collection activities; expanding customer and train crew education regarding the fare structure and fare collection procedures; and more strategically deploying train crews to collect fares on board. The LIRR is reporting to the MTA Board monthly on progress with this effort.

Below please find detailed responses to the specific findings and recommendations. In addition, we wish to clarify a statement discussed in the report.

Recommendation No. 1

- Determine why TSPs did not adhere to fare collection requirements, and develop a corrective action plan accordingly.

LIRR Response:

The LIRR already complies with this recommendation. The LIRR's goal is to validate all tickets onboard and ensure that all customers pay the correct fare. There are many challenges to achieving this goal, including the fact that the LIRR is an ungated system; train crews have multiple operational and safety responsibilities in addition to fare collection; some trains are extremely crowded in certain locations; and several stations are so close together, thus affecting the ability of train crews to timely get through the entire train. That having been said, achieving this goal is a top priority and consequently the Transportation

The agencies of the MTA

MTA New York City Transit
MTA Long Island Rail Road

MTA Metro-North Railroad
MTA Bridges and Tunnels

MTA Capital Construction
MTA Bus Company

Services Department has established a dedicated team focusing on improving and managing fare collection. This management team carefully monitors and analyzes monthly data provided by MTA Audit Services to identify and resolve trends, problem trains, and specific dates when full fare collection is not always achieved, and recommend corrective actions. One of its aims is to deploy train crew personnel as strategically as possible. Since January 2019, the Transportation Department has taken a leading role in developing and implementing an ambitious fare collection strategy that has yielded measurable improvements. Through the end of August, the Fare Not Collected Rate (as reported by MTA Audit Services) stood at 5.8%, which is lower than the 7.3% rate through the same period in 2018.

Regarding the specific findings contained in your report, the LIRR believes that the auditors applied a flawed methodology to conduct their observations, which resulted in an inaccurate picture of LIRR's overall fare collection performance.

State Comptroller's Comment – The MTA analysis of our sample mixes apples (tickets that were not included in our analysis but were part of different testing) and oranges (test observations); therefore, observations 1 and 2 are inaccurate. Additionally, our methodology was based, in part, on matching ridership with observations. Without weighting for ridership (making more observations on trains with heavy ridership), the Fare Not Collected and Incorrect Fare Collected numbers are inaccurate and would tend to be artificially lower as all trains – regardless of the number of passengers carried – would be treated equally. For instance, if ridership was not considered and one train has 100 passengers (no fare collection) and another has 1 passenger (fare collection), the Fare Not Collected rate would be 50 percent. However, weighting for ridership (more observations on busy trains) would show that the non-collected rate was actually 99 percent, which better reflects actual collection numbers. Moreover, our sample fell within the Fare Not Collected and the Incorrect Fare Collected percentage range reported by the MTA in the past 1½ years, albeit on the high end. This is likely due to the broader types of testing OSC performed – again, this is somewhat comparing apples and oranges. For instance, unlike our sample, the MTA sample does not include e-tickets and eastbound tickets to determine whether the rider remained on the train past the fare zone covered by the ticket, which would tend to underestimate the Incorrect Fare Collected numbers.

Specifically:

- 67% of the observations were on repeat trains with half of those observations occurring on the same two trains, including Train 813, which runs at approximately 115% capacity and is standing room only in the front of the train based upon the proximity of the subway and stair cases used the most by passengers in Atlantic Terminal (Consists of six (6) cars maximum can platform at Atlantic Terminal).
- 80% of the observations were conducted on only two of the LIRR's 11 branches
- 60% of the failed observations occurred in January when, historically, collections are hampered by delays and disruptions due to severe weather events.

State Comptroller's Comment – The MTA's statement is inconsistent with its own data, which shows for January 2019 (the period during which the observations were conducted) the Fare Not Collected rate was 5.2 percent – not higher, but lower than the 5.8 percent year-to-date number as of August 2019.

