



City of New York

OFFICE OF THE COMPTROLLER

Scott M. Stringer
COMPTROLLER



MANAGEMENT AUDIT

Marjorie Landa

Deputy Comptroller for Audit

Audit Report on the
Processing of MetroCard Claims by
New York City Transit

MJ14-077A

March 5, 2015

<http://comptroller.nyc.gov>



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, NY 10007

SCOTT M. STRINGER
COMPTROLLER

March 5, 2015

To the Residents of the City of New York:

My office has audited New York City Transit (NYCT) to determine whether it has adequate processes and procedures in place for ensuring the prompt handling of customer MetroCard claims received by the MetroCard Customer Claims (MCC) unit. The audit also determined whether NYCT sufficiently monitors and measures its performance in responding to such claims to identify and correct potential weaknesses and enhance customer service. We perform audits such as this to help agencies improve their customer service to New York City residents.

This audit found that NYCT's MCC unit has strong controls in place throughout all phases of its processing of MetroCard claims. In addition, the MCC unit closely monitors and measures its performance in responding to MCC claims. However, the thoroughness of these controls slows the claims processing time. As a result we found that in Calendar Year 2013 NYCT took more than two months (or 67.6 days) to process more than 80 percent of the claims it processed that year. This far exceeded NYCT's 14-day target.

Based on the audit findings, we recommend that NYCT management consider approving the MCC unit's request to provide additional staffing to meet the needs of the unit and to speed MetroCard claims processing.

The results of the audit have been discussed with NYCT officials, and their comments have been considered in preparing this report. Their complete written response is attached to this report.

If you have any questions concerning this report, please email my Audit Bureau at audit@comptroller.nyc.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Scott M. Stringer".

Scott M. Stringer

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THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER MANAGEMENT AUDIT

Audit Report on the Processing of MetroCard Claims by New York City Transit

MJ14-077A

EXECUTIVE SUMMARY

This audit was conducted to determine whether New York City Transit (NYCT) had adequate processes and procedures in place to ensure the prompt handling of customer MetroCard claims received by the MetroCard Customers Claims (MCC) unit. The audit also determined whether NYCT sufficiently monitors and measures its performance in responding to such claims to identify and correct potential weaknesses and enhance customer service.

NYCT is the largest component agency of the Metropolitan Transportation Authority's (MTA) regional transportation network. The MetroCard is the MTA's automated fare collection medium and is accepted in all NYCT subway stations and on buses. If a MetroCard is damaged or expired, a customer can generally go to a station booth and request that the station agent transfer any remaining balance to a new card for up to one year after the card's expiration date. However, in certain situations, if a MetroCard is either too damaged for the agent to read, or more than one but less than two years past its expiration date, a customer can seek card replacement or reimbursement by submitting a claim to NYCT either by mail, in person, online, or by phone. The MCC unit is directly responsible for receiving, investigating and processing all such claims.

In Calendar Year 2013, NYCT received 405,521 MetroCard claims. As of December 31, 2013, the MCC unit had processed 382,239 (94 percent) of them, resulting in customer reimbursements totaling approximately \$6.8 million.

Audit Findings and Conclusions

The MCC unit has strong controls in place throughout all phases of its processing of MetroCard claims. In addition, the MCC unit closely monitors and measures its performance in responding to MCC claims. However, the thoroughness of these controls slows the NYCT's processing time, making it difficult for NYCT to expedite claims. Accordingly, based on its current protocols, the MCC unit's stated goal of 14 days to close out claims is neither realistic nor attainable. In Calendar Year 2013, 94 percent of the MetroCard customer claims that NYCT received were processed and closed. However, on average, NYCT took more than two months (or 67.6 days) to process more than 80 percent of those claims. The MCC unit has requested that additional

personnel temporarily assigned by NYCT to the MCC unit be permanently assigned to address this issue.

Audit Recommendation

To address the findings raised in this audit, we recommend that NYCT management should consider approving the MCC unit's request to provide additional staffing to meet the needs of the unit and to enhance MetroCard claims processing.

Agency Response

NYCT officials agreed with the audit's recommendation and stated that it has been implemented.

