



MTA Bus Company and New York City Transit

Selected Aspects of Vehicle Fuel Procurement and Use

2008-S-175



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of State Government Accountability

May 20, 2010

Mr. Jay Walder
Chairman and Chief Executive Officer
Metropolitan Transportation Authority
347 Madison Avenue
New York, NY 10017

Dear Mr. Walder:

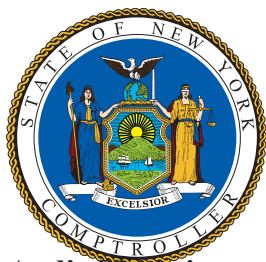
The Office of the State Comptroller is committed to helping State agencies, public authorities and local government agencies manage government resources efficiently and effectively and, by so doing, providing accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit of Selected Aspects of Vehicle Fuel Procurement and Use at the MTA Bus Company and New York City Transit. This audit was performed pursuant to the State Comptroller's authority under Article X, Section 5 of the State Constitution and Section 2803 of the Public Authorities Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

*Office of the State Comptroller
Division of State Government Accountability*



Audit Objectives

Our objective was to determine whether the MTA Bus Company and New York City Transit properly managed selected aspects of the procurement of diesel fuel for buses. Additionally, our objective was also to determine whether MTA Bus Company can account for the vehicle fuels purchased and used.

Audit Results - Summary

Since its inception, New York City Transit (Transit) has procured diesel fuel for its bus fleet. From January 2005 to February 2006, the operations of seven private bus companies were combined into the newly-established MTA Bus Company (MTA Bus), and Transit arranged for its fuel contractor to deliver fuel to MTA Bus facilities.

We concluded that aspects of bus diesel fuel procurement have been ineffectively managed by Transit. This is primarily due to Transit's decision to use a more costly type of fuel, jet/kerosene, rather than less costly diesel fuel. In addition, when an environmentally friendly and less costly diesel fuel became available in October 2006, Transit was unprepared to purchase this fuel. Instead, it remained contractually committed to the more expensive jet/kerosene fuel. As a result, we estimated that MTA Bus and Transit respectively paid \$7.6 million and \$31.8 million more for diesel fuel than they should have between October 2006 and September 2009.

In addition, we concluded that MTA Bus lacks adequate assurances that a proper accountability exists for its fuel supply. Fundamental controls for monitoring the quality of fuel delivered as well as for reconciling amounts on hand and delivered to the authorized amounts dispensed to vehicles were not properly implemented at the bus depots. Our tests of fuel depot records showed unexplained discrepancies between amounts on hand and the amounts that should have been on hand.

We made eight recommendations for improving procurement practices for diesel fuel and for accounting for fuel at depots. The MTA is in general agreement with our recommendations.

This report, dated May 20, 2010, is available on our website at: <http://www.osc.state.ny.us>.

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Office of the State Comptroller

Division of State Government Accountability

110 State Street, 11th Floor

Albany, NY 12236

Introduction

Background

The Metropolitan Transportation Authority (MTA) is a public benefit corporation providing transportation services in and around the New York City metropolitan area. It is governed by a Board of Directors, whose 17 members are nominated by the Governor and confirmed by the State Senate.

The Metropolitan Transportation Authority oversees seven constituent agencies, three of which provide bus service. The MTA Bus Company (MTA Bus) provides bus service in certain parts of New York City, New York City Transit (Transit) provides bus service throughout the City, and MTA Long Island Bus provides bus service in Nassau County. Our audit focused on MTA Bus.

MTA Bus was created in September 2004 to assume the operations of seven private bus companies that operated under franchises granted by the New York City Department of Transportation. The merging of these companies into MTA Bus began in January 2005 and was completed in February 2006. As of the winter of 2008, MTA Bus employed about 3,300 people, operated 1,323 buses and maintained eight bus depots. In 2008, MTA Bus reportedly transported more than 121 million passengers.

Diesel fuel powers 78 percent of the MTA Bus fleet while compressed natural gas (CNG) powers 22 percent of the fleet. According to MTA Bus records, between January 2006 and April 2009, MTA Bus expended \$82.4 million for about 31 million gallons of diesel fuel; an average of \$2.66 per gallon.