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October 25, 2019
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A more accurate system-wide picture is provided by MTA Audit Services, which conducts 200 observations per month all year on rotating branches and trains. As stated above, there has been a notable improvement in the Fare Not Collected Rate as reported by MTA Audit Services.

State Comptroller's Comment – The MTA says the MTA Audit Services observations are more accurate; however, the MTA fails to disclose that the testing performed by the MTA Audit Services is not independent. The LIRR, not the auditors, determine which trains the auditors ride and what corrective actions to recommend. Moreover, the data have inconsistencies that raise questions about their reliability. For instance, the MTA states that, in January, collections are historically hampered by delays and disruptions. This is supported by the 2018 data, which shows the non-collection rate was 8.6 percent and significantly above the year-to-date number. However, in 2019, the MTA's rate dropped to 5.2 percent and is below the August year-to-date number. Similarly, in May 2018, the non-collection rate was at a year-to-date high of 9.6 percent; yet in May 2019, it again dropped significantly to a year-to-date low of 2.8 percent – 71 percent below the prior year. In both cases, in the month that followed each of these extreme improvements in performance, the non-collection rate rose above what was reported in the prior year and the non-collection rate is above the year-to-date number, representing a decrease in performance. Excluding the two anomalous months (January and May), there is virtually no change in the Fare Not Collected rate from 2018 (6.27 percent) to 2019 (6.15 percent) as of August 2019. While the MTA claims significant improvement and attributes it to a new strategy that began in January 2019, it is unclear why it disproportionately appeared to impact these two months. Moreover, while these results may be the result of a targeted initiative, it should be of concern to the MTA that: (1) its strategy does not appear to represent a consistent, sustained improvement (as shown by the decreased performance in the subsequent months and lack of significant improvement overall, excluding these two months); and (2) for January, OSC data does not reflect what was found by the MTA. These anomalies should have triggered an evaluation of both the methodology and the strategy employed by the MTA.

Further, nine (9) out of 15 auditor observations related to extensions occurring on eastbound trains after two lifts were already completed (at Penn or Atlantic Terminal, and Jamaica). After a second lift, despite the volume and constant on- and off-boarding of passengers, conductors make every effort to go through the trains to collect all fares. However, it can be challenging for a conductor to keep track of how far every customer is authorized to travel based upon the ticket that was purchased i.e., after a conductor appropriately completes a second lift and goes through a car, if a passenger intentionally chooses to remain beyond the stop on his/her ticket, a conductor would not be able to observe this as they are performing other duties associated with safe operations of the train. In addition, many times, there is not enough running time (distance between stations) to continuously seat check and re-check tickets, (The running time between Woodside and Penn Station is approximately ten minutes, and between Woodside and Jamaica is approximately eight minutes), thus affecting crew personnel's ability to walk an entire consist in those shortened times to check for "short ride tickets". Nevertheless, eastbound customers missed at Woodside would have their tickets inspected and serviced during the second lift after Jamaica.

Staffing is often also an issue as, for example, collectors are not always assigned to work the train to its destination. In most cases, the collector disembarks enroute and is strategically placed to assist other trains. Transportation is also looking to establish and apply a formula based on the criteria for identifying high-risk trains, including manpower availability, to ensure appropriate staffing to maximize fare collections.

Out of the 68 trips cited in the findings taken by the audit team, the auditors found that no fares were collected in six (6) instances. Of these six instances, one (1) was observed traveling westbound between Woodside and Penn, and two (2) traveling eastbound between Woodside and Jamaica. The LIRR acknowledges from its own reviews and observations that the stretch

between Jamaica and Penn is challenging for fare collection. As noted above, the management team has worked to maximize the deployment of collectors on those trains and locations. As part of its fare evasion strategy and responsive to discrepancies consistently observed by MTA Audit Services in corresponding zones 1 and 3, the LIRR created and systematically placed extra collector assignments on such known trains.

