



Metropolitan Transportation Authority

Audit Committee Meeting

April 2011

Committee Members

J. Sedore Jr., Chair

M. Page, Vice Chair

A. Saul

A. Cappelli

D. Cecil

D. Frasca

S. Metzger

C. Moerdler



Metropolitan Transportation Authority

MEETING AGENDA

MTA AUDIT COMMITTEE

APRIL 21, 2011 – 3:00 p.m.

347 Madison Avenue
Fifth Floor Board Room
New York, NY

AGENDA ITEMS

PAGE

PUBLIC COMMENTS PERIOD

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| 1. APPROVAL OF MINUTES – FEBRUARY 17, 2011 | 1 |
| 2. AUDIT COMMITTEE WORK PLAN | 3 |
| 3. 2010 FINANCIAL STATEMENTS | |
| > METROPOLITAN TRANSPORTATION AUTHORITY* | |
| > THE LONG ISLAND RAIL ROAD COMPANY* | |
| > METRO-NORTH COMMUTER RAILROAD COMPANY* | |
| > TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY* | |
| > MTA BUS COMPANY* | |
| > FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY* | |
| > NEW YORK CITY TRANSIT AUTHORITY * | |
| > STATEN ISLAND RAPID TRANSIT OPERATING AUTHORITY * | |
| > METROPOLITAN SUBURBAN BUS AUTHORITY* | |

4. EXECUTIVE SESSION

Date of next meeting: Monday, June 27, 2011 at 3:00 p.m.

**(material previously distributed)*

**MINUTES OF MEETING
AUDIT COMMITTEE OF THE BOARD
MONDAY, FEBRUARY 17, 2011 – 2:30 P.M.
5TH FLOOR BOARD ROOM
347 MADISON AVENUE
NEW YORK, NEW YORK 10017**

The following were present:

Honorable:

James L. Sedore

Doreen M. Frasca

M. Fucilli - MTA

M. Foran - MTA

L. Kearse - MTA

P. Kane - MTA

B. Kluger – MTA/IG

1. APPROVAL OF MINUTES

A motion was made and carried to approve the minutes of the January 24, 2011 Audit Committee meeting.

2. AUDIT COMMITTEE WORK PLAN

There were no changes to the Audit Committee Work Plan at this time.

3. FINANCIAL INTEREST REPORTS

Lamond Kearse (MTA Compliance) provided the Committee with a report on the 2010 Financial Interest Report filings. The Committee was advised that out of the 5,875 individuals required to file, there were 141 delinquent filers for the year. This number currently stands at 19. Lamond reported that the number is up this year because several issues developed. A number of people did not file because they were no longer employed and some people had name changes. Lamond expressed his hope that this was an anomaly that won't be repeated. The Committee inquired if this was the highest level of delinquencies, and Lamond indicated that it was.

4. MTA ETHICS PROGRAM

Lamond Kearse reported that his office handled over 400 documented ethics inquiries in 2010, up from 204 last year. A majority of the inquiries addressed post-employment restriction issues, gifts, and attending certain events. Lamond indicated that his office provided ethics training in 2010 for 900 MTA employees, compared to 1,270 the previous year. Employees are trained on a four-year cycle so the number of attendees goes up and down. Twenty-nine sessions were held last year, and 22 are proposed for this year. MTA Compliance distributed a hard copy of the MTA Code of Ethics to all employees and continues to provide training to senior managers on the Code. His office also continues to send out notices to employees on various issues, but is looking at using "MTA Today" as a means for employee notifications instead of memos in the future.

5. **AGENCY REPORT ON OPEN AUDIT RECOMMENDATIONS**

Lamond Kears indicated that his office provided a report to the Committee outlining outstanding audit recommendations that were six months past their scheduled implementation date. Representatives from each agency were present to answer any questions from the Committee. Lamond referred the Committee's attention to certain overdue recommendations at MTAHQ, Long Island Rail Road, Metro-North, and MTA Bus. Each agency representative briefly gave an update on the current status of each open recommendation. The Committee asked that LIRR provide an update on the recommendations relating to MTA-09-235 Bombardier's Warranty Inventory Warehouse at their April meeting.

6. **INTERNAL CONTROL PRESENTATION**

Lamond Kears briefed the Committee on the MTA Internal Control Program which is managed by MTA Corporate Compliance. The report covered how MTA Corporate Compliance was established in 2004 initially to cover the ethics and internal controls programs. Corporate Compliance's responsibilities have grown over the years to include governance, risk, compliance, all-agency policy directives, and submission of key regulatory reports. Lamond briefly explained the types of internal controls, the roles of both himself and the agency or departmental internal control officers, how risk assessments are conducted each year to ensure the continuous review and evaluation of internal controls; and corrective action plans that are developed when internal controls weaknesses are identified. Finally, he provided highlights from the Internal Control Certification and Summary that was issued to the New York State Budget Office on May 14, 2010.

7. **EXECUTIVE SESSION**

A motion was made and seconded to go into Executive Session to discuss current issues with the MTA Inspector General.

