

Review of Procurement and Related Activities

There are several elements of the scope of services for this audit which related directly or indirectly to procurement, receiving, inventory management, asset management, and parts controls and disbursing. This section of the report looks at these collective activities of the MTA for both capital and operating expense purchases.

Procurement Expenses

Procurement at the MTA, as with most transit systems, deals primarily with materials and supplies for bus operations and maintenance, and for capital purchases. The major operating expenses are for fuel, bus parts, and tires and tubes. The major elements of capital purchases are rolling stock and facilities. The trends in the expenses, i.e., purchases consumed, for these activities for the five years 1995-1999 are shown on Table 3-6.

Table 3-6
MTA Management Audit
Costs of Purchases
Costs of purchased items and service
Consumed: 1995-1999

<u>Year</u>	<u>Capital</u>	<u>Services</u>	<u>Fuel</u>	<u>Tires & Tubes</u>	<u>Materials & Supplies</u>	<u>TOTAL</u>
1995	\$2,241,703	932,050	962,679	166,258	1,026,143	5,328,833
1996	2,467,957	728,430	943,347	172,950	918,038	5,230,722
1997	7,626,541	806,445	1,040,062	153,309	825,967	10,452,324
1998	5,921,733	736,780	998,551	152,522	2,435,112	10,244,698
1999	8,753,438	933,269	743,090	185,409	3,489,200	14,104,406
% Change	290.5%	-0%	-23%	12%	240%	165%

As these data show, the expenses for materials and supplies over this period increased by approximately 240%, due in large part to the increased levels of maintenance on the bus fleet that occurred in 1998 and 1999. At the 1999 level of expense, the cost of these purchases has increased to about 24% of overall operating expense.

The MTA has also undertaken a capital program during the same period that totaled \$26.4 million, of which \$18 million was for vehicles and \$8.4 million was for facilities. Taken together, the capital and operating

purchases over this period consumed a total of \$43.4 million – or the equivalent of about two years of operating expense.

Purchasing Responsibilities

Five different staff members have specific and significant duties related to procurement:

- The Director of Purchasing, who reports to the Executive Director, is available to the MTA on a part time basis. The Metropolitan Government provides this procurement professional from the Metro Finance Purchasing Division to assist and advise MTA in purchasing actions. This individual is a Metro employee.
- The Purchasing Agent, is an individual in the Equipment Services Department. The Purchasing Agent is responsible for processing purchase requisitions and issuing purchase orders for all MTA procurements. He is supervised by the Facilities and Purchasing Manager. (Below)
- The Facilities and Purchasing Manager reports to the Director of Equipment Services and supervises the Purchasing Agent and the parts clerks, as well as other functions. He is supervised by the Director of Equipment Services. (Below)
- The Director of Equipment Services is the customer for much of the procurement and supervises the internal procurement and warehousing staffs. He is also designated as the Purchasing Agent in one section of the policies and procedures.
- The Capital Programs Manager, whose duties include procurements for capital programs, which generally refer to projects funded by the FTA.

MTA Purchasing Policies and Procedures

The guidelines for procurement at the MTA are contained in “Metropolitan Transit Authority Purchasing Policies and Procedures”. The procedures were adopted in February 1991 and have been amended periodically to reflect changes in regulations or purchasing practices. The most recent amendment was in March 1997. The MTA Purchasing Policies and Procedures govern procurement of all goods and services procured directly by the MTA. No representative of the MTA may obligate the MTA to a financial commitment except as provided in the MTA Purchasing Policies and Procedures.

All procurement is either by purchase order or by contract. There are no standards in the manual that define when it is appropriate to use a purchase order or a contract.

The assignment of authority for procurement is specified in two contradictory sections of the MTA Purchasing Policies and Procedures. The Director of Purchasing (Metro employee-see above) is designated as the Purchasing Agent in Section 1.9. In Section 1.2, the Purchasing Agent is identified as either the Director of Purchasing or the MTA Director of Maintenance and Service Parts. (The Maintenance and Service Parts Department is now known as the Equipment Services Department.)

