

City of New York

OFFICE OF THE COMPTROLLER

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COMPTROLLER



MANAGEMENT AUDIT

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Audit Report on the Oversight of the
Department of Citywide Administrative
Services and the Department of
Sanitation over New York City's
Contract with Genuine Parts Company

MD16-122A

June 23, 2017

<http://comptroller.nyc.gov>



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SCOTT M. STRINGER

June 23, 2017

To the Residents of the City of New York:

My office has audited the New York City (City) Department of Citywide Administrative Services (DCAS) and Department of Sanitation (DSNY) to determine whether DCAS has adequate oversight of the contract agreement between Genuine Parts Company (GPC) and the City, and whether DSNY has adequate oversight over and fulfills its responsibilities in connection with inventory received from GPC through its subsidiary, the National Auto Parts Association (NAPA). We audit City operations such as these to increase accountability and ensure that contract provisions and applicable policies are followed.

The audit found that DCAS does not adequately monitor the timeliness of GPC/NAPA's delivery of requested items and that GPC/NAPA's delivery times consistently fell short of its contractual performance obligations. The audit also found that DCAS does not ensure that parts are adequately categorized in accordance with the contract which can have an impact on delivery times and availability of parts. The audit found limited evidence that DCAS audited GPC/NAPA invoices to ensure that the City did not pay a greater markup than allowed by the contract. Further, the audit found that DCAS granted GPC/NAPA inappropriate access to DSNY's inventory information in the City's Fleet Management System (M5), and that the parts DSNY received from GPC/NAPA were not consistently recorded in M5, as required.

The audit made 14 recommendations, including that DCAS should require GPC/NAPA to prepare and submit reports based on delivery times in accordance with the criteria established in the contract; ensure that all parts are appropriately classified by GPC/NAPA and DSNY; perform periodic reclassifications based on usage; conduct periodic audits of GPC/NAPA invoices to ensure that parts are not billed above what the contract allows; limit the access of GPC/NAPA personnel to M5 for only required functions; and work with GPC/NAPA to address the issue of parts being issued against work orders but not appearing in M5.

The results of the audit have been discussed with DCAS and DSNY officials, and their comments have been considered in preparing this report. Their complete written responses are attached to this report.

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

Sincerely,

Scott M. Stringer

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THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER MANAGEMENT AUDIT

Audit Report on the Oversight of the Department of Citywide Administrative Services and the Department of Sanitation over New York City's Contract with Genuine Parts Company

MD16-122A

EXECUTIVE SUMMARY

The objective of this audit was to determine: (1) whether the Department of Citywide Administrative Services (DCAS) has adequate oversight of the contract agreement between Genuine Parts Company (GPC) and New York City (City); and (2) whether the Department of Sanitation (DSNY) has adequate oversight over and fulfills its responsibilities regarding inventory received from GPC.

On January 9, 2013, the City entered into a five-year requirements contract with GPC, through its subsidiary National Auto Parts Association (NAPA), to operate on-site storerooms, supply parts for light/medium- and heavy-duty vehicles and provide inventory management services for six City agencies, including DSNY.¹ Pursuant to its contract with the City, GPC/NAPA is responsible for managing and stocking all vehicle repair and replacement parts and preventive maintenance supplies, including, but not limited to tires, lubricants, antifreeze, special hydraulic fluids, motor oil, and grease, and for battery recharging services. In May 2013, GPC/NAPA established a storeroom, staffed by a GPC/NAPA manager and counter person, at DSNY's 5th floor Central Repair Shop in Woodside, Queens to provide parts for light-duty vehicles, such as passenger cars and pickup trucks.

According to its contract, parts provided by GPC/NAPA to the City are primarily to be grouped into three defined categories:

- A-movers, which are parts issued on a weekly basis;
- B-movers, which are issued on a biweekly to quarterly basis; and
- C-movers, which are issued on a quarterly to yearly basis.

Under the contract, GPC/NAPA is required to deliver on demand (within ten minutes) no less than:

- 100 percent of the A-movers requested;

¹ A requirements contract is a type of contract where the exact quantities and dates of items to be sold to the City are not specified. Instead, the amount to be sold is dependent on the amounts the buyers "require."

- 90 percent of the B-movers requested; and
- 80 percent of the C-movers requested.

Audit Findings and Conclusion

We found that DCAS does not adequately monitor the timeliness of GPC/NAPA's delivery of requested items. Further, we found that GPC/NAPA's delivery times consistently fell short of its contractual performance obligations. In addition we found that DCAS does not ensure that parts are adequately categorized in accordance with the contract. Improper categorization of parts could have a significant impact on their availability.

We also found that DCAS had limited evidence to show that it audited GPC/NAPA invoices received from suppliers to ensure that the City paid no more than the jobber price and the allowed markup for parts.² In addition, we found that DCAS granted GPC/NAPA inappropriate access to DSNY's inventory information in M5, and that parts which DSNY received from GPC/NAPA were not consistently recorded in M5, as required.

Finally, we determined that DSNY generally has adequate oversight over and fulfills its responsibilities related to GPC/NAPA's performance of the contract.

Audit Recommendations

Based on the audit we make 14 recommendations, including:

- DCAS should require GPC/NAPA to prepare and submit reports based on delivery times in accordance with the criteria established in the contract.
- DCAS should ensure that all parts are appropriately classified by GPC/NAPA and DSNY, and that periodic reclassifications based on usage are performed.
- DCAS should conduct periodic audits of GPC jobber invoices to ensure that parts are being billed at GPC's dealer price, plus the fixed markup.
- DCAS should limit the access of GPC/NAPA personnel to M5 for only required functions, and should remove GPC/NAPA's access to view DSNY's in-house inventory.
- DCAS should thoroughly investigate why parts issued against work orders are not appearing in M5 and work with GPC/NAPA to address this issue.

Agency Response

In its response, DCAS generally agreed with the 10 recommendations directed to DCAS. However, the agency disagreed with a number of the audit's findings. The areas of disagreement are discussed in the relevant sections of this report. DSNY generally agreed with the findings and the four recommendations directed to DSNY.

² A jobber is a merchant, usually a wholesaler, who purchases specific types of products, such as auto parts, electrical or plumbing materials, or petroleum products (usually in bulk or lots) and then sells them to retailers. This intermediary generally specializes in specific types of products, such as auto parts, electrical and plumbing materials, or petroleum. A jobber differs from a broker or agent who buys and acts for himself/herself.

AUDIT REPORT

Background

DCAS is responsible for managing and operating City-owned office buildings as well as the City's surplus real and personal property. DCAS is also responsible for procuring goods and select services for City agencies, managing energy use by City agencies and managing the City's fleet and fuel resources.

DSNY is responsible for managing the City's solid waste (including the collection of refuse and recyclables), and the cleanliness of City streets. DSNY operates 59 district garages and manages a fleet of more than 2,200 collection trucks, 450 mechanical brooms and 690 large and small salt spreaders. Its Bureau of Motor Equipment provides a full range of fleet-related functions, including procurement, maintenance, repair, and disposal.

On April 23, 2012, the Mayor signed Executive Order 161 consolidating the maintenance of motor vehicle fleets for City agencies. DSNY was designated to be the "Center of Excellence" for medium- and heavy-duty vehicles, giving the Bureau of Motor Equipment management responsibilities for not only DSNY's fleet, but also for a significant portion of the City's fleet. Thus, in addition to its own vehicles, DSNY's Bureau of Motor Equipment assumed responsibility for the maintenance of medium- and heavy-duty vehicles for the Department of Health and Mental Hygiene, the Department of Education, the Department of Parks and Recreation, and the Department of Environmental Protection.

On January 9, 2013, DCAS, acting on behalf of the City, entered into a five-year requirements contract with GPC, through its subsidiary NAPA. The contract calls for GPC/NAPA to (1) operate on-site storerooms, (2) supply parts for light/medium- and heavy-duty vehicles, and (3) provide inventory management services, including warehouse storage and distribution, for six City agencies: the Police Department (NYPD); the Fire Department (FDNY); the Department of Transportation (DOT); the Department of Correction (DOC); the Department of Parks and Recreation (DPR); and DSNY. Each of these six agencies has one or more GPC/NAPA parts rooms, staffed by GPC/NAPA employees, located on the agencies' premises. These rooms are generally in the repair shops where the mechanics who perform the work are located.

GPC/NAPA is responsible for managing and stocking all vehicle repair and replacement parts and preventive maintenance supplies, including, but not limited to tires, lubricants, antifreeze, special hydraulic fluids, motor oil, and grease, and for battery recharging services. The contract requires GPC/NAPA to provide aftermarket parts with specifications equal to or exceeding Original Equipment Manufacturer (OEM) parts.³ The City has the right to refuse the use of any part, based on quality, and DCAS, as the contract administrator, has final authority over any parts disputes between GPC/NAPA and individual City agencies. The City has the option to extend the GPC/NAPA contract for an additional five years at the sole discretion of DCAS. The contract states that "[GPC/NAPA] shall procure and furnish all Parts, materials, supplies and fluids required for the operation, maintenance and servicing of vehicles and equipment." Therefore, according to DCAS officials, the GPC/NAPA program eliminates the need for the City to maintain stocked inventory; the costs associated with procuring the parts fall on GPC/NAPA.