AUDIT REPORT

Background

NYCT is the largest component agency of the MTA's regional transportation network, operating 24 subway lines that connect 468 active stations throughout four of the City's five boroughs, and 224 bus routes that cover 1,968 miles throughout the City each day. NYCT's subway network serves an average of 4.6 million riders daily.¹

The MTA's automated fare collection medium is the MetroCard, accepted in all NYCT subway stations and on buses. The riding public can purchase or add money to a MetroCard at any of the approximately 2,200 MetroCard vending machines (MVMs) or at subway station booths. Cards can also be purchased from a MetroCard bus or van or through neighborhood merchants. Customers may purchase Unlimited Ride MetroCards (i.e., 7-Day or 30-Day) or Pay-Per-Ride MetroCards. Customers who are 65 years of age or older or who have a qualifying disability are eligible to purchase Reduced-Fare MetroCards. Schools also distribute Reduced-Fare MetroCards and full-fare cards to students who are eligible.

If a MetroCard is no longer usable, a customer can recoup money left on it in several ways. For damaged or expired Pay-Per-Ride MetroCards, a customer can go to a station booth and request that the station agent transfer any remaining money balance to a new card for up to one year after the card's expiration date. The card must be submitted by mail or in person to NYCT for replacement or reimbursement if it is either too damaged for the agent to read, or more than one but less than two years past its expiration date. For damaged or expired Unlimited Ride MetroCards, however, a customer must mail the card to the NYCT or submit it in person. For customer losses due to MVM-related or bus fare box problems, a customer may file a claim either in person or by mail with NYCT. Certain claims may also be filed through the NYCT's MetroCard Electronic Fix (eFix) webpage, including claims for defective or undisbursed cards, money balance transfer problems, or double charges to a credit card. Customers can also submit an eFix claim over the phone by calling the NYCT Customer Service Center.

NYCT's MCC unit, which was the focus of this audit, is organized under the NYCT Division of Customer Relations. The MCC unit is directly responsible for receiving, investigating and processing all such claims. NYCT responded to a total of 334,933 MetroCard claims in Calendar Year 2012. Of those, 258,455 (77 percent) were refunded, to a total of \$5,153,130 (an average of \$19.94 per claim). The remaining claims either had no money or value refunded. In Calendar Year 2013, NYCT processed a total of 382,239 MetroCard claims, of which 301,551 (79 percent) were refunded a total of \$6,765,890 (an average of \$22.44 per claim). The remaining claims had no money or value refunded.

The MCC unit uses the Internet Claims Exchange System (ICES) and the eFix system to track and process customer claims. To supplement and support the investigation and processing of claims, the MCC unit also uses NYCT's Automated Fare Collection Fare Card Detailed Data System and the Photo Identification Card system. The MCC unit has a stated goal of processing and closing out claims within 14 days from the date of receipt.

¹ Based on the total annual ridership for Calendar Years 2011, 2012, and 2013, as reported on the MTA website.

As of December 2013, the MCC unit had a staff of approximately 48, including managers, supervisors, administrative, and claims processing personnel. In Calendar Year 2013, the MCC unit had a budget of \$3.5 million, covering both personnel service and other than personnel service expenses. During Calendar Year 2013, NYCT received a total of 405,521 MetroCard claims. Of those claims, 23,282 (6 percent) remained open and in-process as of December 31, 2013, while 382,239 (94 percent) had been addressed and closed, with customers reimbursed approximately \$6.8 million.

Objectives

The objective of this audit was to determine whether NYCT:

1. Has adequate processes and procedures in place for ensuring the prompt handling of customer MetroCard claims received by the MCC unit; and
2. Sufficiently monitors and measures its performance in responding to such claims to identify and correct potential weaknesses and enhance customer service.

Scope and Methodology Statement

We conducted this 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. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The audit scope covered Calendar Year 2013. Please refer to the Detailed Scope and Methodology section at the end of this report for the specific procedures and tests that were conducted.

Discussion of Audit Results with NYCT

The matters covered in this report were discussed with NYCT officials during and at the conclusion of this audit. A preliminary draft report was sent to NYCT officials on October 28, 2014, and was discussed at an exit conference held on November 20, 2014. On February 6, 2015, we submitted a draft report to NYCT officials with a request for comments. We received a written response from NYCT officials on March 4, 2015. In their response, NYCT officials agreed with the audit's recommendation and stated that it has been implemented. The full text of NYCT's response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

The MCC unit has strong controls in place throughout all phases of its processing of MetroCard claims. In addition, the MCC unit closely monitors and measures its performance in responding to MetroCard claims. However, the thoroughness of these controls slows the NYCT's processing time, making it difficult for NYCT to expedite claims. Accordingly, based on its current protocols, the MCC unit's stated goal of 14 days to close out claims is neither realistic nor attainable. In Calendar Year 2013, 94 percent of the MetroCard customer claims that NYCT received were processed and closed. However, on average, NYCT took more than two months (or 67.6 days) to process more than 80 percent of those processed claims. The MCC unit has requested that additional personnel temporarily assigned by NYCT to the MCC unit be permanently assigned to address this issue.

