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STATE COMPTROLLER



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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

December 10, 1999

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

Re: Personal and Miscellaneous Service Contracts
Report 98-S-74

Dear Mr. Conway:

Pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution, we have audited the awarding of certain personal and miscellaneous service contracts by the New York City Transit System for the period of January 1, 1996 through November 19, 1998.

A. Background

The New York City Transit System (Transit), which is a subsidiary of the Metropolitan Transportation Authority (MTA), is one of the largest integrated subway and surface transit systems in the world. Each day millions of passengers ride on Transit's subway and buses. The subway tracks and the bus routes each cover about a thousand miles. Transit allocates millions of dollars each year for the procurement of personal and miscellaneous services. Personal service contracts include engineering, architecture, data processing, training, printing, legal, and marketing. Miscellaneous service contracts were primarily for custodial, guard, and maintenance services. Between January 1, 1996 and November 19, 1998, Transit awarded 681 personal service and miscellaneous contracts, not including contracts for purchases of buses and subway cars, that were valued at \$1.2 billion. Many of these were multi-year agreements. In general, such contracts are for services that Transit determines can not be completed by its own staff or can be performed more effectively by an outside source.

B. Audit Scope, Objectives, and Methodology

We audited the awarding of certain personal and miscellaneous service contracts by Transit during the period from January 1, 1996 through November 19, 1998. The objectives of our

performance audit were to determine whether Transit, in letting the contracts, had established a documented need for the service and had followed the *All Agency Guidelines for Procurement of Services*, using an open and competitive process in awarding the contracts and providing complete and pertinent information to the MTA Board so it could make a rational and informed decision in approving contracts. To accomplish our objectives, we judgmentally selected and reviewed 37 personal and miscellaneous contracts valued at \$45 million that had been let by Transit during the period from January 1, 1996 through November 19, 1998. Included were ten sole-source contracts valued at \$2.3 million.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations of Transit which are included within our audit scope. Further, these standards require that we understand Transit's internal control system and compliance with those laws, rules and regulations that are relevant to the operations which are included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records, and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments, and decisions made by management. We believe our audit provides a reasonable basis for our conclusions.

C. Results of Audit

We found that, with respect to our judgmentally-selected sample of personal and miscellaneous service contracts, Transit had complied with the MTA's *All Agency Guidelines for Procurement of Services* (Guidelines). We examined 5.4 percent of the contracts let that were valued at just 3.8 percent (\$45 million) of the total value (\$1.2 billion) of all contracts let. Although this limited sample did not allow us to conclude on the entire population of Transit contracts, nothing came to our attention with respect to the items not tested, that caused us to believe that Transit had not complied with the Guidelines.

Major contributors to this report were Abe Markowitz, John Gimberlein, Eli Yarmish, Helen Crick, and Jennifer Murrell.

We wish to thank the management and staff of the New York City Transit System for the courtesies and cooperation extended to our auditors during the audit.

Very truly yours,

Frank J. Houston
Audit Director

cc: Charles Conaway
Lawrence G. Reuter