There are two types of diesel fuel that can be used for the MTA diesel bus fleet. One is ultra low sulfur diesel #1 (commonly called jet/kerosene) the other is widely-available diesel fuel (ULSD#2). Prior to October 2006, jet/kerosene was the more environmentally friendly fuel because of its low sulfur content. However, in 2001 the federal Environmental Protection Agency (EPA) issued regulations requiring that, effective in 2006, ULSD#2 must contain less than 15 parts per million of sulfur. Accordingly, environmentally friendly ULSD#2 became available October 15, 2006 as a cost effective alternative to the higher priced jet/kerosene.

In 2003 Transit entered into a contract with Sprague Energy Corporation for the procurement of jet/kerosene. This contract, which was to expire in September 2008, was also used by MTA Bus. The contract for jet/kerosene was extended by Transit until September 2009 when a new contract award was made to Sprague Energy Corporation for the procurement of ULSD#2.

MTA Bus has eight depots (see exhibit A). The depots have 31 diesel fuel storage tanks with a total capacity of 146,544 gallons. Each tank has an automated monitoring system that indicates the amount of fuel on hand. This enables the fuel supply vendor to monitor the amount of fuel on hand and to determine when to deliver fuel. In addition, two of the depots have facilities for providing CNG and four of the depots have facilities for providing gasoline for non-revenue vehicles. MTA Bus depot personnel are to monitor and verify all diesel and gasoline deliveries. These personnel are also to dispense fuel for the buses. Vehicle drivers dispense fuel to non revenue vehicles. Records at the depots must indicate on a daily basis how much fuel is dispensed and to which vehicles.

**Audit
Scope and
Methodology**

We audited to determine whether MTA Bus and Transit properly managed the procurement of diesel fuel, and whether MTA Bus adequately controlled the use of diesel, gasoline and CNG fuel. Our audit covered the period January 1, 2006 through May 6, 2009. However, in the case of the one year fuel contract extension, we covered the period through September 14, 2009. To accomplish our objectives, we interviewed officials of MTA Bus and Transit, and reviewed MTA Bus policies and records pertaining to fuel.

We also visited all eight MTA Bus depots to observe their operations. At four of the eight, we randomly selected several days between January 1, 2006 and December 31, 2008, and reviewed the fuel use records for those days. We selected between 15 and 18 days at each depot, and 63 days in total. We had originally intended to visit all eight depots, but after visiting four depots and reviewing the fuel use records we concluded that additional visits and further days of review would probably be redundant.

We surveyed other government bus operators and private trucking entities in New York and other states to determine the type of fuel being used to power their diesel vehicles. We also reviewed the web site of the New York State Office of General Services to determine the price, on certain days, of the diesel fuels being sold under its statewide procurement contract in the New York City metropolitan area. We reviewed the United States Department of Energy web site to determine the spot market price of diesel fuels on certain days. We also contacted the New York City Department of Consumer Affairs to determine whether the firm hired by Sprague Energy Corporation's to inspect their fuel delivery trucks' fuel dispensing meters was licensed to perform such inspections.

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

objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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.

Authority

We performed this audit pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution and Section 2803 of Public Authorities Law.

**Reporting
Requirements**

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

Within 90 days of the final release of this report, the Chairman of the Metropolitan Transportation Authority shall report to the Governor, the State Comptroller, and the leaders of the Legislative and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.

**Contributors
to the Report**

Major contributors to this report include Carmen Maldonado, Robert Mehrhoff, Anthony Carbonelli, Joseph Smith, Daniel Bortas, Slamon Sarwari and Dana Newhouse.

Audit Findings and Recommendations

Management of Fuel Procurement

In 2001, it was apparent from EPA regulations that ULSD#2 would be an environmentally friendly alternative to the existing higher sulfur diesel fuel then in general use. The regulations required that ULSD#2 be made available for highway use in 2006. Since diesel fuel has historically been lower in cost than jet/kerosene, it is logical that Transit would consider ULSD#2 for use as a fuel. Therefore, both prior to and after the award of the 2003 contract with Sprague Energy Corporation for jet/kerosene, Transit should have been fully aware of the opportunities for reducing costs and maintaining environmental requirements through ULSD#2. Transit's management decision making should have been consistent with these opportunities.