Exceptions to the Normal Policies and Procedures

The MTA Purchasing Policies and Procedures include some special exceptions to the Policies and Procedures that are designed to facilitate procurements in unusual circumstances as described below:

Emergency Procurements - The requirements of the MTA Purchasing Policies and Procedures may be waived if it is determined that an emergency exists directly and immediately affecting customer service, or if public health, safety, or welfare requires immediate delivery of supplies, materials, equipment, or services, provided the circumstances creating an emergency can be “properly authenticated.”

The purchasing requirements may also be waived if it is determined that the property or service to be purchased is a unique article that cannot be obtained from another source, provided the reasons are “properly authenticated.”

The section on emergency procurements does not assign authority for making the finding of an emergency, or define procedures to authenticate an emergency or sole source procurement.

Contract Term and Options - No contract shall be executed for provision of goods or services to the MTA for a period in excess of three years. Options for additional years should be exercised on an annual basis if provided in the original competitive procurement. No more than two extensions by option for term shall be utilized in any procurement.

Price Volatile Procurements - For procurements that may be price-volatile, all reasonable efforts shall be made to obtain a vote on the subject from the MTA Board of Directors prior to award. The vote may be obtained by either by facsimile, or conference call, or by telephone, after which said vote shall be confirmed for the record at the next regular meeting of the Board of Directors.

Federal Requirements - The Purchasing Agent is responsible for ensuring the procurement policies of the Federal Transit Administration (FTA) are followed in all MTA procurements that are funded in part by federal funds. The FTA policies are included in the FTA Third Party Contracting Guidelines (Circular 4220.1C). A summary of FTA Circular 4220.1C is included in the MTA Purchasing Policies and Procedures.

The MTA may use its own procurement procedures which reflect applicable state and local laws and regulations for procurements that are funded in part by federal funds unless state and local laws conflict with the standards spelled out in FTA Circular 4220.1C.

State Requirements There are no Tennessee procurement requirements cited in the MTA Purchasing Policies and Procedures.

Metro Government Requirements

The MTA Purchasing Policies and Procedures reference Appendix Four of the Metropolitan Code of Nashville and Davidson County (Metro) which identifies the authority of the MTA with regard to procurement activity. All agreements, contracts, transfers and conveyances made and executed by the authority are acquired, held, owned, transferred and conveyed in the name of the metropolitan government.

All such contracts, agreements, transfers and conveyances need no further approval than that of the authority. The metropolitan government is not responsible for performance of any agreement by the MTA or for the payment of any amounts agreed to be paid by the MTA. Local ordinances that address the rules and regulations of the metropolitan government are codified in the Regulations to the 1992 Procurement Code of the Metropolitan Government. They were adopted by the Procurement Standards Board through June 1996 and revised February 1998. The Procurement Code is provided by Metro to all departments, boards, commissions, and agencies.

Cost-based Variations in Procedures and Approvals

The MTA policies and procedures for procurements provide variations in the approval and award process for procurements of different values. The basic thresholds are \$20,000, \$9,999, \$1,000, with other minor variations at other different levels.

Procurements above \$20,000 – Procurements for goods and services above this level are subject to the approval of the Board of Directors before award. Proposals must be submitted in sealed documents using standard procedures for submission, evaluation, award, and appeal.

Procurements Above \$9,999 – The basic difference between these procurements and those above \$20,000 is that there is no requirement for prior approval of the award by the Board. All purchases valued above \$9,999 are made by sealed bids or sealed proposals. Section 2.1 of the MTA Purchasing Policies and Procedures states that any procurement in this category requires approval by the MTA Board of Directors, except in the case of a documented public exigency. The term public exigency is not defined in the procedures. The MTA needs to define this term to assist distinguishing between a casual problem that creates an inconvenience versus an exigency which threatens public safety, etc.