³ "Aftermarket parts" are replacement parts that are not made by the original equipment manufacturer.

According to the contract, parts provided by GPC/NAPA to the City are primarily to be grouped into three defined categories: A-movers, which are parts issued on a weekly basis; B-movers, which are issued on a biweekly to quarterly basis; and C-movers, which are issued on a quarterly to yearly basis. Under the contract, GPC/NAPA is required to deliver on demand (within ten minutes) no less than (1) 100 percent of the A-movers requested, (2) 90 percent of the B-movers requested, and (3) 80 percent of the C-movers requested.

Parts that do not fall under any of the above three categories are referred to in the contract as “remaining parts.” The contract states that “remaining parts, with the exception of customized parts . . . shall be available within 24 hours of request, seven days a week, 365 days a year.” DCAS designated a fourth category of parts, called “OTR” parts, that is not specifically referenced in the contract. According to DCAS officials, “OTR” parts are “parts that have never been issued, not regularly ordered or requested by the agency” and so are effectively “customized parts in that they are not regularly ordered parts.” They further stated that an acceptable delivery time for an OTR part depends on whether the part is readily available, is on backorder, or needs to be manufactured.⁴

To request a part from GPC/NAPA, the City agency's auto mechanic submits a written parts order in person to the GPC/NAPA parts counter person, based on parts required in accordance with an open work order in the City's fleet-management system, known as the “AssetWorks FleetFocus” or “M5” system (M5), which identifies the City vehicle for which the parts are needed. The parts order information is relayed from the City's M5 system to GPC/NAPA's “Total Automotive Management System” (TAMS), which automatically records the company's sales, adjusts its inventory levels, and generates invoices for the parts sold to the City. Beyond these basic aspects of the system, each City agency that orders parts from GPC/NAPA must establish its own written procedures, approved by DCAS, for managing its requests made for parts from GPC/NAPA.

According to the *M5 NAPA Reconciliation Guide*, the integration of the two systems (M5 and TAMS) allows GPC/NAPA staff to use TAMS for procurement activities while issuing parts against specific work orders in the City's M5 system. It also allows each City agency to determine the total cost of each such work order.

In May 2013, GPC/NAPA established a storeroom, staffed by a GPC/NAPA manager and counter person, at DSNY's 5th floor Central Repair Shop in Woodside, Queens, NY. At the Central Repair Shop, GPC/NAPA primarily provides parts for light-duty vehicles, such as passenger cars and pickup trucks. Pursuant to DSNY's procedures, when a vehicle arrives at the Central Repair Shop it is triaged to determine repair work and parts required, and the Central Repair Shop staff will confirm the existence of an M5 work order or create one for the vehicle. DSNY staff at Central Repair Shop request parts using a hand-written DS295 form that includes the DSNY work order number and a description of the part being requested. A DSNY parts liaison is then expected to timestamp the DS295 before hand-delivering it to GPC/NAPA. Upon delivery of the part, GPC/NAPA issues an invoice that indicates the time the part was issued to DSNY.

On a daily basis, GPC/NAPA issues five reports to DCAS and to the other City agencies it supplies pursuant to its contract, including DSNY. These reports are: (1) a GPC Daily Parts Status Report, summarizing open work orders and associated parts; (2) a GPC Fill Rate Report, which summarizes daily delivery performance based on A,B, or C classifications; (3) a GPC On-Hand Inventory Value Report, indicating the value of GPC inventory within each GPC-managed storeroom in a City facility; (4) a GPC Items on Order Report listing all individual parts awaiting

⁴ A part on backorder means that the item is temporarily out of stock and an order needs to be placed for it.

delivery, showing for each order the order date, the part-due date, the revised-due date (if any), the age (the number of days between the order date and the part-due date), and whether the vehicle for which the part was ordered is down or operational; and (5) a GPC Month to Date and Daily Transaction Summary, recapping all of the day's and the month-to-date transactions.

As of June 30, 2016, the inventory of parts on hand in GPC/NAPA's storeroom at DSNY's Central Repair Shop was valued at \$971,268. During Fiscal Year 2016, GPC/NAPA invoiced DSNY \$531,408 for 14,582 parts, \$116,984 for payroll expenses, and \$16,847 for fixed costs including telephone; internet; accounting and data processing; stationary and shipping; training; and store expenses.⁵

Objectives

To determine (1) whether DCAS has adequate oversight of the contract agreement between GPC/NAPA and the City; and (2) whether DSNY has adequate oversight over and fulfills its responsibilities regarding inventory received from GPC/NAPA.

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 objective. 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 was Fiscal Year 2016. Please refer to the Detailed Scope and Methodology at the end of this report for specific procedures and tests that were conducted.

Discussion of Audit Results with DCAS and DSNY

The matters covered in this report were discussed with DCAS and DSNY officials during and at the conclusion of this audit. A preliminary draft report was sent to DCAS and DSNY and discussed at an exit conference held on May 1, 2017. On May 22, 2017, we submitted a draft report to DCAS and DSNY with a request for comments. We received a written response from DSNY on May 30, 2017 and received a written response from DCAS on June 6, 2017.

In its response, DCAS generally agreed with the 10 recommendations directed to DCAS. However, DCAS disagreed with a number of the audit's findings. The areas of disagreement are discussed in the relevant sections of this report. DSNY generally agreed with the findings and the four recommendations directed to DSNY. The full text of DCAS' and DSNY's responses are included as addenda to this report.

⁵ According to DCAS officials, store expenses include cleaning supplies, business insurance, TAMS software updates and any other cost associated with operating a parts store at a City facility.

FINDINGS AND RECOMMENDATIONS

We identified weaknesses in DCAS' oversight of the contract between GPC/NAPA and the City and so cannot be reasonably assured that the vendor is satisfactorily fulfilling its contract obligations, or that the prices paid for parts were reasonable, accurate and consistent with the terms of the contract. Specifically, we found that DCAS does not adequately monitor the timeliness of GPC/NAPA's delivery of requested items, which we found to be deficient. Further, we found that GPC/NAPA's delivery times consistently fell short of its contractual performance obligations. We also found that DCAS does not ensure that parts are adequately categorized in accordance with the contract, which can significantly impact their availability.

In addition, also potentially affecting availability, we found that the vast majority of items stocked by GPC/NAPA at the main DSNY repair facility are classified as being infrequently needed. This suggests that these parts have either been misclassified or that too much of GPC/NAPA's on-site inventory consists of parts that are infrequently used.

We also found that DCAS had limited evidence to show that it audited GPC/NAPA invoices received from suppliers to ensure that the City paid no more than the jobber price plus the allowed markup for parts. Further, DCAS has not enforced the contract stipulation that GPC/NAPA provide the City with access to TAMS, and as a result, DCAS' ability to verify the reliability of the data it receives from GPC/NAPA is significantly reduced.

In addition, we found that DCAS granted GPC/NAPA inappropriate access to DSNY's inventory information in M5, and also that parts received by DSNY from GPC/NAPA were not consistently recorded in M5, as required. As a result of the inappropriate unrestricted access, the vendor could have an unfair advantage in bidding on future contracts.

We determined that DSNY generally has adequate oversight over and fulfills its responsibilities related to GPC/NAPA's performance of the contract. DSNY has a full-time employee solely dedicated to managing the GPC/NAPA program. Among other things, this employee compares individual part invoices with the DS295 forms and tracks purchases in a spreadsheet. DSNY also reviews monthly invoices for accuracy and approves them for final payment. In addition, although not required by the contract, DSNY internally tracks the timeliness of parts delivery by applying the performance standards delineated in the contract.

Weaknesses in DCAS' Oversight of the GPC/NAPA Contract

Part Delivery Performance Is Not Adequately Monitored

The audit found that DCAS does not systematically track GPC/NAPA's performance in meeting the exacting time-delivery standards established by the contract. Moreover, DCAS has neither required the contractor to file contractually-mandated performance reports nor captured the order and delivery times in the information systems used to execute and track the City's orders. Our testing, based on a one-month sample of DSNY's timestamped orders, showed that GPC/NAPA missed its contractual ten-minute delivery obligations, ranging from 62 percentage points below the target (for C-mover parts) to 96 percentage points below the target (for A-mover parts) .

Under the terms of its contract with the City, GPC/NAPA must deliver 100 percent of A-mover parts, 90 percent of B-mover parts, and 80 percent of C-mover parts within 10 minutes of request.

With the exception of customized parts, all remaining parts—classified as OTR parts by DCAS—are required to be available within 24 hours of a request, seven days a week, including holidays. The contract states that “on a monthly basis” GPC/NAPA is required to “provide a metrics report detailing its performance for issuing Parts in conformance with the performance standards defined herein. [GPC/NAPA] shall report on Parts that are used in unusually high levels which could indicate product defect.”