These matters are discussed in greater detail in the following section of the report.

MetroCard Claims Processing Is Thorough but Not Prompt

The MCC unit's controls over the claims process provide that each claim is thoroughly recorded, investigated and tracked from receipt to final disposition (determination). Key functions of the NYCT's claims processing are adequately segregated and staff is rotated among the various tasks. However, given the current staffing levels and the thoroughness of these controls, it is difficult for NYCT to process customer claims promptly, and thus, the MCC unit's processing time is slowed.

NYCT has a stated goal of processing customer MetroCard claims within 14 days of receipt. As reflected in Table I, the MCC unit processed 382,239 (94 percent) of the total 405,521 claims received in Calendar Year 2013. However, the audit found that only 74,122 (19 percent) of the processed claims were completed in 14 days or less. For the remaining 308,117 claims (81 percent), NYCT took an average of 67.6 days to process. Of the 23,282 claims that remained unprocessed as of February 18, 2014 (the date the data was extracted), the amount of time the claims were open ranged from 49 to 484 days.

Table I

Time to Process Claims
Calendar Year 2013

Month	Total Claims Received	Total Claims Remaining Unprocessed as of 02/18/2014	Total (Completed) Processed Claims	Time to Process Completed Claims* From Creation of Claim to Close Date				
				14 days or less	15 – 28 days	29 – 42 days	43 – 56 days	> 56 days
Total	405,521	23,282 (6%)	382,239 (94%)	74,122	52,267	10,084	28,780	216,986
Percentages			100%	19%	14%	3%	7%	57%

**Note: See the Appendix for a monthly breakdown of information summarized in Table I*

As reflected above, it took the MCC unit nearly two months or longer to process more than half (57 percent) of the MetroCard claims it received in Calendar Year 2013. The extended period of

time that the MCC unit takes to process claims results in a consistent backlog of customer claims. According to MCC Daily Inventory Reports for 2013, an average of approximately 40,000 claims remained unaddressed beyond the stated 14-day processing goal each month in Calendar Year 2013. In addition, another approximately 17,000 claims were waiting to be logged into the database and assigned to a clerk to start the claims process.

NYCT officials acknowledged not meeting the 14-day goal for processing customer claims, noting that NYCT currently has a “9 to 11 week turnaround time” for the majority of customer MetroCard claims. They attributed the extended processing time and backlog of claims to MCC unit understaffing, the complexity of the claims processing function, and the overall number of claims.

To address understaffing, on May 8, 2014, the head of the NYCT Division of Customer Relations submitted a request to MTA’s Office of Management and Budget asking for the MCC unit to permanently retain eight (8) Revenue Division Cashiers who were temporarily assigned in May 2013. NYCT officials noted that the additional headcount was initially requested to address the time it takes to investigate and make determinations on customer claims. Further, they asserted that the increased headcount will allow the unit to reduce and maintain MetroCard claim processing times at an acceptable MTA standard of three to four weeks.

As to the existing processing functions, NYCT officials did not indicate that any appreciable changes or modifications to administrative and operational procedures are planned to expedite the timely processing of MetroCard claims and address the existing backlog.

Recommendation

NYCT management should consider approving the MCC unit’s request to provide additional staffing to meet the needs of the unit and to enhance MetroCard claims processing.

NYCT Response: NYCT officials stated that the recommendation has been implemented.

DETAILED SCOPE AND METHODOLOGY

We conducted this 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. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The audit scope covered Calendar Year 2013. This audit covered the MCC unit because it is the primary organizational unit responsible for handling and processing customer MetroCard claims. The audit did not evaluate the operations, processes, or procedures of the NYCT Travel Information Center or other NYCT organizational units that address customer complaints or provide customer service. To accomplish our objectives, we carried out various audit procedures detailed below.

To gain an understanding of the NYCT responsibilities regarding MetroCard claims as well as the MCC unit's operations and the resources available for handling customer MetroCard claims, we interviewed key officials and reviewed the organization chart, employee roster, and budget information reflecting the MCC unit's personnel service and other than personnel service expenses for Calendar Year 2013.

