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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

April 14, 2000

Mr. E. Virgil Conway  
Chairman  
Metropolitan Transportation Authority  
345 Madison Avenue  
New York, NY 10017

Re: Report 99-F-33

Dear Mr. Conway:

Pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution, we reviewed the actions taken by officials of the Metropolitan Transportation Authority-New York City Transit as of December 22, 1999, to implement the recommendations contained in our audit report, *Monitoring Vendor Performance To Ensure The Availability Of Subway And Bus Parts* (Report 96-S-38). Our report, which was issued June 3, 1998, examined the monitoring of vendor performance regarding the delivery of subway and bus parts.

**Background**

New York City Transit (Transit), an affiliate of the Metropolitan Transportation Authority, is the largest transit system in the world. To achieve its mission - to provide safe, convenient, comfortable, reliable, and affordable mass transportation - Transit must equip its train barns and bus depots with the parts and materials necessary to maintain the system's fleet of approximately 5,800 subway cars and 4,100 buses in a safe and sound operating condition. In fact, Transit officials ordered about \$108 million worth of subway car and bus parts for calendar year 1999.

According to Transit policy, the Department of Subways' Material Management Unit and the various bus depots forecast their needs for parts to Transit's Materiel Division (Materiel). Materiel's Procurement Subdivision (Procurement), with the help of Transit's Vendor Relations Section (Vendor Relations), which provides information to assist in the vendor selection process, then selects the appropriate vendors. Vendor Relations is also responsible for monitoring and improving vendor performance. It uses a vendor rating system (Talon Vendor Performance Module or TVP) to systematically evaluate vendors on timeliness of delivery, quality/rejections, and over shipments.

## **Summary Conclusions**

Our prior audit found that improvements were needed to ensure that parts ordered by Transit officials to fix subway cars and buses were delivered by vendors by the agreed-upon delivery dates. Further, the system which Transit officials use to rate vendor performance regarding the on-time delivery of parts needed to be enhanced and better utilized. We also found that some of the data available in Transit's vendor rating system, designed specifically to aid Transit officials in determining whether additional orders should be placed with particular vendors, was often not being used by Transit's Procurement or other user divisions.

In our follow-up review, we found that transit officials have taken some steps to strengthen the processes it uses to get vendors to deliver subway and bus parts when needed. For example, Transit now documents that it has used its vendor rating system for the selection of more vendors. It continues to re-evaluate workings of the system used to notify vendors of deliveries not made when promised. It has also increased emphasis upon effective communication concerning parts usage and requirements between the Department of Subways' Material Management Unit and operating departments. Transit also reported in October 1999 that over a four-year period that included the first five months of calendar 1999, late deliveries decreased from about 50 percent to about 15 percent. It claims that most of this improvement resulted from changes it initiated at the time of our prior audit.

We also found that Transit has placed a great deal of importance on making sure the wheelchair lifts on buses work properly by not only making sure parts are available, when needed, to fix lifts, but by also improving operating and maintenance practices.

## **Summary of Status of Prior Audit Recommendations**

Of the eleven prior audit recommendations, Transit officials have implemented five recommendations, partially implemented one recommendation, and not implemented four recommendations. One recommendation is no longer applicable.

## **Follow-up Observations**

### **Recommendation 1**

*Enhance the TVP vendor rating system to measure vendor performance in a more meaningful, fair and useful manner.*

Status - No Longer Applicable.

Agency Action - Transit officials disagreed with this recommendation. They view the TVP system as one of a few different systems to be used to monitor vendor performance. During our prior audit, Transit was in the process of implementing two other systems, STATUS and

the “100 Worst Vendors,” that together with TVP are now used to monitor vendor performance. Transit officials report that late deliveries have decreased from a high of around 50% during the period reviewed as part of our previous audit to around 15% during the first five months of calendar year 1999. The objective of the recommendation was to improve vendor performance in terms of on time deliveries. Transit seems to be achieving this objective by using multiple systems to monitor vendor performance. Therefore, the recommendation is no longer applicable.

### **Recommendation 2**

*Document staff use of the TVP rating system, as well as the reasons for decisions to award contracts to vendors who have been rated poorly.*

Status - Implemented

Agency Action - Transit now documents the use of the TVP system for all purchases that involve amounts greater than \$10,000. Previously, the use of the TVP system was only documented for purchases that involved amounts greater than \$100,000.

### **Recommendation 3**

*Develop other performance incentive steps designed to improve vendor performance. As part of the process formally evaluate adding purchase discount clauses to purchase contracts.*

Status - Not Implemented

Agency Action - The Chairman of the MTA advised us that after due consideration, a determination was made that using purchase discounts would not be practical or beneficial. Since, Transit officials disagreed with the recommendation no other performance incentive steps were considered.