However, GPC/NAPA does not provide any monthly metric reports that detail its performance and whether it meets the contract's timeliness requirements. DCAS officials acknowledged that they have not requested such monthly metric reports from GPC/NAPA. As a consequence, DCAS is unaware of the extent to which GPC/NAPA is meeting its delivery time targets.

When asked why the agency does not request monthly metric reports from GPC/NAPA, DCAS officials responded that “DCAS requires GPC/NAPA to report daily for the citywide program and to each specific agency.” However, the daily reports referenced by DCAS focus principally on outstanding parts, i.e., those that were not delivered by the end of the day they were requested. Such reports are not a substitute for a monthly metrics report because the daily reports do not provide the necessary data. The monthly metric reports would show how well GPC/NAPA is meeting the contract's stated delivery time requirements—which are expressed as percentages of parts delivered within *10 minutes*. The daily reports instead report the number of parts that remain undelivered at the end of a given 24-hour period.⁶ While GPC/NAPA's Fill Rate Report, which is provided to DCAS, tracks monthly performance and lists parts delivered and still on order, it too does not track the timeliness of delivery of individual items in accordance with the aforementioned contract provision.⁷

Upon further review, we found that DCAS does not ensure that the data needed for GPC/NAPA to generate monthly metric reports is even recorded. Neither the TAMS nor the M5 system records the times at which parts are ordered, and M5 does not capture the times at which parts are delivered. As a result, DCAS cannot measure GPC/NAPA's performance in meeting contractual delivery targets, and is hindered in its ability to hold the contractor accountable where that performance is deficient.

To determine the degree to which parts requested by DSNY in June 2016 were delivered on a timely basis, we reviewed the timestamps on the hardcopy DS295 parts requests from DSNY and the hardcopy GPC/NAPA invoices delivered with the part. Our analysis revealed that GPC/NAPA's delivery times consistently fell short of its contractual performance obligations. Specifically, for 641 parts ordered by DSNY in June 2016, we found that:⁸

- GPC/NAPA delivered only 10 (4 percent) of the 240 A-mover parts within 10 minutes—96 percentage points below the contract requirement of 100 percent.
- GPC/NAPA delivered only 12 (13 percent) of the 91 B-mover parts within 10 minutes—77 percentage points below the contracted goal of 90 percent.
- GPC/NAPA delivered 28 (18 percent) of the 156 C-mover parts within 10 minutes—62 percentage points below the contracted goal of 80 percent.

⁶ The daily reports referenced by DCAS include the Daily Parts Status, the Items on Order and the Fill Rate reports.

⁷ The Fill Rate report is cumulative; for example the report generated on the last day in a month reflects the figures for each day within that month.

⁸ There were a total of 815 parts ordered in June 2016; however, complete timestamp information was available on DSNY's DS295 forms for only 641 parts.

- GPC/NAPA delivered all eight of the requested OTR parts within one day.

While the contract requires that the overwhelming majority of the parts are supposed to be delivered within ten minutes, our analysis shows that 25 percent of the 641 parts in our sample of all parts took longer than an hour to be delivered, while 5 percent took longer than 24 hours.

Late delivery of parts may result in delayed repairs and an inefficient use of resources, with down vehicles remaining out of service longer than they otherwise would, which in turn may affect fleet operations. DCAS officials stated that delivery performance is a critical aspect of this program, and that most parts are delivered within the day they are ordered. They also stated that they “did not focus the reporting structure for this contract on 10 minute tracking” and that the standard “is meant to reflect that GPC has inventory on hand to fulfill parts needs.” However, we note that had the agency intended this standard, it could have expressly stated it in the contract and it did not. Rather, the contract requires very specific times for the delivery of products.

DCAS officials stated that the Fill Rate report produced by GPC/NAPA—which shows how many parts were issued and how many were not in stock—is a more meaningful measure of performance than the one specified in the contract. However, the Fill Rate report does not adequately document how well GPC/NAPA is meeting demands because it does not indicate how long it takes an order to be filled. Moreover, the Fill Rate report includes only parts classified as A, B, or C. As discussed later in this report, it appears that a significant percentage of the parts stored and issued by GPC/NAPA do not fall under the A, B, or C classifications.

DCAS Response: “As a percentage of total parts expenditures, the DSNY program currently occupies the smallest of the locations and services only 2% of the total parts for the DSNY fleet so far.

For context, on the day DCAS received the Preliminary Draft Report (April 17, 2017), there were only six parts that were waiting delivery by GPC by the end of the day for DSNY. For the in-house DSNY program, separate from GPC, there were 57,975 parts waiting delivery from other vendors, with 6,656 of those waiting over one month.”

The Contract, however, specifically exempts bathroom and other breaks for GPC staff from the performance requirements. Additionally, there are other delays that can result from the agency itself not picking up or needing the part within the allotted 10 minutes.”

DCAS focused its central performance management on the daily GPC reports. The Report essentially states that 95% of parts are delivered the same day by GPC, which far exceeds performance that had previously been achieved by other vendors through the in-house stocking model. The Report also indicates that 75% of parts were delivered within the hour, which means they were stocked in the building on location.”

Auditor’s Comment: Comparing DSNY’s in-house parts delivery performance with GPC/NAPA’s parts delivery performance is misleading given the fact that DSNY only orders two percent of its parts from GPC.

Further, DCAS’ claim that bathroom breaks affect the timeliness of performance makes little sense. GPC/NAPA is bound by its contract to meet certain performance measures and so must staff its operations appropriately, including allowing for bathroom breaks, to ensure that it fulfills the terms of the contract. Indeed, it appears that GPC/NAPA did just that. Based on our discussion with GPC/NAPA counter personnel and our on-site observations, bathroom breaks do not, in fact, interfere with the operation of the storeroom

because there is more than one GPC/NAPA employee working in the storeroom and the counter should be manned at all times. Furthermore, DCAS provided no evidence that it tracks such breaks, so we question its ability to identify those instances in which the 10-minute delivery standard would be exempted.

DCAS' argument that delays may result from the agency not picking up the needed part is erroneous because the standard relates to *delivery* time, not *pickup* time. We used the time that the item was ready for pickup (represented by the timestamp on the GPC/NAPA invoice) as the delivery time; the time that the parts were actually picked up by DSNY personnel is irrelevant.

Finally, DCAS' claim that the report "essentially confirms that at least 95 percent of all parts under the Contract are delivered the same day" is inaccurate. Our test involves a limited sample of one month only, primarily because DCAS does *not* formally collect the delivery information by which such an analysis could be performed. (Our analysis involved a labor-intensive review of hard-copy records.) DCAS cannot state whether the 95 percent 24-hour delivery rate we found for the sampled month is representative of the norm because, as we state in this report, the agency is not tracking GPC/NAPA's performance with regards to time delivery. Additionally, we tested whether parts were delivered within 24 hours of being ordered, not necessarily the same day. It is possible for a part to be delivered the day after it is ordered and still fall within the 24-hour window. For example, a part ordered on Tuesday at 10:00 a.m. is delivered on Wednesday at 9:00 a.m. If a same-day standard were used, it is possible that the percentage of parts delivered within that time frame would be lower than 95 percent. Nevertheless, we are pleased that DCAS states that it "will work with GPC and DSNY to explore ways to track the 10-minute delivery rule, while balancing resource limitations."

Insufficient Evidence that DSNY Participated in the Initial Categorization of Parts, Which May Have Contributed to Improper Categorization

Although DSNY should have participated in the initial classification of the priority levels for the parts to be provided under GPC/NAPA's contract, we found limited evidence to show the agency's input, and some parts used by the agency were never classified. According to the contract, the categorization of parts as A-, B-, and C-movers was to be performed by a Parts Transition Team made up of GPC/NAPA employees and DSNY personnel. The resulting list of all such parts—showing each part's assigned category—was to be approved by the agency designee, in this case a DSNY official.

However, there is no evidence that DSNY reviewed and approved the categorizations of the various parts to be provided under the contract before the list was put into effect. According to DCAS, GPC/NAPA developed the A-, B-, C-mover list based on the list of vehicles to be serviced that DSNY provided prior to the contract rollout.

DCAS officials stated that GPC/NAPA developed the categorizations on its own because DSNY never submitted its own categorized list of A-, B-, and C-mover parts. However, DCAS officials provided no evidence that DSNY was ever asked to create such a list or to provide input on the parts classifications developed by GPC/NAPA. DSNY officials informed us that they were never given a categorized list of parts to approve. However, DSNY officials were members of the parts transition team and so should have been aware of their ability to participate in the parts

categorization process. Correspondence we received from DSNY shows that, subsequent to this audit's commencement, meetings with GPC/NAPA have recently taken place to discuss the reclassification of certain parts. DCAS officials confirmed DSNY's participation in these meetings in December 2016 and January 2017. In addition they provided two "reclassification" lists for 2015 and 2016; however, it is unclear whether the 2016 list pertains to DSNY parts.