Sealed bids are used if purchase requirements or specifications can be defined precisely, there are at least two suppliers willing and able to compete for the bid, the award can be made fairly and reasonably on the

basis of price alone, and there is time to carry out the necessary procedures. The contract awarded is to be a firm fixed-price or a fixed-price with escalation.

Sealed proposals are used if the purchase requirements are for services or items that cannot be precisely defined, for research and development, or if artistic or aesthetic value must be considered. To the maximum extent practical, procurement of real estate is to be conducted with competitive proposals.

Responsibility for the solicitation of competitive bids or proposals exceeding \$9,999 is not specifically delegated with the following exceptions. Proposals for services of external audit and related services by a certified public accounting firm, transit management, and special counsel are to be evaluated directly by the MTA Board of Directors. All other proposals are to be evaluated by staff subject to approval by the MTA Board of Directors if the amount of the award is above a \$20,000 limit.

Procurements Between \$1,000 and \$9,999 - Procurement of items between \$1,000 and \$9,999 are executed in the same manner as those above \$9,999, with two "exemptions." Formal notice, advertisement, and sealed submission are not required, and facsimile transmissions are acceptable.

Approval by the MTA for these procurements is delegated from the Board of Directors to the Purchasing Agent. The Purchasing Agent is to determine the lowest responsive bid or best proposal and so note on the procurement file or purchase order.

Procurements Below \$1,000 - Procurement of items below \$1,000 are made by the Purchasing Agent in a manner that ensures competition and confidentiality among competitors. Petty cash may be used for purchases smaller than \$75.

All procurements, unless specifically exempted, require the department that will utilize the product or service to initiate the procurement by requisition to the Purchasing Agent. The Purchasing Agent is responsible for all parts of the procurement from receipt of requisition to receipt of goods or services.

There are no procurement cards in use at MTA.

Appeals and Remedies

The MTA Purchasing Policies and Procedures include a bid protest policy that is consistent with the FTA bid protest appeal procedures in Circular 4220.1C. The procedures specifically delegate responsibility for handling protests to the Purchasing Agent and the Executive Director.

The Purchasing Agent is responsible for dealing with all written claims by a contractor against MTA relating to a contract. The MTA Purchasing Policies and Procedures provide procedures for the Purchasing Agent to follow in the case of a claim.

The MTA Purchasing Policies and Procedures also provide procedures in the event the Purchasing Agent, after consultation with the Secretary for the MTA Board of Directors, determines that a solicitation or award of contract is in violation of federal, state, or municipal law. The same procedures apply if the Purchasing Agent finds the MTA Purchasing Policies and Procedures are not followed.

Code of Ethics

The MTA Purchasing Policies and Procedures Manual include a code of ethics as required by FTA Circular 4220.1D.

Disadvantaged Business Enterprises

A policy to encourage participation of disadvantaged and women-owned enterprises in MTA procurements is included in the MTA Purchasing Policies and Procedures. Goals for participation of disadvantaged and women-owned businesses (DBE/WBE) are established annually. The MTA agrees to ensure that disadvantaged business enterprises, as defined in 49 CFR, Part 23, have the maximum opportunity to participate in contracts and subcontracts financed in whole or in part with federal funds.

The MTA DBE/WBE Liaison Officer has the primary responsibility to assure that the program is effectively and equitably carried forward by MTA. The Executive Director is designated as the DBE/WBE Liaison Officer.

MTA Staff Procurement Resources

Many members of the MTA staff have a strong procurement background. Both the Director of Equipment Services and the Director of Operations worked as the purchasing agent in another transit property. The Manager of Capital Programs has experience in purchasing and grants management for a federally funded program. The Facilities and Purchasing Manager has experience in purchasing for a large private bus company. The MTA also has access to the Purchasing Department of Metro government to provide advice and assistance.

Purchasing Agent - Although the Purchasing Agent position title corresponds to the same title in the MTA Purchasing Policies and Procedures, the responsibilities are not comparable. In actual practice, the Purchasing Agent is responsible for purchase orders and also serves as the storeroom manager. Two parts clerks report to the Purchasing Agent. The clerks are not knowledgeable about parts and require assistance. A mechanic is assigned to help the parts clerks develop technical skills.