To assess the MCC unit's controls over the processing of MetroCard claims, we reviewed relevant sections of the *MetroCard Customer Claims Policies and Procedures Manual* (dated July 2012) and NYCT Guidelines on Incoming Claims (a one-page "cheat-sheet" provided to MCC unit employees for reference). We also reviewed an internal audit report issued by MTA Audit Services, entitled *Audit of MetroCard Customer Claims Processing* (MTA-12-004) issued August 9, 2012. We noted findings and conditions in that report relevant to this current audit. We conducted walkthroughs of the MCC unit's various functions involved in claims processing (i.e., daily intake, mail count, sorting, classifying, and determination). Further, we reviewed various reports including Daily Claims Inventory Reports and Detailed Monthly Reports. We performed tests of controls, and documented our understanding of NYCT's controls in written narratives and memoranda.

To familiarize ourselves with the ICES/eFix computer system used for tracking and processing claims, we requested and were provided read-only access to the application. With the assistance of MCC unit personnel, we reviewed the system's various screens and functions. On a limited basis, we reviewed the general controls and security over the application. Specifically, we interviewed officials from NYCT's information technology (IT) Infrastructure and Application Groups and observed the rooms within the NYCT data center that house the ICES/eFix servers. Further, we reviewed NYCT's "Continuity of Operations Plan" and reports detailing the results of disaster-recovery plan tests performed in October 2013.

We requested and received a copy of claims data from the ICES/eFix database for Calendar Year 2013. We ran various sorts of the data to evaluate its completeness and reliability for audit testing purposes. For example, we determined whether there were gaps in the sequential numbering of the claim numbers and whether adequate edit (validation) checks were in operation. In addition, to ensure that the data copy matched the live system, we judgmentally selected 25 hard-copy

claim packets from the seven months (June 2013 through December 2013) of records maintained and available on-site at the MCC unit. We first compared key information (i.e., claim numbers, customer name and address, refund amount, etc.) listed on the hardcopy documentation to the live ICES database. Subsequently, we compared the information from the 25 hardcopy claims to the data copy. In addition, we randomly selected 25 claims from the population of 405,521 MetroCard claims recorded in ICES data for Calendar Year 2013 and compared the same attributes mentioned above that appeared in the database copy to the respective hardcopy claims. We then compared the same information to the live system.

Based on the results of the above procedures, we were reasonably assured that the database copy provided to us by NYCT matched the data in the live system and was therefore complete and reliable for audit testing purposes. Further, the general controls and security of the system as explained to us by NYCT officials, if applied and working as intended, appear reasonable to prevent unauthorized access to the system and manipulation of system data.

To determine NYCT's timeliness in processing and responding to MetroCard claims, we calculated the average time it took to complete a claim and ascertained whether NYCT was meeting its established time benchmarks. Specifically, we determined whether the MCC unit processed and responded to claims within 14 days of their receipt, in accordance with its stated goal. Further, we analyzed the MetroCard claims data for Calendar Year 2013, identified the number of claims completed (processed) and those that remained open (work-in-process) as of December 31, 2013. For those claims that were completed, we calculated the time elapsed between the claim received (open) dates and the completion (close) dates and assessed the time it took the MCC unit to process those claims.

Using the same Calendar Year 2013 data, we compared the number and status of claims recorded, as of December 31, 2013, to the corresponding totals reported in NYCT's "Monthly Reports" and "Inventory Reports" for the same year, and evaluated any differences. The results of this reconciliation provided reasonable assurance that the stated reports were accurate and reliable for audit test purposes.

As part of our assessment, we evaluated the quantity of claims that remained unprocessed (backlog). To do so, we requested and were provided with data for 1) all claims that remained open as of May 31, 2014; and 2) all claims closed between December 1, 2013, and May 31, 2014. Subsequently, we determined the age of claims that remained open on December 31, 2013, and closed on or before May 31, 2014 (day of data extract). Similarly, we determined the age of claims that remained open as of May 31, 2014. We then reviewed the matter of the backlog with NYCT officials and asked them to discuss any plans to reduce or eliminate the backlog.

We believe that the results of audit tests involving claims data provided a reasonable basis to assess and draw conclusions about NYCT's handling and processing of customer MetroCard claims.