Furthermore, neither DCAS nor DSNY is able to readily review the existing classification codes established by GPC/NAPA, on which the contractual delivery-time standards for the various parts are based, because there is no data field in the M5 system for recording them. The classification codes are listed only in GPC/NAPA's TAMS system, to which neither DCAS nor DSNY has access. (That issue is discussed later in this report.) Therefore, other than requesting the codes from GPC/NAPA, the City has no way of reviewing the classifications in order to verify their appropriateness or for any other purpose, unless a part is ordered and the correct classification is included on the invoice. Not only is this an inefficient means of gathering information, our review of sampled invoices reveals that the classifications were not consistently included on invoices. By not ensuring DSNY's involvement in the categorization of parts, the parties to the contract increased the risk that parts would be misclassified by GPC/NAPA—potentially to the City's disadvantage—and that such misclassification would go undetected.

Moreover, we identified a significant number of instances where parts that were ordered under the contract were not designated with *any* specific A, B, C, or OTR classification. Our analysis shows that of the 446 distinct parts ordered by DSNY in June 2016, only 259 (58 percent) were classified definitively with an A, B, or C code. Another four were classified as OTR (1 percent). Of the remaining 183 parts, amounting to 41 percent of the sample:

- 16 (less than 4 percent) were classified with an internal GPC/NAPA code not specified in the contract;
- 5 (less than 2 percent) were classified with multiple codes (e.g., as both B and C at the same time); and
- 162 (36 percent) were not classified with any code.

When parts are not classified at all or appropriately classified, the City is severely limited in its ability to ensure prompt delivery and enforce delivery targets. As shown from the findings above, the City would not be able to measure the timeliness of GPC/NAPA's delivery performance for 41 percent of the parts ordered by DSNY in June 2016 because, contrary to contract requirements, they were not assigned a unique, contract-specified mover code.

DCAS Response: "DCAS verbally shared with the Auditors a summary of events regarding the Contract from its inception on April 23, 2013. DCAS also shared records of the categorization process for May 2015, Feb 2016, and May 2017."

Auditor's Comment: As stated earlier in the report, DCAS did not provide evidence that DSNY was ever asked to create a list or to provide input on the parts classification initially developed by GPC/NAPA. While DSNY was responsible for compiling and approving a list of categorized parts at the onset of the contract, it was DCAS' responsibility as the contract administrator to ensure that this occurred.

In addition, as previously stated, while DCAS provided evidence of subsequent reclassification lists, we checked a few items from our list of unclassified or misclassified parts and found that their status remained unchanged as of our visit to the GPC/NAPA storeroom in February 2017.

GPC/NAPA Storeroom Stocked with Parts Classified as the Ones Least-Frequently-Needed

Although the contract provides for the most-frequently-used parts to be categorized as A-, B-, or C-movers, the overwhelming majority of the parts stocked by GPC/NAPA in its DSNY storeroom—69 percent of the inventory by value and 71 percent of the items in stock—were classified as OTR, a designation reserved for the least-frequently-needed parts. Moreover, DCAS construed the contract to effectively exempt those parts from any specific delivery-time requirements, as described below.

Under the contract, GPC/NAPA is required to make parts not categorized as A-, B-, or C-movers, identified as “remaining parts,” available within 24 hours, unless they are “customized parts,” which are exempt from the 24-hour delivery requirement.⁹ However, DCAS created a category of parts called OTR, which DCAS officials told us “are effectively customized parts in that they are not regularly ordered parts.”

Although DCAS deems OTR parts to be “effectively customized,” we found that a number of them are readily available for purchase on the internet and do not appear to be customized items. Of the eight OTR parts that DSNY ordered in June 2016, our review revealed that five of them (bulbs, filters, struts, tubes and clamps), appeared to be standard parts for trucks, vans, or other vehicles. Furthermore, the parts had been ordered one or more times during the preceding 12 months. Accordingly, based on the definitions established in the contract, it appears that these items should have been more appropriately classified as B- or C-movers, subject to 10-minute delivery targets.

The fact that the vast majority of items stocked by GPC/NAPA at the main DSNY repair facility are classified as being so infrequently needed suggests that they have either been misclassified or that too much of GPC/NAPA’s on-site inventory consists of parts that are infrequently used.

According to DCAS officials, a reclassification of all parts to be furnished under the contract should be done every six months, based on each part’s issuance history. The contract also states that the parties can review and mutually agree upon revising the list of A-, B-, and C-movers at any time. Further, according to DCAS officials, meetings on reclassifications have been held and a reclassification was conducted by GPC/NAPA in December 2016. However, our review of certain parts in TAMS on February 8, 2017 revealed that some parts still appeared with multiple classifications.

Recommendations

1. DCAS should request that GPC/NAPA add a field to TAMS to enter order time so that delivery performance can be tracked and enforced per the contract.

DCAS Response: “DCAS will work with GPC and customer agencies to develop more effective ways to measure the 10-minute parts delivery time. . . . GPC has procured a new time clock to assist with this process.”

2. DCAS should require GPC/NAPA to prepare and submit reports based on delivery times in accordance with the criteria established in the contract.

⁹ The contract requires that “remaining parts” be delivered within 24 hours but no such requirement exists for OTR parts, which is a category used by DCAS and not defined in the contract. DCAS never acknowledged that OTR parts are “remaining parts” but rather stated that OTR parts are “customized parts.”

DCAS Response: In response to recommendation #2, DCAS referred to its response to recommendation #1 which is, “DCAS will work with GPC and customer agencies to develop more effective ways to measure the 10-minute parts delivery time.”

3. DCAS should ensure that all parts are appropriately classified by GPC/NAPA and DSNY, and that periodic reclassifications based on usage are performed.

DCAS Response: “. . . [P]arts categorization reviews are taking place with GPC and DSNY, and will continue to take place.”

4. DSNY should request a list of parts and their classifications from GPC/NAPA, review the list, and inform GPC/NAPA and DCAS if it disagrees with the classification of any parts.

DSNY Response: DSNY did not specifically address this recommendation in its response, but stated, “Our agency acknowledges your findings and recommendations and will continue to collaborate with DCAS to improve oversight and monitoring of the contract.”

DCAS Needs to Improve Its Monitoring of GPC/NAPA to Ensure that Parts Are Billed Appropriately

Although the contract provides the City with price protection, DCAS produced only limited evidence of its efforts to verify that the prices GPC/NAPA charged the City comply with those contract terms. According to the contract, GPC/NAPA must provide the City with parts at the net price that GPC/NAPA pays to a dealer, plus a fixed markup, and the City reserves the right to audit invoices to ensure GPC/NAPA's compliance.¹⁰ If prices are found to be higher than what the City was paying previously, or higher than market prices, the City can require GPC/NAPA to seek competitive bids from multiple vendors and purchase parts that provide the best value. The City also reserves the right to direct GPC/NAPA to purchase specialized parts from suppliers the City designates, if the price or quality of parts provided by GPC/NAPA is not satisfactory.

DCAS had limited evidence to show that it audited GPC/NAPA invoices to determine whether the City was paying a greater markup than allowed for parts. DCAS officials stated that, upon request, GPC/NAPA has provided copies of jobber invoices to verify parts pricing.¹¹ However, there is no evidence that DCAS regularly requests and reviews such invoices. DCAS stated that it coordinates with the relevant City agencies to check invoices received from GPC/NAPA and that the company provides the original vendor invoice upon request.

In addition, there is limited evidence that DCAS is ensuring that the City consistently gets competitive prices from GPC/NAPA. At the beginning of the contract rollout in 2013, DCAS performed price comparisons between prices charged by GPC/NAPA and prices previously paid by the City and prepared two pricing reports on aftermarket parts and Original Equipment Manufacturer (OEM) parts, respectively, in June 2015 and May 2016. These reports indicate overall savings for the City with regard to what the City previously paid for the parts reviewed.

¹⁰ The invoices referred to are invoices that GPC/NAPA receive from its suppliers and show the prices GPC/NAPA paid for the parts.

¹¹ A jobber is a merchant, usually a wholesaler, who purchases specific types of products, such as auto parts, electrical or plumbing materials, or petroleum products (usually in bulk or lots) and then sells them to retailers. This intermediary generally specializes in specific types of products, such as auto parts, electrical and plumbing materials, or petroleum. A jobber differs from a broker or agent who buys and acts for himself/herself.

Those reports analyzed savings on a sample of parts purchased during specified review periods. However, we found no data indicating that DCAS performs regular periodic price comparisons.