Although MTA recognizes both purchase orders and contracts as legal instruments for the purchase of goods and services, almost all purchases are made by purchase order. A purchase order is often issued for an approved contract. The Purchasing Agent receives all purchase requisitions, secures price quotes, and issues purchase orders.

The Purchasing Agent is also responsible for receiving all goods purchased by the MTA. Parts are delivered to the storeroom to enter into inventory. Other goods are delivered to or picked up by the requesting department. The Purchasing Agent pulls delivery tickets and packing slips to document receipt of goods.

The Purchasing Agent receives the invoices for payment from vendors. If invoices are sent in the mail to the Accounting Department, the invoices are forwarded to the Purchasing Agent. The Purchasing Agent matches the invoice to packing slips and forms to verify delivery. The invoice and confirming documentation are referred to the Accounting Department for payment.

Facilities and Purchasing Manager - The Facilities and Purchasing Manager supervises the Purchasing Agent. The Facilities and Purchasing Manager is responsible for purchasing, parts supply and inventory, and non-procurement related activities such as facilities maintenance, cleaning buses and facilities, fuel, repairs of transit shelters, placing advertising on buses and bus benches, assisting with special events, and supervising mechanics if needed.

The Facilities and Purchasing Manager assists the Purchasing Agent in preparing procurement specifications and solicit price quotes. In particular, he assists the Purchasing Agent in the procurement of some parts and equipment needed for Equipment Services. For capital procurements involving federal grants (purchase of buses), the Facilities and Purchasing Manager prepares the specifications and then coordinates with the Manager of Capital Programs for the procurement.

Director of Equipment Services - The Director of Equipment Services supervises the Facilities and Purchasing Manager. He assists in preparing the specifications for purchases of anything “technical,”

especially the purchase of buses and fuel.

Capital Programs Manager - The Capital Programs Manager is responsible for federal grants management and procurement of assets under the Federal grant program. She also serves as the MTA Civil Rights officer, EEO officer and DBE/WBE program administrator. The Capital Programs Manager spends about 90 percent of her time on capital programs and 10 percent on civil rights, EEO, and DBE/WBE issues.

The Capital Programs Manager prepares annual grant applications for operating assistance to the state and FTA. She has also prepared a grant application to the Tennessee Department of Transportation for planning and a grant to FTA for the purchase of trolley buses. She prepares the annual capital budget for the MTA.

She is involved in the purchase of most goods for more than \$4,999. Items of this value are usually designated as capital and the MTA attempts to identify grant funds for those purchases. In addition to capital procurements, she has also assisted in requests for proposals for professional services.

When asked to identify the procurement activities she has managed during the past year, the Capital Programs Manager specifically referenced the following: requests for bids for purchase of buses, commuter vans, service trucks, bus power plants; requests for proposals for architecture/engineer consultant for commuter rail, external audit services, payroll services, armored car services for fare revenues, performance evaluation of bus services, and consultant for transportation demand management services.

Director of Purchasing/Metro "Buyer" - The Metro government designates a Buyer from the Purchasing Division to provide assistance to the MTA. The position is actually listed on the MTA organization chart as the Director of Purchasing. The Metro Buyer serves as a consultant to the MTA Board of Directors and staff as requested, under the terms of a memorandum of agreement between Metro government and the MTA.

The Metro Buyer goes to the meetings of the MTA Board of Directors and offers his services when requested. The Manager of Capital Programs is the MTA staff person who most often requests his help. During the last several years, the Metro Buyer has been called upon to help with procurements for MTA management services (1998), external audit services (1998), and engineering design services for commuter rail (1999). His counsel is needed less and less as the MTA staff develops more purchasing experience.

Metro Government contracts for goods and services are open to use by the MTA. For example, the MTA could use the Metro contracts for purchase of fuel or office supplies. The MTA has not taken advantage of the opportunity to use Metro contracts.