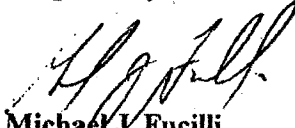
8. **MOTION TO RETURN TO PUBLIC SESSION**

A motion was made and seconded to return to public session.

9. **MOTION TO ADJOURN**

A motion was made and seconded to adjourn the meeting.

Respectfully submitted,


Michael J. Fucilli
Auditor General

2011 – 2012 AUDIT COMMITTEE WORK PLAN

I. RECURRING AGENDA ITEMS

	<u>Responsibility</u>
Approval of Minutes	Committee Chair & Members
Audit Work Plan	Committee Chair & Members
Follow-up Items	As Appropriate
Status of Audit Activities	Auditor General/MTA IG/ Chief Compliance Officer/ External Auditor/As Appropriate
Executive Sessions	As Appropriate
Pre-Approval of Audit and Non- Auditing Services	As Appropriate

II. SPECIFIC AGENDA ITEMS

	<u>Responsibility</u>
<u>April 2011</u>	
2010 Financial Statements w/Audit Representation Letters	External Auditor/CFOs/Controllers
Contingent Liabilities/Third Party Lawsuits (Executive Session)	General Counsels/External Auditor
<u>May 2011</u>	
<i>(No Meeting Scheduled)</i>	
<u>June 2011</u>	
Quarterly Financial Statements – 1 st Quarter	External Auditor/CFOs
Investment Compliance Report	External Auditor
Review of Inspector General's Office	External Auditor
Management Letter Reports	External Auditor/CFOs/Controllers
2010 Single Audit Report	External Auditor/CFOs

II. SPECIFIC AGENDA ITEMS (CON'T.)

Responsibility

July 2011

Report on Compliance with the Requirements
of the Internal Control Act
Agency Report on Open Audit
Recommendations
2011 Audit Plan Status Report

Agency ICOs/Chief Compliance Officer
Agency ICOs/Chief Compliance Officer
Auditor General

August 2011

(No Meeting Scheduled)

September 2011

Quarterly Financial Statements – 2nd Quarter
Appointment of External Auditors
Annual Audit Committee Report

External Auditor/CFOs
CFOs/Controllers
Audit Committee

October 2011

(No Meeting Scheduled)

November 2011

Review of Audit Committee Charter
Audit Approach Plans/
Coordination with External Auditors
Information Technology Reports

Committee Chair
External Auditor
Chief Information Officers

December 2011

(No Meeting Scheduled)

January 2012

Quarterly Financial Statements – 3rd
Quarter 2011
2010 Pension Audits
2011 Audit Plan Status Report
2012 Audit Plan

External Auditor/CFOs
External Auditors
Auditor General
Auditor General

II. SPECIFIC AGENDA ITEMS (CON'T.)

Responsibility

February 2012

Financial Interest Reports

Chief Compliance Officer

MTA Ethics Program

Chief Compliance Officer

Agency Report on Open Audit

Recommendations

Agency ICOs/Chief Compliance Officer

Discussion with MTA Inspector General*

MTA/IG

Committee Self Assessment*

Chief Compliance Officer

*(Executive Session)

March 2012

(No Meeting Scheduled)

2011-2012 AUDIT COMMITTEE WORK PLAN

Detailed Summary

I. RECURRING AGENDA ITEMS

Approval of Minutes

Approval of the official proceedings of the previous month's Committee meeting.

Audit Work Plan

A monthly update of any edits and/or changes in the work plan.

Pre-approval of Audit and Non-Auditing Services

As appropriate, all auditing services and non-audit services to be performed by external auditors will be presented to and pre-approved by the Committee.

Follow-Up Items

Communications to the Committee of the current status of selected open issues, concerns or matters previously brought to the Committee's attention or requested by the Committee.

Status of Audit Activities

As appropriate, representatives of MTA's public accounting firm or agency management will discuss with the Committee significant audit findings/issues, the status of on-going audits, and the actions taken by agency management to implement audit recommendations.

Executive Sessions

Executive Sessions will be scheduled to provide direct access to the Committee, as appropriate.

II. SPECIFIC AGENDA ITEMS

Detailed Summary

APRIL 2011

2010 Financial Statements and Audit Representation Letters

The agency CFOs/Controllers will be available to the Committee to answer any questions regarding the submission of their audit representation letters to the external audit firm. The MTA public accounting firm will review the results and conclusions of their examination of the 2010 Financial Statements.

Contingent Liabilities and Status of Third Party Lawsuits

The General Counsels from each agency, along with representatives from D&T, will review in Executive Session the status of major litigation that may have a material effect on the financial position of their agency, or for which a contingency has been or will be established and/or disclosed in a footnote to the financial statements. In addition, the Committee will be briefed on the status of third party lawsuits for which there has been minimal or sporadic case activity.

MAY 2011

No Meeting Scheduled

JUNE 2011

Quarterly Financial Statements

Representatives of MTA's public accounting firm, in conjunction with appropriate agency management, will discuss the interim financial statement that was prepared for the first quarter of 2011.

Investment Compliance Report

Representatives of the MTA's public accounting firm will provide a review of MTA's compliance with the guidelines governing investment practices.