For example, Transit should have commenced monitoring the status of development of lower sulfur ULSD#2 and should have been prepared to seek a contract amendment to procure it when it became available in 2006. In addition, by the time the Sprague Energy Corporation contract expired in September 2008, Transit should have already been fully prepared to proceed with a new contract based on ULSD#2.

However, we found little indication that Transit management decision making considered either the opportunity to use ULSD#2 or the limitations of continued reliance on jet/kerosene. In fact, when the time came in 2006 to plan to obtain a new contract for diesel fuel, Transit management had yet to evaluate and test ULSD#2 and remained committed to jet/kerosene. (In fact, Transit did not begin to test ULSD#2 until November 2008 and did not complete such testing until March 2009.) Management had not identified that only one refiner on the east coast could produce the jet/kerosene. In the absence of such steps, when Transit re bid the fuel contract in August 2008, there were no bids for a new contract providing jet/kerosene. Transit management had no choice but to extend the 2003 contract with Sprague Energy Corporation for another year of use of jet/kerosene as it prepared for another round of bidding.

Transit management's inaction and delay to procure ULSD#2 has proven costly. For example, when the contract with Sprague Energy Corporation needed to be extended in September 2008, Transit and MTA Bus were left in a position where they had to absorb onerous vendor demands for increased pricing. Specifically, these agencies had to absorb a 55 cent per gallon increase in the differential (the price paid per gallon to the contractor above the spot price of the fuel) in order to continue with jet/kerosene. Furthermore, under the terms of the extension, Transit and MTA Bus had to

procure a minimum of 50 million gallons of jet/kerosene. The increase in the differential together with the minimum commitment during the contract extension period caused the two agencies to pay an estimated \$27.5 million (\$22 million for Transit and \$5.5 million for MTA Bus) more than was required under the expiring contract.

In addition, during the time of the extension, the New York State Office of General Services (OGS) had a statewide contract for diesel and gasoline fuel that was open to State and local government agencies and the public authorities such as the MTA. We tested the price for jet/kerosene in the New York City metropolitan area under the OGS contract for four selected days during the MTA contract extension with Sprague Energy Corporation. We found that on all four days, the OGS price was lower by between 12 and 40 cents per gallon and on average by 28.97 cents per gallon than the price charged by Sprague Energy Corporation. During the audit, we saw no indication that Transit considered using OGS as a strategic alternative during the extension period.

If Transit had acted to have a new contract in place for ULSD#2 in September 2008, we estimate that MTA Bus and Transit would have saved \$841,737 and \$3,270,081, respectively by avoiding the one year contract extension and its costly incremental pricing for jet/kerosene. Had Transit been prepared in October 2006 to amend its diesel fuel contract to procure ULSD#2 instead of jet/kerosene, we estimate that MTA Bus and Transit would have saved \$2,101,429 and \$9,774,845, respectively from that time through September 2009 when the new contract for ULSD#2 became effective with Sprague Energy Corporation.

We also noted that once Transit changed its fuel choice to ULSD#2 and competitively bid the contract for September 2009, five vendors submitted bids. The price differential in the new contract was about 20 cents a gallon; very close to the 18 cent per gallon price differential in the original contract and much lower than the 73 cent per gallon price differential in the contract extension.

In response to our findings, Transit and MTA Bus officials said that jet/kerosene was preferred because it was environmentally friendly and was less likely to cause diesel engine problems in cold weather. However, they provided no documentation in support of these positions. In addition, their position was not always consistent with other government bus operators and private trucking entities that used diesel fuel to power their fleets. For example, one national trucking firm reported that it used diesel fuel exclusively and that this has not been a problem in cold weather. Both the Syracuse-based Central New York Regional Transportation Authority and the Albany-based Capital District Transportation Authority reported

primarily using ULSD#2 in the warm weather and a mix of ULSD#2 and jet/kerosene in the colder weather. Also, MTA Bus officials advised that all seven private franchise bus companies that merged with MTA Bus used diesel fuel exclusively. Some entities, however, including the Connecticut Department of Transportation and Westchester County did report that they only use jet/kerosene.