Inventory Management And Control

Inventory management and control at the MTA suffers from a number of problems that need attention. As with many of the systems at the MTA, the current inventory management systems are out of date and in need of improvement.

The Equipment Services Department is responsible for most MTA assets, including buses, general service vehicles, parts inventory, and facilities. The Facility and Purchasing Manager is responsible for parts supply inventory and for maintenance of all MTA facilities. The Purchasing Agent supervises the storeroom supervisor and two parts clerks. The Facility and Purchasing Manager is working to improve parts inventory management. The MTA just completed a sale of obsolete or damaged inventories of equipment, tools, and supplies.

Among the issues that are currently being addressed by the MTA staff are the lack of an interface with the accounting applications, the lack of bar-coding, and the consequent lack of an automatic inventory control system that monitors inventory levels and identifies replacement orders using an automated minimum/maximum inventory management program. Since there are not sufficient management information systems to monitor expenditures for parts and to analyze trends, an extraordinary effort is required to manage inventory.

Adding to this is the potential impact on the inventory of the high levels of use that are a result of the major effort to overcome large amounts of deferred maintenance over the past two years. As shown on Table 1, the 1999 expense for materials and supplies was over three times greater than in 1995, and 50% more than in 1998. These anomalies will make the determination of "normal use" and the creation of the appropriate levels of inventory more difficult. It should be noted that usage in 2000 has been reduced over 1999 levels.

The Director of Equipment Services is implementing a vehicle management information system (VMIS) known as the "Ron Turley " system. The Ron Turley VMIS software was originally designed for a truck maintenance function. The software does include a module for inventory management. The Director of Equipment Services has been working to implement the inventory management module. The Equipment Services Department is also installing bar codes to help manage inventory.

The physical inventory is located in various secured and unsecured locations in and adjacent to the maintenance department. Most of the smaller parts and components are in bins and storage areas within

the secured area in the parts department. There is an open stock of consumable parts, such as nuts and bolts, available to mechanics just outside of the parts storeroom.

However, there is a large inventory of larger components, such as engines and transmissions and body parts, that is stored in open areas in the large spaces that are open and unsecured.

According to the staff, the current parts inventory is about \$2.15 million. This is almost nine months of expensed parts, using the 1999 figures for expensed parts. This is a very low "turn rate" of about 1.3 to one. Most managers strive for a rate that is closer to 2 to 1 or 3 to 1 – in other words, a level of inventory of four to six months' usage. In most industries, these levels of inventory would still be too high. Many industries – but not transit systems - are now using "just in time" inventory management that significantly reduces on-hand inventory values. The transit industry has been slow to adopt these more aggressive inventory management techniques. The cause of this slow adoption are many and varied; tradition, the desire to be able to handle any emergency, the lack of a compelling reason to do so, inventory not viewed as a cost until parts are consumed and expensed. Inventories are also often enlarged by purchasing large value spare parts as a part of fleet purchases with 80% federal funds.

The MTA conducts three inventories annually to check inventory counts. Typical variances are \$60,000 to \$80,000. The review team was provided documentation of the activities to prepare for one of the three annual parts inventories. Memoranda show "the purpose of the overtime will be to get the storeroom straightened up somewhat and to start the ...inventory." Storeroom personnel were asked to work overtime each of four weeks in June 1998 to prepare for and conduct the final inventory for fiscal 1998.

The MTA does not use an automated minimum-maximum (min-max) system to generate purchase requirements for parts. Parts are ordered when supply is visibly low. The Facility and Purchasing Manager said he is installing bar codes to assist in implementing a min-max system in the future.

The MTA does not have an annual bus parts supply contract. The Facilities and Purchasing Manager told the review team that 95 percent of all parts are acquired by purchase order according to the MTA Purchasing Policies and Procedures. The remaining 5 percent are emergency requirements. Parts clerks or mechanics go to vendors to pick-up the required parts in cases of emergencies. Many systems make greater use of blanket purchasing agreements, akin to Metro's contracts, under which vendors propose on multi-year, multi-commodity contracts. Agencies then order from one of several qualified vendors through faxed (or on-line) orders with the vendor selection based on the bid prices and timely delivery.