APPENDIX

Performance of MetroCard Customer Claims Unit on Claims Received During Calendar Year 2013

Month	Total claims filed	Open Claims	Claims Responded	14 days or less	15 - 28 days	29 – 42 days	43 - 56 days	> 56 days
Jan-13	34,278	8	34,270	7,260	4,620	138	311	21,941
Feb-13	31,861	11	31,850	5,867	3,852	133	581	21,417
Mar-13	31,433	12	31,421	9,338	1,569	332	213	19,969
Apr-13	30,786	24	30,762	9,715	1,564	293	3,440	15,750
May-13	38,476	35	38,441	7,246	3,713	476	5,469	21,537
Jun-13	40,609	100	40,509	7,871	2,432	2,983	3,723	23,500
Jul-13	41,614	234	41,380	9,121	2,176	2,721	3,987	23,375
Aug-13	39,332	281	39,051	6,962	4,245	338	4,904	22,602
Sep-13	35,126	300	34,826	3,150	6,876	385	4,343	20,072
Oct-13	34,301	1,076	33,225	3,012	8,027	498	1,552	20,136
Nov-13	23,276	7,386	15,890	2,206	6,667	1,017	181	5,819
Dec-13	24,429	13,815	10,614	2,374	6,526	770	76	868
Total	405,521	23,282 (6%)	382,239 (94%)	74,122	52,267	10,084	28,780	216,986
Percentages			100%	19%	14%	3%	8%	57%



Metropolitan Transportation Authority

State of New York

March 4, 2015

Ms. Marjorie Landa
Deputy Comptroller for Audit
The Office of the City Comptroller
1 Centre Street
New York, NY 10038

Re: Draft Report #MJ14-077A (Processing of MetroCard Claims by NYC Transit)

Dear Ms. Landa:

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 Carmen Bianco, President, NYC Transit, which address this report.

Sincerely,

Thomas F. Prendergast (dne)

Thomas F. Prendergast
Chairman and Chief Executive Officer

2 Broadway
New York, NY 10004-2207
646 252-5800 Tel
646 252-5815 Fax

Carmen Blanco
President



March 9, 2015

Mr. Thomas Prendergast
Chairman & Chief Executive Officer
Metropolitan Transportation Authority
2 Broadway, 20th Floor A20-30
New York, NY 10004

Dear Chairman Prendergast:

We have reviewed the draft audit report #MJ14-077A "Audit Report on the Processing of MetroCard Claims by New York City Transit", and have provided our comments and response to the one recommendation included in the report.

MTA NYCT is committed to having cost-effective controls and procedures in place to ensure the prompt and proper handling of customer MetroCard claims. We will consider the audit findings to further refine our internal processes and goals as we move forward with the use of technology to expedite the claims process.

Below are our comments with respect to the specific recommendation contained in the report.

Recommendation: NYCT Management should consider approving the MCC unit's request to provide additional staffing to meet the needs of the unit and enhance claims processing.

Response: Implemented

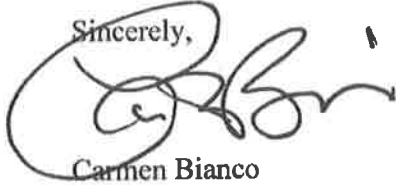
Status: In July 2014, the New York City Transit Office of Management and Budget approved four additional positions for the MetroCard Customer Claims unit. This increase in staff has contributed to a significant reduction in the MetroCard claim backlog. For example, between November 1st and December 30th 2014 (the most recent statistics available), 87 percent of all claims were handled within 30 days. By the end of 2014, there were fewer than 13,000 open claims, a 79 percent reduction versus the end of year 2013 levels.

While the increase in MCC staff has and will continue to reduce the amount of time to close out MetroCard claims, MTA NYCT is going to reassess the reasonableness of the current 14-day goal for closing out such claims. The existing goal will be re-evaluated, taking into account the standards used in other types of processing centers, and appropriate steps will be taken to address this issue.

Chairman Prendergast
March 9, 2015
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We appreciate the opportunity to respond to this draft report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Carmen Bianco', written over the word 'Sincerely,'.

Carmen Bianco
President

cc: Paul J. Fleuranges, Vice President, Corporate Communication
Alexandra Infeld, Chief of Staff
Michael J. Fucilli, Audit General
Cross Siclare, Assistant Vice President, Customer Relations
Daren Jurgens, Audit Director
Annette Stewart-Karp, Director