In addition, DCAS did not select the sample of items that were included in the aftermarket pricing reports produced in June 2015. Rather, these reports were compiled using cross-reference numbers for parts that were provided by GPC/NAPA. (These are numbers used to identify parts already in the City's inventory—in-house parts—that are comparable to parts purchased from GPC/NAPA.) Accordingly, the sample for the price comparison was selected by GPC/NAPA, which had an interest in the outcome of the comparison. DCAS then compared the prices that the City paid other vendors—based on information in M5, which is accessible to GPC/NAPA—with the prices paid to GPC/NAPA.

The methodology employed by DCAS for these comparisons raises two concerns. First, GPC/NAPA, through its M5 access, was able to see the prices that the City previously paid GPC/NAPA's competitors for the same types of parts that GPC/NAPA was marketing to the City. (That issue is discussed later in this report). Consequently, GPC/NAPA had the ability to select for comparison the particular types of parts that it knew it could offer at favorable prices. Second, the prices previously paid by the City for parts already in its possession do not necessarily reflect the current market prices for those items. A more meaningful test would have been to directly compare GPC/NAPA's prices to those currently available from other vendors.

According to DCAS' own *Parts Initiative Review* dated February 18, 2016, "DCAS [was] working to implement regular parts cost comparison reporting." However, additional price comparisons have not been performed. We were informed of concerns about higher than expected prices charged by GPC/NAPA from officials at several City agencies. In connection with this audit, we surveyed five City agencies that procure parts from GPC/NAPA and asked whether they were satisfied with the company's prices. Overall, four of the five agencies reported that prices for certain parts purchased from GPC/NAPA, especially non-GPC/NAPA-brand parts, were higher than those of other suppliers. One agency stated that "spot checking indicated a higher procurement cost [for GPC/NAPA parts] than the previous just-in-time contract." Another agency responded that GPC/NAPA's prices for heavy-duty parts were higher. One agency stated that it continues to have questions about the prices it pays for parts through GPC/NAPA in part because GPC/NAPA offers no price books that the agency had previously used to verify and compare prices, which the agency said "keeps [the agency] in the dark about proper part costs & markups – making it very difficult – for [the agency] to verify the correct price for a part paid for."

In the absence of periodic price comparisons, DCAS is unable to demonstrate that the prices charged by GPC/NAPA are competitive. Additionally, by not conducting audits of GPC/NAPA invoices, DCAS has limited assurance that agencies are paying no more than the allowed mark-up for parts.

DCAS Response: "As shared with the Auditors, DCAS regularly produces reports comparing parts costs with GPC, to costs for parts that can be obtained through other vendors.

The Report states that GPC determines the parts to be checked for pricing competitiveness. This is not correct. DCAS Fleet actually determines which Original Equipment Manufacturer ('OEM') parts are to be compared based on the most used and requested parts by the agencies."

Auditor's Comment: As we state in the report, DCAS provided limited evidence of price comparisons; the agency provided only two price comparisons for the last few years (June 2015 and May 2016).

With regard to determining the parts to be checked for pricing competitiveness, our finding related to the aftermarket, not OEM, parts. DCAS informed us that cross-reference numbers for such parts used in the aftermarket price comparisons are provided by GPC/NAPA.

Recommendations

5. DCAS should conduct periodic audits of GPC jobber invoices to ensure that parts are being billed at GPC's dealer price, plus the fixed markup.

DCAS Response: "DCAS agrees with this recommendation. DCAS has a process for checking contractual markups on GPC invoices, and will increase checks of jobber prices."

6. DCAS should perform periodic price comparisons to ensure that the City is getting the best prices for the parts ordered.

DCAS Response: "DCAS agrees with this recommendation. DCAS will continue to conduct price comparisons and will work to increase the frequency of these comparisons."

DCAS Performs Limited Verification of Data Received from GPC/NAPA

Under the contract, GPC/NAPA is required to give City personnel limited access to TAMS so that it can verify information contained in GPC/NAPA reports. However, DCAS has not enforced that requirement, and provided no explanation for its failure to do so. Without access to the system, DCAS has limited assurance that the information in the daily reports provided by GPC/NAPA is accurate.

DCAS' failure to enforce this aspect of the contract is of particular concern because our analysis of the TAMS Fill Rate report for June 30, 2016 raises questions about the reliability of the data. In particular, we identified discrepancies between information from the parts invoices and information in the Fill Rate report dealing with the quantity and categorization of the parts. For example, the Fill Rate report for June 15, 2016, showed that 23 parts—12 A-movers, 1 B-mover, and 10 C-movers—were issued to DSNY. Our analysis of the invoices, however, showed that 37 parts—14 A-movers, 1 B-mover, 8 C-movers, and 14 additional unclassified parts—had been issued. After reviewing 22 work days in June 2016, we found discrepancies between the Fill Rate Reports and the corresponding invoices for 16 days (73 percent) regarding the number of A-, B- and C- movers listed in each. Moreover, the Fill Rate reports were incomplete, as they did not include parts categorized as "OTR," or parts with no categorization. According to DCAS officials, "OTR" parts are classified in TAMS but are not tracked in the Fill Report because that classification was not part of the original contract language.

DCAS Response: "GPC provides the City with a comprehensive set of daily reports under this Contract, which include lists of all parts supplied and in waiting. The management of these lists includes reviews and enables verification of performance under the Contract."

The Contract under Article 4, Section 2(g) (i) Reporting Requirements, states, ‘The Contractor shall provide access to the inventory system. . . for the purpose of verifying the accuracy of the information contained in these reports.’ At DCAS’ request, GPC currently tracks its company owned inventory on the City’s Fleet Management System, which provides DCAS access to that inventory for verification.”

Auditor’s Response: The reports referred to in the contract are not limited to inventory reports; they also include daily parts, performance, and rebates reports. DCAS provided little evidence of its efforts to ensure that the information in the reports provided by GPC/NAPA is accurate and reliable. As stated in the report, we found discrepancies in the sampled daily Fill Rate reports provided by GPC/NAPA of which DCAS appeared to be unaware, until we brought the discrepancies to officials’ attention. We provided our analysis to DCAS but received no comment or clarifications regarding the discrepancies we identified.

Recommendations

7. DCAS should request read-only access to TAMS’ screens related to parts transactions with the City, and periodically verify the reliability of the information in the GPC/NAPA provided reports.

DCAS Response: “DCAS will work with GPC to improve verification of daily and other reports consistent with the Contract.”

8. In the event that DCAS finds that the data is unreliable, DCAS should ensure that GPC/NAPA takes corrective action to make its data consistently accurate.

DCAS Response: “DCAS agrees with this recommendation.”

GPC/NAPA Has Inappropriate Access to DSNY’s Inventory Records

We found that GPC/NAPA personnel have inappropriate access to DSNY’s inventory information in M5, the City’s fleet-management system, beyond what is necessary for them to fulfill their contract obligations. Among other things, this access enables GPC/NAPA to see prices charged by other vendors, which could allow them an unfair advantage on future contracts. In addition, it could also enable GPC/NAPA to make unauthorized entries and changes in DSNY’s inventory records for the products that GPC/NAPA provides to the agency.

Comptroller’s Directive 1 prescribes an elevated level of City agency oversight to ensure that vendors’ access to City information systems is limited to only what the vendors need to perform their authorized work for the City. Directive 1 provides,

Management should exert particular control to limit the access of consultants and other individuals who may not be employees of the City of New York, to their areas of interest only and for the period of time that is required for them to complete their authorized assignments.

The directive further states that,

Agencies should establish the appropriate controls when consultants and other individuals who are not employees of the City of New York, have access to

Information Processing data, files and programs used in production in City-operated information systems.

During our observations at the GPC/NAPA storeroom at DSNY, the GPC/NAPA area manager—who oversees multiple GPC/NAPA storerooms—was able to produce, from the City’s M5 fleet management system, a list of the agency’s entire parts inventory in every DSNY location. The list included information on prices paid by DSNY for parts obtained from other vendors, vendor names, and stock levels. Two other GPC/NAPA employees have the same level of access to M5 as the GPC/NAPA area manager. We notified DSNY officials of this concern, and their response indicated that they were unaware that GPC/NAPA had the above-described level of access to the agency’s procurement and inventory information. While DCAS officials state that the access is restricted to read-only, GPC/NAPA personnel can still generate M5 reports that can be used for various analytics and projections.

At the inception of this contract, the outstanding inventory of City-owned parts were taken into the GPC/NAPA storerooms. These parts, coded as “9LO” in M5, were to be re-issued at no cost to City agencies upon request. DCAS officials explained that “certain GPC employees were granted view-only access to certain in-house parts inventories for the specific purpose of managing and addressing 9LO issues” and that as they near the end of GPC/NAPA managing DSNY 9LO parts, they will restrict the access.¹² However, according to an internal DCAS memo dated July 8, 2016, DCAS and GPC/NAPA had completed the final 9LO parts reconciliation and GPC/NAPA returned the 9LO parts to DSNY. Nonetheless, DCAS did not rescind GPC/NAPA’s access to DSNY’s in-house inventory.