The review team identified several public agencies, but no transit fleets, that contract the management of parts supply and inventory management to a private business. Some of these agencies include the Virginia Department of Transportation; the City of Richmond, Virginia; the City of Cary, North Carolina; the City of

Savannah, Georgia; and Mecklenburg County, North Carolina

Mecklenburg County's Fleet Management Department contracts parts supply and inventory management to the NAPA General Services Division. As part of the contract, NAPA opened a retail outlet in the Fleet Management Department that operates like a regular NAPA store. NAPA owns the parts, provides NAPA employees to operate the outlet and treats the Fleet Management Department mechanics as customers. Mecklenburg County has identified many benefits to privatizing parts supply and inventory management.

The county no longer deals with 78 individual vendors; NAPA is the single vendor. The number of purchase orders for parts was 400 a month. Now NAPA stocks 90 percent of the parts the county needs and provides parts not in stock within 24 hours. As a result, repairs are never held up due to lack of parts. Since NAPA is responsible for supplying the stock, the Fleet Management Department employees no longer need to take the time to drive to vendors to pick up parts, eliminating non-productive time for mechanics.

Other services by the private company can include disposal of tires, batteries, motor oil and other fluids and materials and tracking parts warranty. The Director of Fleet Management for Mecklenburg County said the parts supply and inventory management contract has saved the county \$160,000 in lower administrative cost. This does not include the capital costs associated with on-hand inventory balances.

The cost of parts is another benefit to privatization. A markup of 30 percent above wholesale is typical when parts are purchased in competitive bid bulk purchase. A 100-percent markup more than retail is typical when parts are purchased retail over the counter using an emergency purchase order. A sample NAPA contract provided to the review team calls for 10 percent above wholesale cost plus the cost of overhead to provide a parts clerk.

Storeroom Staff – The MTA is working at a disadvantage since an experienced and valued employee who was the storeroom supervisor was killed in an auto accident last year. The loss of that employee's expertise in the storeroom has been difficult. The current parts clerks bid into their positions from jobs as bus cleaners. The department managers told the review team that the storeroom staff lacks sufficient technical expertise and sufficient knowledge of vehicle maintenance to do their job effectively.

Mechanics are required to leave their vehicle maintenance jobs to help in the storeroom. The Director of Equipment Services told the review team he is attempting to define a position of Parts Specialist to serve as a liaison between the Purchasing Agent and the mechanics in vehicle maintenance.

Warranty Management - The Capital Program Manager is responsible for the warranty recovery program, according to the Facilities and Purchasing Manager. The Facilities and Purchasing Manager tracks warranty by recording a work order as a warranty repair. He then collects a hard copy of the repair and

sends it to the Capital Programs Manager to file the claim. He did not have a trend analysis of warranty work, and did not use the vehicle maintenance information system to keep automated records on warranty. The Director of Accounting is responsible for confirming paid warranty claims.

The Capital Programs Manager receives documentation of warranty work from the Facility and Purchasing Manager. She files the claims but does not have any information to confirm the claims are paid or if the MTA receives a credit for the warranty work. The risk is that warranty work performed by MTA may not be collected from the warrantor.

Disposition of Obsolete Items

The combination of high inventory values, periodic retirement of buses, and the lack of an automated inventory management system have a tendency to contribute to excess and obsolete inventories.

The manager of the department that uses an item is responsible for the declaration of obsolescence. The MTA Purchasing Policies and Procedures do not specify criteria to determine obsolescence. There are no specific procedures to identify and manage excess, obsolete, or damaged inventories.

Once an item is determined to be obsolete, permission to dispose of assets is required from the Board of Directors if the sum of items is \$20,000 or more. Permission to dispose of assets is required from the Executive Director if the sum of items is less than \$20,000.

