

the Audit Report). On January 15, 2003, the City Comptroller's Office began the audit of the TA's procedures for recording and reporting financial and statistical data presented to the public.

5. In the course of performing this audit of the TA, we found the MTA to be untimely and uncooperative in responding to our requests for information pertaining to the finances of the TA. We wrote the MTA on March 10, 2003, requesting information vital to the conduct of our audit. (Our March 10 letter is attached as Exhibit B hereto). In response, the MTA refused to produce the information, writing back to us on March 20, 2003 that because the MTA was also responding to requests from New York State Comptroller Alan Hevesi, "we are not inclined to submit voluntarily to yet another audit on identical issues." (The MTA's March 20 letter is attached as Exhibit C hereto). I am informed that ultimately, our legal counsel had to tell the MTA that if the MTA did not immediately produce the responsive information, our office would subpoena the MTA for those records. On April 2 – eighteen business days following our request – the MTA did finally produce the records we needed.

6. The records produced by the MTA and TA revealed that the TA did not provide the public with complete, clear, and accurate information about its current and future financial position. The TA overstated its operating expenses on its financial statements for 2001 and on its draft financial statements for 2002, and its Fiscal Year 2003 Operating Budget Proposal lacked essential information. Specifically, the TA improperly included capital costs and interest expense on long-term debt as operating expenses on its financial statements; and its Operating Budget Proposal did not provide adequate details of its debt service, debt restructuring, and projected revenue and expenses. Overall, the errors in the TA's financial statements combined with the shortcomings of the Operating Budget make it impossible for all concerned parties to assess the financial position of the TA and make an informed judgment about the necessity for a fare increase.

7. Further, our analysis revealed two significant problems with the operating budgets that cause us to question the need for the fare increase. Specifically, the draft financial statements indicated that the TA ended calendar year 2002 with approximately \$300 million in the "MTA Investment Pool." However, we could not determine whether these resources were included in the budget plans and were considered on March 6, 2003, when the MTA Board voted to increase the basic TA fare from \$1.50 to \$2.00. In addition, the TA's "Fare Revenue Model," which the MTA used to project TA revenue from the fare increase in the revised budget, made assumptions regarding ridership that are questionable based on our review of historic ridership data.

8. Overall, we concluded that the TA's financial documents issued prior to and after the March 6, 2003 meeting of the MTA Board were not adequate to provide the basis for sound policy-making. Our analysis revealed that financial statements and budget documents were incomplete, misleading, and obfuscating. The TA made important financial revisions only *after* the MTA Board voted to increase the transit fare. We cannot determine whether those revisions, and possibly others yet to be revealed, will prove the necessity of a fare hike that affects more than seven million passengers a day.


GARY ROSE

Sworn before me this
29th day of April, 2003


NOTARY PUBLIC

MARILYN BODNER
Notary Public, State of New York
No. 31-4927488
Qualified in New York County
Commission Expires April 11, 2006