GPC/NAPA employees also have user rights that enable them to enter information on work orders in M5. However, the M5 user rights given to GPC/NAPA personnel, including the counterperson and storeroom manager located at DSNY, inappropriately permit them to change inventory levels of GPC/NAPA-provided parts in M5, the City’s inventory system.¹³ GPC/NAPA’s unrestricted access to information regarding the prices DSNY paid various vendors for parts, combined with the company’s unrestricted, real-time access to DSNY’s parts-inventory levels and usage history, creates risks that GPC/NAPA could potentially manipulate prices and gain an unfair advantage in competing for City business. DCAS officials also stated that they do not believe it’s an issue for GPC/NAPA to have access to DSNY’s in-house inventory information because they provided the lists of City owned inventory to all bidders as part of the Request for Proposal process for this contract. However, as of April 2017, this contract has been in effect for over four years yet GPC/NAPA continued to have inappropriate access to DSNY’s non-9LO parts procurement information.

In addition, because GPC/NAPA employees can change information in the City’s M5 system regarding parts the company sold to DSNY, there is also a risk that the company could enter inaccurate information that would not be detected. For example, in February 2017, DSNY identified discrepancies between prices listed on GPC/NAPA invoices and the prices GPC/NAPA entered in the M5 system for parts that DSNY purchased in December 2016. In one case, the invoice price for a specific part was \$46.83, but the price entered in M5 was \$44.39. DSNY personnel subsequently brought this matter to DCAS’ and GPC/NAPA’s attention. According to DSNY, GPC/NAPA attributed the price discrepancy to unspecified “glitches” in the system, and one of the company’s IT staff—designated by DCAS as a “Super User” responsible for correcting

¹² 9LO parts were City-owned parts that were initially taken into the GPC/NAPA storerooms and were to be re-issued at no cost to City agencies upon request. 9LO is the code used to reference these parts in M5.

¹³ The counterperson looks up stock levels on hand and issues parts, linking them to the appropriate work orders, and the storeroom manager manages the individual DSNY storeroom.

errors and resolving discrepancies—corrected the error in M5 by manually entering pricing data in that system to correspond to the invoice price.

DCAS Response: “GPC’s access to the inventory system is not unwarranted. Furthermore, the Report also raises concern regarding GPC having read-only access to information about previous parts expenditures and costs by the City. This is a contractual requirement. Nonetheless, DCAS has removed the access that relates to the now completed component of the Contract pertaining to City owned inventory. Additionally, as explained to the Auditors, DCAS disseminated this cost information to all potential vendors as part of the RFP process. It is public information; therefore, it does not provide GPC with an unfair advantage.”

Auditor’s Comment: We do not question the contractual requirement that GPC/NAPA have access to and issue parts to the City through the City’s inventory management system (M5). This finding pertains to the additional inappropriate access that GPC/NAPA employees have to DSNY’s entire in-house inventory records. While DCAS states that it provided such access to manage the City-owned inventory (9LO), as previously stated, these parts were returned to DSNY in July 2016 yet, according to DCAS officials, this access was not terminated until after the exit conference for this audit, which was held on May 1, 2017.

Regarding DCAS’ statement that it provided cost information to potential vendors during the RFP process, this process occurred in 2011, well before the scope of our audit and the onset of this contract, and does not provide adequate justification for GPC/NAPA’s continued access to DSNY’s in-house inventory records.

Recommendation

9. DCAS should limit the access of GPC/NAPA personnel to M5 for only required functions, and should remove GPC/NAPA’s access to view DSNY’s in-house inventory.

DCAS Response: “DCAS agrees with this recommendation. DCAS has removed GPC’s access to in-house inventory records. . . .”

Parts Received from GPC/NAPA Not Recorded in the M5 Information System

As stated previously, GPC/NAPA is required to enter records of each part it issues to City agencies, including DSNY, onto the corresponding work order records in the M5 fleet management system. M5 then transmits the parts-issuance information back to GPC/NAPA’s TAMS system, so that GPC/NAPA can construct an invoice and reconcile the corresponding charges. The requirement of GPC/NAPA to enter its issuance of parts into the appropriate work order in M5 is a system control that helps ensure that work order costs will be accurate and that reports generated from M5 will be complete. It further minimizes the risk that parts could be billed to DSNY but used for unauthorized vehicles, and that such instances will go undetected

However, parts issued by GPC/NAPA staff against work orders are not consistently recorded in M5. DSNY officials provided us with a list of 67 parts the agency received from GPC/NAPA between December 7, 2016 and March 8, 2017 that did not appear on the associated work orders in M5. DSNY later confirmed that those parts were subsequently added by GPC/NAPA to work

orders in M5. We confirmed that this was a problem dating back to at least June 2016 and had not been corrected as of March 21, 2017.¹⁴ According to the invoices issued by GPC/NAPA for the month of June 2016, DSNY had a total of 932 parts transactions with GPC/NAPA, while the corresponding report from M5 showed only 733 parts transactions in that period—a difference of 21 percent. Our review of a sample of M5 work orders from June 2016 indicated that 24 (19 percent) of the 124 parts that had been ordered and received by DSNY were not reflected in the M5 information system.

The above-described discrepancies suggest that there is a problem with the interface between M5 and TAMS. DSNY provided us with emails exchanged among DCAS, GPC/NAPA and DSNY officials, in which DCAS informed DSNY that the agency should continue to let GPC/NAPA know if any parts purchased for a vehicle are not in M5 and that GPC/NAPA would make the necessary corrections. DCAS officials opined that the problem could be attributed to interface or internet connectivity issues, which could result in instances where the part cannot be issued in M5, or that DSNY might be closing out work orders prematurely. However, DCAS provided no evidence that it has identified the cause of the problem or taken steps to correct it.

The email communications between DCAS, GPC/NAPA and DSNY indicated that DSNY would in the future, as of January 17, 2017, check M5 nightly to see whether parts that were invoiced were recorded. However, DCAS and GPC/NAPA provided no evidence that they are working to ascertain why this issue is occurring.

We did not identify any instances where an invoice prepared by GPC/NAPA did not include a work order number. DCAS officials strongly asserted that parts cannot be issued if they are not linked to a work order in M5. However, as stated above, DCAS has not identified the reason that some of the parts issued by GPC/NAPA staff were not recorded in M5 nor has it provided sufficient evidence to dismiss that possibility. If such could occur, there would be an increased risk that DSNY's work order costs will not be accurate and that reports generated from M5 will be incomplete. Additionally, there would be a risk that some parts may be billed to DSNY but used for unauthorized vehicles, and that such instances will go undetected.

Recommendations

10. DCAS should work with DSNY to identify all instances where parts are not appearing in M5, so that GPC/NAPA can be informed and corrections can be made.

DCAS Response: "DCAS agrees with this recommendation. This recommendation has already been implemented and is reflected in the daily reports between DCAS and DSNY."

11. DCAS should thoroughly investigate why parts issued against work orders are not appearing in M5 and work with GPC/NAPA to address this issue.

DCAS Response: "DCAS agrees with this recommendation. DCAS is working with AssetWorks and GPC on a report for monthly reconciliation that will report on any discrepancies related to the M5 and TAMs integration."

¹⁴ Our audit tests did not address whether this problem existed before or after these dates.

DSNY Generally Exercises Adequate Oversight with Regard to Its Responsibilities for the GPC/NAPA Contract

Based on our testing and on-site observations, we determined that, in general, DSNY adequately oversees and otherwise fulfills its responsibilities related to the inventory it receives from GPC/NAPA. DSNY has assigned one full-time employee to manage the GPC/NAPA program. That employee compares individual part invoices with DSNY's DS295 forms that are used by personnel to request parts, and tracks the purchases in a spreadsheet. DSNY also reviews its monthly list of invoices it receives from GPC/NAPA for accuracy and approves invoices for final payment based on a reconciliation of relevant records. In addition, DSNY internally tracks the timeliness of parts delivery based on the performance standards outlined in the contract.

DSNY generally follows the procedures for requesting parts and reviewing GPC/NAPA reports and invoices set forth in DSNY's *Central Repair Shop (CRS) Using General Parts Corporation (GPC)*, which are in line with *DCAS Fleet Procedures: GPC Citywide Parts*. However, we found that in our sample, work order numbers were missing from 17 (6 percent) of the 277 available DS295 forms completed by DSNY personnel, which increases the risk that parts can be used for other than authorized repairs, including for non-DSNY purposes. Moreover, DSNY timestamps were unreadable in 14 (5 percent) instances. DSNY officials stated that mechanics were not adequately completing the forms, and that this condition was corrected during the course of our audit fieldwork. Specifically, a new timestamp machine has been placed on the GPC/NAPA store room's counter. In addition, a DSNY supervisor now reviews DS295 forms for accuracy and completeness before they are submitted to GPC/NAPA. In February 2017, we performed an unannounced spot check of a sample of DS295 forms and determined that all required information was included.