### **Recommendation 4**

*Follow up and address, as appropriate, vendor concerns regarding impediments to on-time deliveries (e.g., ambiguously worded purchase orders).*

Status - Not Implemented

Agency Action - The Chairman of the MTA acknowledged the need to make sure Transit works with vendors to address their concerns and advised us that appropriate action has been taken. Specifically, boilerplate and contract language were changed to remove known impediments to vendor performance. However, Transit officials did not provide us with any documented evidence for the changes made. Furthermore, Transit officials did not track individual actions taken to address vendor concerns.

**Recommendation 5**

*Periodically evaluate the effectiveness of the recently initiated automated vendor-notification program and revise as appropriate.*

Status - Implemented

Agency Action - Transit has re-evaluated its automated vendor-notification systems and has made changes designed to improve its effectiveness. Transit also reports that instances of late deliveries by vendors have been significantly reduced. It believes that the revised vendor notification system has contributed to the improvement achieved in the timeliness of vendor deliveries.

**Recommendation 6**

*Monitor compliance with the Department of Buses procedure regarding "Safety Sensitive Defects" to ensure that employees remove buses with safety-related defects from service and that the appropriate supervisory sign-offs are obtained on safety-sensitive repairs.*

Status - Implemented

Agency Action - In a response dated September 9, 1998, the Chairman of the MTA indicated that the Department of Buses had setup a new Quality Performance Division to monitor compliance with its safety-sensitive defects policy. Department of Buses officials provided a generic overview of the Division's mission. They also provided examples of reports prepared by Quality Performance officials which indicated that they had reviewed how the Bus Depots handle the return of buses with safety-sensitive repairs to service. Transit officials did not provide written procedures or guidelines that delineated what steps are taken, the frequency of such actions, and what occurs if it is determined that a bus was returned to service before its safety-sensitive repair is done. Such procedures are needed to provide some assurance that employees will carry out these activities in a uniform manner.

**Recommendation 7**

*Implement a formal policy to govern the removal, from and subsequent return of, subway cars to services that were noted as having safety-related defects.*

Status - Not Implemented

Agency Action - On June 22, 1998, Transit's Division of Car Equipment reiterated its policy that only safe, reliable and clean cars are to be placed into service. This policy further provides that cars that require a replacement part are not to be released for service until the part has been received and installed.

Auditors' Comments - We believe that the Division of Car Equipment should expand on this policy to be more specific and identify those circumstances and parts that require extra care due to concerns about safety. It should also include a mechanism for monitoring compliance with this policy.

**Recommendation 8**

*Evaluate the causes of accidents to determine whether changes in policies and procedures can serve as preventive measures.*

Status - Partially Implemented

Agency Action - Transit's Department of Buses officials provided documents of examples where it had taken action to prevent future accidents by reacting to the cause of an accident that had occurred. However, officials from Transit's Division of Car Equipment chose not to provide any information in support of the response to our report dated September 18, 1998 that the Division "periodically review the causes of accidents and recommends corrective action.... In addition, each Department provides expertise and supporting documentation to mitigate the recurrence of the incident."

**Recommendation 9**

*Take appropriate steps, including providing training, to improve inventory forecasting and interdepartmental staff communication.*

Status - Implemented

Agency Action - Transit hired four Material Planners in 1997 to oversee and improve Bus Depots' forecasting capabilities. It also created a materiel task force that came up with a number of processes designed to improve materiel availability in the depots and shops. The Material Planners have been used to facilitate communication between departments involved in parts inventory forecasting and availability. Weekly meetings were held to review parts' usage patterns and forecasts. We have also been told that interdepartmental training was conducted with the Materiel and Operating Departments. During calendar year 2000, Transit plans to transfer the depot material planning function to the Materiel Division.

**Recommendation 10**

*Ensure that all bus wheelchair facilities are functioning properly, and work more closely with vendors who supply the related parts to expedite deliveries.*

Status - Implemented

Agency Action - Transit implemented a policy that prohibits buses with inoperative wheelchair lifts from being placed in service with the expectation that all lifts are repaired within four days. We also received copies of several maintenance directives that highlight processes to be followed to make sure wheelchair lifts are operational and properly maintained.

**Recommendation 11**

*Study the feasibility and financial benefits of reducing Transit's reserve fleet once inventory operations are improved.*

Status - Not Implemented

Agency Action - Transit's Department of Buses anticipated reducing the size of its reserve fleet through improvements in inventory control and improving its ability to forecast the amount of parts needed for repairs. Transit's Division of Car Equipment did not feel a study was warranted because it believes that its number of spares was in line with industry norms.

Auditors' Comments - Transit officials have not given us information concerning any actions taken to implement this recommendation.

Major contributors to this report were Abraham Markowitz, Santo Rendon, and John Lang.

We would appreciate your response to this report within 30 days, indicating any actions planned or taken to address any unresolved matters discussed in this report. We also thank the management and staff of the Metropolitan Transportation Authority for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Carmen Maldonado  
Audit Director

cc: L. Reuter  
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