- Recommendations**
1. Monitor and evaluate the fuel market place and regulations to be prepared for changes which might necessitate modification of contract terms or operational practices.
 2. Explore alternative contracting strategies including the use of the OGS fuel contract.
 3. Ensure that all critical decisions and analysis regarding fuel choices are documented.

**Controls over
Fuel Delivery
and Use**

MTA Bus expended a total of \$82.4 million for about 31 million gallons of fuel for its diesel buses during the period January 2006 to April 9, 2009. From January 2007 to March 2009, MTA Bus purchased 224,080 gallons of gasoline worth \$516,052. It also purchased Natural Gas, some of which is converted to Compressed Natural Gas (CNG) to power its buses, however it could not differentiate between gas used for its buses and gas used for its buildings. As such, MTA Bus needs to assure itself that it is getting the quantity and quality of fuel it is paying for. We found that MTA Bus could not account for the fuel that it purchased, and does not test the quality of fuel it receives. In fact, at some depots, the fuel use records were either missing or had only recently begun to be maintained, and when there were such records, they sometimes showed that more fuel had been pumped out of the tanks than had been pumped into the company's vehicles.

Fuel Delivery

MTA Bus did not have procedures regarding the delivery or accountability for fuel. It did have three safety bulletins which provide that all deliveries of diesel fuel are to be monitored and verified by depot personnel.

The bulletins provide that the amount of fuel delivered by the vendor (as indicated by the delivery ticket from the vendor's fuel truck) should be compared against the amount of fuel in the storage tank, both before and after delivery, to ensure that the vendor delivered all the fuel claimed. In addition, if fuel was being pumped from the tank during the delivery, the amount pumped out should be taken into account when verifying the delivery. If there is a large discrepancy between the delivery amount claimed by the vendor and the amount indicated by the tank readings, the

discrepancy should be reported. (The bulletin does not define large, and does not indicate who to report the discrepancy to.)

During our visits to the eight depots, we observed 12 fuel deliveries and reviewed the records relating to the deliveries. We found that the reconciliation required by the safety bulletins was not always performed. In 11 of the 12 deliveries observed, we noted weaknesses in accounting for the amount of fuel delivered to the depots. MTA Bus had no assurance it was getting the amount of fuel it was paying for.

For example, on January 23, 2009, we observed a delivery at the College Point depot. The delivery was monitored by the depot foreman, who recorded the amount of fuel in the storage tank (as indicated by the automated monitoring system) both before and after the delivery. In addition, the foreman recorded the pump meter reading before and after delivery to determine how much fuel had been pumped out of the tank during the delivery. Based on the observations and the readings taken and recorded on the fuel delivery worksheet used at this depot, there was a shortage of 534 gallons. However, this shortage was not reported to anyone, and as a result, MTA Bus was billed for 534 gallons of fuel it may have not received.

In other instances, depot personnel did not perform the required reconciliations or made other procedural errors when the fuel was delivered, and as result, there was no assurance that the amount of fuel claimed by the vendor was actually delivered. For example, an MTA Bus safety bulletin requires the employee monitoring the delivery to wait 20 minutes after the delivery to take readings from the automated monitoring system, in order to allow the fuel to settle and balance among the tanks for an accurate reading. However, often the employee took the reading only a few minutes after delivery. For some deliveries, bus fueling operations continued, and no effort was made to adjust the reconciliation for fuel pumped during the delivery. For example, on March 10, 2009 at LaGuardia Depot received a delivery of jet/kerosene fuel. During this delivery, fuel was dispensed into buses but not tracked properly. This facility did not prepare a fuel delivery worksheet. However, we noted there was a 189 gallon difference between the delivery ticket (3,500 gallons) and the before/after readings from the automated monitoring system (3,311 gallons).

Depot personnel are not always verifying fuel deliveries in accordance with requirements, in part, because depot managers have not effectively disseminated the requirements to the personnel.

In addition, according to a provision in the fuel procurement contract, the vendor's fuel delivery trucks are to be inspected semiannually by either New York City or a firm licensed by the City to perform such inspections.