According to the MTA Purchasing Policies and Procedures, the Purchasing Department is responsible for disposing of obsolete items through sealed bids or sale at auction. In practice, the Equipment Services Department is responsible for disposition of obsolete items. The MTA recently held an auction for sale of many accumulated parts and supplies that are no longer needed.

Conclusions

- The organization of purchasing within MTA needs to be examined and re-aligned. Responsibilities need to be clarified. See Recommendations below.
- Purchase orders are not being properly used.
- Standard contract provisions are not being used. Additionally, the current process does not ensure adequate competitive procurement.

- The MTA is not making full use of the existing Metro purchasing contracts.
- There is not adequate segregation of duties in the procurement/payment process.
- Outsourcing of parts management has not been examined.
- Warranty trend analysis is not maintained.
- Excess, obsolete and damaged inventory procedures need to be updated.
- Procurement cards are not in use at MTA. (This process has been adopted by Metro.)

Recommendations

The MTA should initiate a series of adjustments to clarify the assignment of duties for procurement and inventory controls. Below are a series of possible solutions which would resolve the current issues:

- Create a position for Director of Purchasing and Grants Management, designated as the Purchasing Agent in accordance with the MTA Purchasing Policies and Procedures, with responsibility for all operating and capital purchases for the MTA, including goods, professional services, and construction.
- Assign the responsibility for preparing grant applications and managing all grants on behalf of the MTA to the current Capital Programs Manager, under the proposed Manager of Purchasing and Grants Management.
- Reassign the Purchasing Agent to the Purchasing and Grants Management Department and rename the position as Buyer, with such authority as the Director shall delegate from time to time. Locate the Buyer in the Equipment Services Department to ensure a quality service for maintenance.
- Change the title of the Facility and Purchasing Manager to the Facility and Storeroom Manager. Reassign the duties of the management of the storeroom to the Facility and Storeroom Manager. If the storeroom operation remains in-house and is not outsourced, then it should be staffed based on qualifications and not an open bid process.
- Designate the Director of Purchasing and Grants Management as the MTA DBE/WBE Officer with the primary responsibility to assure that the program is effectively and equitably carried forward by MTA.

- The ambiguity in the manual relating to who is the responsible Purchasing Agent should be resolved by appointing the Director of Purchasing as the Purchasing Agent.
- Purchase orders should be used for non-routine purchases, and contracts should be used for recurring purchases.
- A set of standard contract provisions should be developed for use in contracts that meet all local and federal requirements.
- The Director of Purchasing should review and revise the procurement process to insure increased competition.
- The MTA should generally follow the Metro purchasing guidelines and should use city contracts where they are advantageous.
- The procedures for verifying invoices for payment should be changed to ensure adequate segregation of duties and thereby improve overall control checks and balances. All invoices should be submitted directly to the Accounting Department. Each invoice should be matched to a purchase order or contract. A copy of the invoice should then be forwarded to the receiving department to verify receipt of the goods or services. Accounting should then pay the invoice after confirmation of receipt and satisfaction by the receiving department. The current practice of having the same person receive the requisition, process the purchase order, receive the goods, receive the invoice, and approve the invoice for payment is not an acceptable segregation of duties.
- The MTA should contact the Virginia Department of Transportation; the City of Richmond, Virginia; the City of Cary, North Carolina; the City of Savannah, Georgia; or Mecklenburg County, North Carolina to learn about their retail parts contracts and to determine the feasibility of outsourcing the parts management function at MTA.
- Procedures to manage excess, obsolete and damaged inventory should be updated. Additionally, MTA should investigate the need for a more sophisticated automated inventory control system.
- MTA should begin tracking warranty work in a manner to allow trend analysis and management.
- MTA should contact Metro and investigate the use of procurement cards.

Cost Estimates

It is difficult to estimate the costs or savings resulting from implementing the suggested recommendations. There are likely to be some savings associated with the more active use of the combined Metro purchasing arrangements.