State Comptroller's Comment – LIRR disputes OSC's findings. However, they are consistent with those of LIRR. LIRR's "2018 YTD LIRR On-Board Revenue Compliance Analysis" showed a potential revenue loss of about \$32.8 million (\$24.97 million for Fares Not Collected and \$7.78 million for Incorrect Fares Collected). Additionally, the response is full of contradictions. LIRR's response states that its "goal is to validate all tickets onboard and ensure that all customers pay the correct fare"; however, it then provides several reasons why this will not happen due to the limitations its employees face on the trains. Moreover, based on its data, we question the impact of the corrective action taken. A cursory examination of the data reflects significant improvements within limited time frames, but no systemic sustained improvement (consistent improvement month to month). Again, most of the overall improvement was driven by two months with a percentage change of -3.4 percent and -6.8 percent. In the other months, the change was within a consistent range – with half the months improving over the prior year and half decreasing.

Recommendation No. 2

- Determine whether the current onboard train staff is sufficient to collect fares and document such efforts.

LIRR Response:

The LIRR already complies with this recommendation. As part of its Fare Evasion strategy, Transportation Services created and systematically fills extra collector assignments based upon recurring issues and discrepancies as observed by MTA Audit Services. Moreover, Transportation is currently working on a system-wide manpower analysis (to be completed by 1Q 2020), to ensure trains identified as high-risk relative to fare collection are appropriately staffed. The criteria for identifying these high-risk trains include the number of cars, passenger load, number of stops, previously failed audits, crew comments, ticket ratio (commutation tickets present lower risk) and running times (i.e., more time between stops allows for collections to occur). The completed analysis will be documented by a report to Transportation management, including the Chief Transportation Officer. In addition, Transportation is also looking to establish and apply a formula based on the same criteria, including manpower availability, to ensure appropriate staffing to maximize fare collections. Because of management's analysis of Crew Book positions to more effectively assign and increase the number of collectors in problem zones, the November General Order issued by the Chief Transportation Officer will incorporate additional collectors. Also, management will update the punch/score process.

Recommendation No. 3

- Standardize and document all Invoice policies and procedures.

LIRR Response:

The LIRR agrees with this recommendation. The LIRR's Controller's Office will update its written procedures to include when an ADL Second Request Letter or Repeat Offender Letter is sent to a customer, and modify ADL numbers to differentiate between duplicate records, as needed. In addition, Public Affairs will formalize its procedures regarding invoice waivers.

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Recommendation No. 4

- Review the data on the system and remove and archive any data that is not current to make room for new data.

LIRR Response:

The LIRR agrees with this recommendation. LIRR currently archives data older than 5 years. Going forward, the Controller's Office will amend its process by increasing the frequency of archiving data to anything older than 3 years.

Recommendation No. 5

- Document all Invoice collection efforts, including any follow-up attempt for undeliverable notices.

LIRR Response:

LIRR already complies with this recommendation. The LIRR's Controller's Office currently indicates in the ADL Database which undeliverable mail was further researched. The Department indicates in the Invoice Comments section if an additional address was positively identified.

State Comptroller's Comment – LIRR responds "LIRR already complies with this recommendation." However, a more accurate response would be that it has taken action to change its process to include what was recommended. If the LIRR had been in compliance, auditors would not have found no documentation of any efforts to find a correct address for any of the 15 undeliverable mail items sampled.

Recommendation No. 6

- Evaluate the feasibility of changing the procedures to include additional charges such as late fees, and document the results.

LIRR Response:

LIRR agrees with this recommendation. By 2021, the MTA expects to launch a new fare payment system across its agencies which will provide new sales technology and back-office databases. The LIRR's ADL process will be included in this new system, which is in the design phase. Details are being considered on how to best record, analyze, and collect on open ADL's. The plan is for customers to have an MTA-wide transit account which will include his/her ADL history. The addition of late fees is one of the features that can be added to outstanding invoices that the current database cannot do.

Please contact me should you require additional information.

Sincerely,



Phillip Eng
President

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October 23, 2019
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cc: M. Young
R. Brooks
M. Reilly
J. Rosado
R. Free
M. Woods
D. Jurgens