The purpose of the inspections is to ensure that the meters on the trucks' tanks accurately record the amount of fuel dispensed.

Sprague's fuel delivery trucks were to be inspected by a private firm. However, when we attempted to verify that the firm was licensed to perform the inspections, we found no evidence of a current license. As a result, there was a lack of assurance that the fuel delivery tickets from Sprague were accurate. (At the end of our audit field work, MTA Bus officials told us that the firm, as of May 2009, is licensed by the NYC Department of Consumer Affairs.)

We also examined the actions taken by depot personnel to verify the quality of the fuel. According to the fuel procurement contract, the fuel could be tested by Transit to ensure that it met all contract specifications. This can be done by periodically taking a sample of the fuel and sending it to a lab for testing. However, we found that none of the depots were performing such testing. As a result, MTA Bus has no assurance it is getting the quality of fuel it is paying for.

Fuel Use

The fuel at the depots should only be pumped into buses and non-revenue vehicles being used for business purposes. It should not be pumped into employees' personal vehicles or non-revenue vehicles being used for non-business purposes.

The depots are supposed to maintain records that indicate how much fuel is dispensed from each pump, and into which vehicles, on a daily basis. Depot personnel are supposed to perform daily reconciliations of these records to ensure that all the fuel that was pumped out of the tanks can be accounted for. The amount of fuel that was pumped out of the tanks should agree with the amount that was pumped into authorized vehicles. If the amounts do not agree, and the discrepancies are significant, they should be reported to supervisors and to the MTA Bus Facilities Environmental Group as the assumption is that there may be a tank leak.

We selected a sample of 97 days to test fuel data maintained at the eight depots. After visiting four of the eight depots and reviewing their fuel use records we concluded that the daily reconciliations were not being properly performed. We reviewed the days selected (between 15 and 18 days at each depot) and 63 days in total. The four depots we visited were Eastchester, Baisley Park, College Point and LaGuardia.

We reviewed diesel fuel records for 48 of the 63 days, at 3 of the depots. Only one depot had usable records. At that depot, there were variances

every one of the 15 days, one day was off by 407 gallons. At the other depot, we reviewed CNG records. Of 15 days we tested, there were records for only 6. Each day had a variance; the highest variance was 330 DRE (diesel recording equivalents). Two depots had gasoline storage tanks, one did not have any records, the other had usable records for only 5 days. Only one day's records reconciled.

On the basis of our review of the depots' fuel use records on the sampled days, we conclude that MTA Bus is unable to account for how its fuel is used, and as a result, it has no assurance the fuel is used only for business purposes.

In addition, at one of the four depots (Eastchester), we extended our review of fuel use records and examined summary records covering all 366 days in calendar year 2008. These summary records were created when hardcopy data from the daily fuel use forms was entered onto a computerized information system. According to these summary records, in 2008, a total of 1,239,867 gallons of diesel fuel was pumped out of the depot's fuel tanks, but only 1,235,412 was accounted for as being pumped into buses and non-revenue vehicles. This represents a net total discrepancy of 4,455 gallons.

We found no indication efforts were made to resolve any of the discrepancies at this, or any of the other depots. In the absence of such efforts, we question whether MTA Bus management is committed to maintaining an appropriate level of accountability for fuel use.

In another example of the lack of accountability for fuel use at the depots, at one of four depots not included in our sample (Rockaway), we found that depot staff had significantly under or over-reported the amount of diesel fuel dispensed by the depot in its computerized monthly summary records. On 20 of 28 randomly selected days in 2008, the amounts entered on the monthly summary records disagreed with the amounts recorded on the hardcopy daily records of fuel use. The errors ranged from an under-reporting of 2,350 gallons to an over-reporting of 3,724 gallons. We note that the erroneous amounts were also recorded on a monthly report that is submitted to the New York State Department of Environmental Conservation (the Department uses the reports in its efforts to detect and prevent petroleum leaks in underground storage tanks). Since depot management does not verify the accuracy of the reports, it did not notice the errors.