DSNY produced evidence that it performed price comparisons for some parts. DSNY produced a price comparison report for hundreds of parts the agency ordered from December 31, 2013 through December 8, 2014, which overall shows that the prices charged by GPC/NAPA for those items were higher than those that DSNY previously has paid other suppliers, or higher than the prices listed on other vendors' websites and price sheets. DSNY's price comparisons included the part description and number, the GPC/NAPA price, and a competing vendor's price for each part. DSNY also provided other reports that were much smaller in scope, also showing that the prices charged by GPC/NAPA were higher than prices available through on-line retailers. We saw evidence that DSNY had, in some instances, informed DCAS about GPC/NAPA's higher prices. However, DSNY officials acknowledged that they never requested vendor invoices from GPC/NAPA to determine the dealer prices it paid for parts to ensure that the City was not being charged above the allowable markup.

Recommendations

12. DSNY should continue its recently-implemented efforts to ensure that work order numbers and legible timestamps are included on all DS295 forms being submitted to GPC/NAPA.
13. DSNY should continue to inform DCAS and GPC/NAPA of all instances where prices charged by GPC/NAPA exceed those offered by other vendors, so DCAS can, where appropriate, request that GPC/NAPA solicit multiple vendors, or direct GPC/NAPA to purchase the part(s) in question from specific suppliers.

14. DSNY should ask DCAS to request GPC/NAPA vendor invoices for review in instances where prices are higher than expected to determine whether the City is being charged in accordance with the contract, including the specified markup.

DSNY Response: DSNY did not specifically address these three recommendations in its response, but stated, “Our agency acknowledges your findings and recommendations and will continue to collaborate with DCAS to improve oversight and monitoring of the contract.”

DETAILED SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). 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 objective. 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 primary audit scope was Fiscal Year 2016.

To obtain an understanding of the GPC/NAPA program, we reviewed the contract governing the initiative and the NYC Fleet's *Parts Initiative Review*, February 18, 2016.

To obtain an understanding of the steps to be taken by agencies and DCAS in administering the program, we reviewed the *Administration of Strategic Parts Contract* and *GPC Parts Request Procedures* provided by DCAS and *Central Repair Shop (CRS) SOP Using General Parts Corporation (GPC)* provided by DSNY.

Further, we reviewed the following documentation:

- Parts Auction Procedure, NYC Fleet Focus
- AssetWorks M5 NAPA Reconciliation Guide For NYC NAPA Deployment, July 8, 2013
- AssetWorks M5 NAPA Training Guide For NYC NAPA Deployment, July 10, 2013
- AssetWorks FleetFocus M5 System Requirements
- DCAS's DSNY 9LO Parts Reconciliation – Summary
- TAMS Daily Reports

To obtain an overall understanding of DCAS' role in administering the program we conducted a walkthrough meeting with the officials in charge. Further, we conducted walkthrough meetings with members of DCAS' Fleet Service to obtain an understanding of their specific role in overseeing the City's contract with GPC/NAPA. We also observed DCAS' Fleet analyst's GPC/NAPA-related operations.

To obtain an understanding of DSNY's role in administering the GPC/NAPA contract, we conducted an overall walkthrough meeting with key officials in charge of this initiative. Further, we conducted a walkthrough meeting with DSNY's designated person in charge with GPC/NAPA operations at Central Repair Shop (5th Floor) and observed the parts procurement process from GPC/NAPA.

To obtain an understanding of other agencies' experience and satisfaction with this initiative, we sent a survey to FDNY, NYPD, DOC, DOT, and DPR and reviewed their responses.

We conducted a walkthrough meeting with DCAS officials to understand the usage of M5 in managing the parts ordered from GPC/NAPA and its interface with GPC/NAPA's TAMS system. We asked DCAS officials for read-only access to the GPC/NAPA module of M5 for DSNY. To determine whether DCAS adequately oversaw and monitored user rights, we obtained additional clarification from DCAS and reviewed the GPC/NAPA personnel M5 user rights.

To understand the parts issuance process, we observed the operations at the DSNY GPC/NAPA counter.

To determine the completeness of the information in M5 for the GPC/NAPA parts ordered by DSNY, we obtained an M5 report of parts issued/returned in June 2016 and checked them against the invoices issued by GPC/NAPA.

To ensure that our understanding of their operations was correct, we sent DCAS and DSNY confirmation emails throughout the survey phase of the audit, clarifying our understanding where appropriate.

We asked DSNY to provide all GPC/NAPA invoices and related documentation for the month of June 2016, the most recent month prior to the commencement of our audit. In addition, we obtained the monthly GPC/NAPA invoice packages for Fiscal Year 2016.

To determine whether the data provided is reliable, we selected a random sample of 20 invoices and compared the invoice entries on the computerized monthly invoice to their respective paper invoices. Likewise, we traced a random sample of 20 paper invoices to the computerized monthly invoice to determine whether the information matched.

We determined whether the information on the DSNY DS295 form matched the information on the invoices issued by GPC/NAPA, by checking to see if the orders contain all of the information as per contract for direct parts issuances. We judgmentally selected all DS295 forms and associated NAPA invoices for the month of June 2016.

To determine whether the parts ordered from NAPA have been classified in A-, B-, or C-movers, we sorted all parts by part ID number and determined their classification code(s).

To determine whether the delivery performance standards outlined in the contract were followed, we reviewed the timestamped DS295 forms and associated GPC/NAPA invoices for the month of June 2016. We used the same sample to determine whether the total value of parts delivered by GPC/NAPA matched the total on the monthly invoice. We also determined how frequent parts classified as OTR have been ordered during Fiscal Year 2016.

To determine the accuracy of GPC/NAPA's TAMS Fill Rate Report and whether DCAS has accurate information on the classification and movement of parts at DSNY, we compared the information on the Fill Rate Report provided by GPC/NAPA with the information on the GPC/NAPA invoices for the month of June 2016.

Although the results of our sampling tests were not statistically projected to their respective populations, these results, together with the results of our other audit procedures and tests, provided a reasonable basis to determine whether DCAS has adequate oversight over the contract agreement between GPC/NAPA and the City. These results also enabled us to determine whether DSNY has adequate oversight over and fulfills its responsibilities regarding inventory received from GPC/NAPA.



Citywide Administrative
Services

Lisette Camilo
Commissioner

June 6, 2017

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Ms. Marjorie Landa
Deputy Comptroller for Audits
Office of the New York City Comptroller
1 Centre Street, Room 1100
New York, NY 10007

Re: Audit Report on the Oversight of the Department of Citywide Administrative Services and the Department of Sanitation over New York City's Contract with Genuine Parts Company (Audit #: MD16-122A)

Dear Ms. Landa:

Thank you for the opportunity to comment on the aforementioned Audit Report ("Report") regarding New York City's Contract with the Genuine Parts Company (GPC).

Parts procurement and inventory management is a critical if little understood aspect of City operations. The Strategic Parts Contract with the Genuine Parts Company introduces a new model for parts procurement and inventory that has improved parts delivery and greatly reduced the City's risk for lost or missing inventory. While we differ with some of these findings, we agree that 95% of parts under this Contract are delivered the same day. This is well beyond anything that has been achieved in the previous model. The City also pays only for parts it uses, except for on-hand inventory; thereby, removing major waste, loss, and theft risk that the Comptroller has highlighted in a previous recent audit in this area. The Contract with GPC at DSNY that is the subject of this audit is still in its early stages there, constituting only 1% of parts expenditures in FY16, the audit year.

DCAS will follow-up with the recommendations in the Report. Attached please find our response, which includes an executive summary and detailed comments to the findings and recommendations in the Report.

Sincerely,

A handwritten signature in black ink, appearing to read "Lisette Camilo".
Lisette Camilo

Attachment

c: Keith T. Kerman, Deputy Commissioner
Karen S. Cohen, Director of Internal Audit and Compliance

DCAS AUDIT RESPONSE – CONTRACT WITH THE GENUINE PARTS COMPANY

EXECUTIVE SUMMARY

NYC operates the largest municipal fleet in the United States. Prior to 2013, the City had managed most auto parts procurement and inventory through in-house parts rooms. The Strategic Parts Contract, currently held by the Genuine Parts Company (GPC), was designed to address three core issues that had been identified and affected these in-house parts rooms:

- Parts delivery performance
- Removing the risks associated with in-house owned inventory
- Ensuring transparency by linking parts delivered to work orders

GPC has been involved in vendor managed inventory solutions for municipal fleet operations for over 24 years. GPC operates in over 400 sites in the United States and Canada including many large municipal government fleet operations. GPC has fleet experience in many diverse fleet operations. These areas include police, fire, emergency services, sanitation, public works, utilities, DOT, corrections and motor pool operations.