Management Letter Reports

Reports will be made by the MTA's public accounting firm on the recommendations made in the auditors' Management Letter for improving the accounting and internal control systems of the MTA and its agencies. The report will also include management's response to each Management Letter comment. The response will describe the plan of action and timeframe to address each comment. In addition, the report will contain a follow-up of prior years' open recommendations conducted by the external audit firm.

Review of Inspector General's Office

Representatives of MTA's public accounting firm will provide the results of their review of the MTA/IG's operation to ensure compliance with applicable regulations, rules, policies and procedures.

2010 Single Audit Reports

Representatives of MTA's public accounting firm will provide the results of their federally mandated single audit reviews at the MTA, NYC Transit and LI Bus.

JULY 2011

Report on Compliance with the Requirements of the Internal Control Act

The Committee will be briefed by the MTA Chief Compliance Officer and Agency Internal Control Officers on the results of the All-Agency Internal Control Reports issued to the NYS Division of the Budget as required by the Government Accountability, Audit and Internal Control Act.

2011 Audit Plan Status Report

A briefing by Audit Services that will include a status of the work completed as compared to the audits planned for the year, a summary of the more significant audit findings, results of audit follow-up, and a discussion of the other major activities performed by the department.

Agency Report on Open Audit Recommendations

The MTA Chief Compliance Officer and Agency Internal Control Officers will report to the Committee on the status of audit recommendations previously accepted by their respective agency.

AUGUST 2011

No Meeting Scheduled

SEPTEMBER 2011

Quarterly Financial Statements

Representatives of MTA's public accounting firm, in conjunction with appropriate agency management, will discuss the interim financial statement that was prepared for the second quarter of 2011.

Appointment of External Auditors

The Audit Committee will review the reappointment of Deloitte & Touche as the independent auditor for MTA HQ and all the agencies. This is the third year of a seven year contract. As part of this process, the Auditor General has reviewed and provided to the Committee, and will retain on file, the latest report of the firm's most recent internal quality control review.

Annual Audit Committee Report

As a non-agenda information item, the Audit Committee will be provided with a draft report which outlines the Audit Committee's activities for the 12 months ended July 2011. This report is prepared in compliance with the Audit Committee's Charter. After Committee review and approval, the Committee Chair will present the report to the full MTA Board.

OCTOBER 2011

No Meeting Scheduled

NOVEMBER 2011

Review of Audit Committee Charter

The Committee Chair will report that the Committee has reviewed and assessed the adequacy of the Audit Committee Charter and, based on that review, will recommend any changes for 2012. The review will also show if the Committee's performance in 2011 adequately complied with the roles and responsibilities outlined in its Charter (i.e. monitoring and overseeing the conduct of MTA's financial reporting process; application of accounting principles; engagement of outside auditors; MTA's internal controls; and other matters relative to legal, regulatory and ethical compliance at the MTA).

Audit Approach Plans/Coordination With External Auditor

Representatives of MTA's public accounting firm will review their audit approach for the 2011 year-end agency financial audits. This review will describe the process used to assess inherent and internal control risks, the extent of the auditor's coverage, the timing and nature of the procedures to be performed, and the types of statements to be issued. In addition, the impact of new or proposed changes in accounting principles, regulations, or financial reporting practices will be discussed.

Information Technology Reports

The Chief Technology/Information Officers or appropriate management from the respective agencies will review, with the Committee, the actions taken to address issues raised in both internal and external audits concerning system security and control related issues. This will include the status of prior year recommendations that have yet to be implemented and compliance to MTA Agency-wide policies and procedures.

DECEMBER 2011

No Meeting Scheduled

JANUARY 2012

Quarterly Financial Statements

Representatives of the MTA public accounting firm, in conjunction with appropriate agency management, will discuss the interim financial statement that was prepared for the third quarter of 2011.

2010 Pension Audits

Representatives of the MTA public accounting firms will provide the results of their reviews of the pension plans that are managed and controlled by MTA HQ, Long Island Rail Road, Metro-North and NYC Transit.

2011 Audit Plan Status Report

A briefing by Audit Services that will include a status of the work completed, a summary of the more significant audit findings, and a discussion of the other major activities performed by the department.

2012 Audit Plan

A discussion by Audit Services of the areas scheduled to be reviewed in 2011 as well as the guidelines and policies that were used to assess audit risk and their application in the development of the audit work plan.

FEBRUARY 2012

Financial Interest Reports

The MTA Chief Compliance Officer will brief the Committee as to the agencies' compliance with the State Law regarding the filing of Financial Interest Reports (FIRs), including any known conflicts of interest.

MTA Ethics Program

The MTA Chief Compliance Officer will brief the Committee on selected aspects of the MTA Ethics Program.

Agency Report on Open Audit Recommendations

The MTA Chief Compliance Officer and Agency Internal Control Officers will report to the Committee on the status of audit recommendations previously accepted by their respective agency.

Audit Committee Self Assessment

The MTA Chief Compliance Officers will review with the Committee, in Executive Session, the results of the self-assessment report.

MTA Inspector General

The MTA Inspector General will meet with the Committee, in Executive Session, to discuss issues currently under review by the OIG.

MARCH 2012

No Meeting Scheduled