Depot personnel do not account for fuel use in accordance with requirements, in part, because (as was previously noted) depot managers have not effectively disseminated the requirements to their personnel. Because of this lack of guidance, the staff at the various depots performs this function in a haphazard and largely ineffective manner. In fact, in many ways, the

depots are operating no differently than they did before they were merged into MTA Bus. In its failure to provide guidance to depot staff in this critical area of accountability and control, MTA Bus management has seriously compromised its control environment, and as a result, significantly increased its exposure to the risk of loss and theft.

We urge MTA Bus officials to take corrective action to better account for fuel. At the closing conference for our audit, officials provided a copy of draft Policy/Instructions MTA Bus intends to implement. This P/I contained detailed procedures in areas such as receiving, sampling, issuing, and accounting for diesel fuel. The officials stated that they will not investigate any of the past discrepancies and errors in fuel use records, and instead, they will focus their efforts on improving future operations.

Recommendations

4. Finalize the Policy/Instructions regarding fuel accountability, ensuring that all terms and definitions are clear and understandable. Train depot personnel regarding the new Policy/Instructions and monitor depots' implementation of the new Policy/ Instructions.
5. On a daily basis, account for differences between cumulative fuel pumped in 24 hours, and that logged as distributed into its vehicles. Report any variances to the depot superintendent each day for further action.
6. Monitor the fuel vendor to ensure that its fuel delivery truck meters are inspected by a properly licensed inspection firm in accordance with contract requirements.
7. Require the fuel delivered to MTA Bus depots to be tested for compliance with contract specifications.
8. If a depot is persistently unable to account for the use of its fuel, investigate the reasons and take corrective action.

(MTA officials replied to our draft audit report that they are in general agreement with the recommendations. However, the report contains statements which they consider to be inaccurate. In addition, the auditors did not reflect information provided at the closing conference.)

Auditor's Comments: We are pleased that the MTA agrees with our recommendations. However, at the closing conference the only information provided by the MTA related the new procedures which should improve accountability over the delivery and use of fuel. Subsequent to the closing conference, at their request, we met with MTA officials who explained why they continued to use jet/kerosene fuel after ULSD#2 was commercially available. In addition, all of the

documentation provided by MTA officials was carefully reviewed and evaluated as part of our audit field work.

The documentation and explanations reinforce and justify why the MTA used jet/kerosene fuel prior to the availability of ULSD#2 in 2006. However, as noted in our audit, there is no support for the continued exclusive reliance on more costly jet/kerosene fuel after 2006.

Exhibit A

Eight Bus Depots of MTA Bus Company

Depot	Borough/county	Former Franchisee
Baisley Park	Queens	Jamaica Buses, Inc.
LaGuardia	Queens	Triboro Coach Corp
Eastchester	Bronx	New York Bus Service
Yonkers	Westchester	Liberty Lines Express, Inc
College Point	Queens	Queens Surface Corp.
Rockaway	Queens	Green Bus Lines
John F. Kennedy	Queens	Green Bus Lines
Spring Creek	Brooklyn	Command Bus Company

Agency Comments

Memorandum



Metropolitan Transportation Authority

State of New York

Date February 24, 2010

To Jay H. Walder, Chairman and Chief Executive Officer

From Joseph J. Smith, Senior Vice President, NYC Transit Department of Buses;
President, MTA Bus Company; President, Long Island Bus

Re Response to Draft State Comptroller Fuel Audit 2008-S-175

We have received and reviewed the Office of the New York State Comptroller draft audit report entitled "MTA Bus Company and New York City Transit Selected Aspects of Vehicle Fuel Procurement," issued on December 18, 2009.

While we are in general agreement with the audit recommendations, we noted significant statements and findings that we considered to be inaccurate. Some of these inaccuracies were brought to the auditors' attention during an exit conference. However, a review of the final audit report indicated that none of our noted exceptions were incorporated into their findings. In particular, the report did not acknowledge the safety and operational considerations that prevented the MTA from making an immediate switch to ULSD #2 fuel when it became available. Further, the report did not acknowledge the significant progress that had been made in establishing the necessary policies and procedures for fuel monitoring at the MTA Bus Company prior to the conclusion of the audit.

Therefore, we recommend noting these exceptions for the record.

cc: F. Cuenca
M. Fucilli
H. Sullivan