GPC currently operates at 6 agencies and 14 locations for the City. As a percentage of total parts expenditures, the DSNY program currently occupies the smallest of the locations and services only 2% of the total parts for the DSNY fleet so far. Parts expenditures in FY16, the audit period, at DSNY were \$531,408, which accounts for only 1% of the total parts under the program.

| Auto Parts Procurement, DSNY | | | | | |
|------------------------------|-------------------|--------------|----------------|--|-------------|
| FY | In-house, Non-GPC | GPC | Total | | Percent GPC |
| 13 | \$ 24,224,350 | \$ 199,505 | \$ 24,423,855 | | 1% |
| 14 | \$ 32,774,664 | \$ 892,271 | \$ 33,666,935 | | 3% |
| 15 | \$ 44,647,494 | \$ 813,062 | \$ 45,460,556 | | 2% |
| 16 | \$ 38,896,731 | \$ 531,408 | \$ 39,428,139 | | 1% |
| Total | \$ 140,543,239 | \$ 2,436,246 | \$ 142,979,485 | | 2% |

Improving parts delivery performance

The Report essentially confirms that at least 95% of all parts under the Contract are delivered the same day and that at least 75% of these parts are delivered within an hour (p.8 of Report), which means they are stocked in the GPC Parts Room on-site as required.

The Strategic Parts Initiative was designed to improve performance delivery in previous existing operations. Parts delivery performance under this program far exceeds that of separate parts vendors through the in-house parts model.

DCAS AUDIT RESPONSE – CONTRACT WITH THE GENUINE PARTS COMPANY

For context, on the day DCAS received the Preliminary Draft Report (April 17, 2017), there were only six parts that were waiting delivery by GPC by the end of the day for DSNY. For the in-house DSNY program, separate from GPC, there were 57,975 parts waiting delivery from other vendors, with 6,656 of those waiting over one month.

In FY16, GPC provided 26% of all auto parts to the City. On April 17, 2017, there were 114 parts waiting delivery from GPC for all 14 NYC GPC locations. For the remaining (non-GPC) in-house operations for that week, there were 99,109 parts waiting delivery, with over 7,000 waiting over 60 days. This type of comparative information was provided to the Auditors in the DCAS Parts Initiative Review, which the Report references, and at other times.

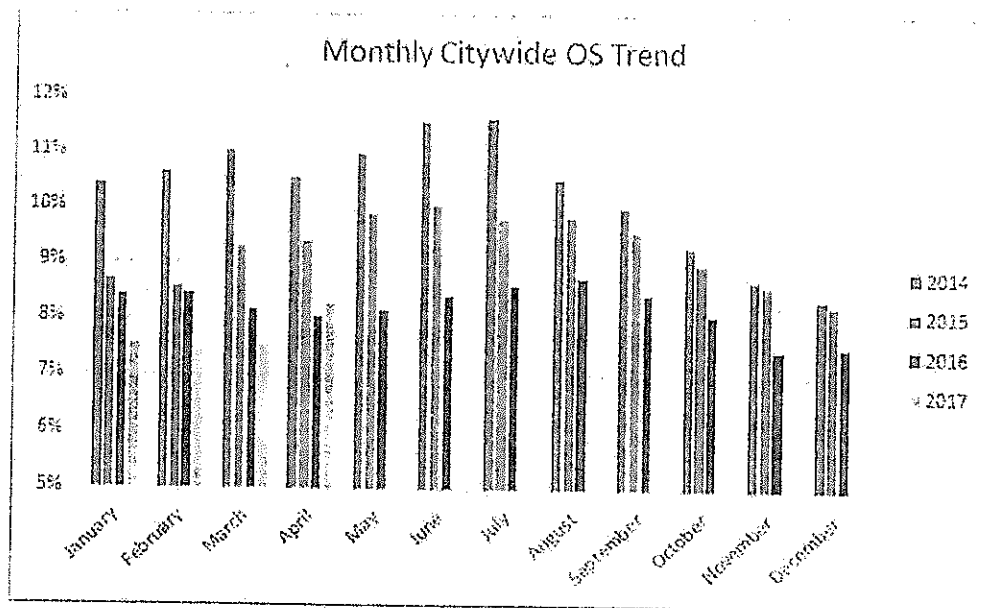
DCAS administers the Contract centrally for 6 agencies and at 14 current locations. DCAS developed a daily report for this Contract to monitor performance. No such daily reporting had ever existed before for parts management for the City.

The Report focuses on the 10-minute delivery standard in the Contract and the DCAS specific connection to it. The 10-minute standard in the Contract explicitly exempts bathroom breaks and delays by receiving agency employees, in this case DSNY, in picking up parts. DCAS has a two person citywide unit to manage this Contract at 14 locations and does not centrally track these bathroom breaks and agency delays. The Auditors state that DSNY does in fact work to track against the 10-minute standard and does so in a manner consistent with DCAS procedures for the Contract (p.15 of Report). DSNY orders, receives, uses, and funds all the parts ordered and the operation is physically in their building serving their staff. It is completely appropriate for a receiving agency to play this role.

The Report references out-of-service (“OS”) rates. DCAS looked at the average turn-around time for repairs for the DSNY Passenger Shop for June 2016. Full turnaround time for repairs was on average 5:9 days. Of note, although 95% of parts were delivered the same day and most of those within an hour, the vehicles were still at the shop waiting for repairs to be completed for reasons *other* than parts for 5 days on average.

Citywide, actual out-of-service rates have improved each year since the Strategic Parts Initiative was put in place, going from over 10.3% OS vehicles in CY2014 to 8.2% in CY2016 as depicted in the following chart:

DCAS AUDIT RESPONSE – CONTRACT WITH THE GENUINE PARTS COMPANY



Removing the risks from in-house owned inventory

On June 29, 2016, the Comptroller published a Report regarding in-house agency managed auto parts rooms, unrelated to the GPC Contract. Among the findings were that 29% of parts sampled had not been used in nearly three years and that over 6% were unaccounted for and/or missing. In FY16, the City's in-house parts locations received nearly \$60 million in parts according to the City's Fleet Management System.

Unlike the in-house parts rooms, the Strategic Parts Contract with GPC places all risk for inventory on the Contractor and not the City. The City has no financial responsibility for inventory and only pays for the parts its places on vehicles. This reduces both the cost and dramatically reduces risk. This was a key motivating aspect of this Contract.

The Report discusses the process by which A, B, C and Other (OTR) parts inventories was established in this Contract. OTR parts are either custom parts or other parts that are not ordered on a regular basis and thus not required to be stocked. This Contract was a first of its kind and no existing inventory categorization existed that could be used that directly matched the Contract.

The initial inventory levels were established by GPC in consultation with DCAS and DSNY. The initial inventory is not, however, the important driver for proper stocking of parts. The important driver for stocking parts is for in-house inventory to mirror, as much as possible, the actual parts that an agency orders and to adjust inventory levels over time. One of the critical weaknesses of in-house managed parts rooms is excessive stocking of parts that eventually do not get used. The Report confirms that DCAS, DSNY and GPC have worked together recently

DCAS AUDIT RESPONSE – CONTRACT WITH THE GENUINE PARTS COMPANY

to update the inventory lists that GPC prepares to better reflect actual demand for parts. GPC performed a parts reclassification at DSNY in May 2015, February 2016 and December 2016.

Ensuring transparency by linking parts to work orders

It is noteworthy that the Auditors could not find any examples where the City had failed to issue parts directly to work orders through the City's Fleet Management System. Prior to 2013, and the implementation by DCAS of the Strategic Parts Initiative and the City's new Fleet Management System, DSNY had not completed work orders in the City's Fleet Management System and no parts were being charged explicitly to work orders. This means that previously no record was kept tying specific parts to the mechanical repairs requested. Therefore, the change and improvement by DCAS in conjunction with DSNY is a significant achievement of this Contract, allowing for transparency and data verification.

As part of the Contract, GPC managed a certain amount of pre-existing City owned inventory, which was issued back to us at no charge. Hence, DCAS needed to give GPC read-only access to those records in order for them to perform this contractually required function. Once the pre-existing inventory is exhausted, this access will be restricted.

In addition, DCAS shared with the Auditors various price comparisons of both GPC supplied parts and those from other sources. In general, these reports showed competitive pricing being obtained through this Contract.

FINDINGS AND CONCLUSIONS

Weaknesses in DCAS' Oversight of the GPC/NAPA Contract

Auditors' Finding No.1: Part Delivery Performance is Not Adequately Monitored

DCAS' Response to Finding No. 1

The Contract with GPC calls for most parts to be delivered within 10 minutes of request. This language is intended to require the vendor to keep the most needed parts on-hand at the shop. The Contract, however, specifically exempts bathroom and other breaks for GPC staff from the performance requirements. Additionally, there are other delays that can result from the agency itself not picking up or needing the part within the allotted 10 minutes. Specifically, as per Article 4, Section 2C (i) *Parts Disbursement Procedures*, in the Contract, "scheduled breaks for contractor personnel that cause a delay in delivery time shall not be counted against contractor performance. Additionally, the failure of the repair technician to pick up or sign off on issued parts shall not be counted against contractor performance."

As previously mentioned, DCAS centrally manages this Contract 24 hours a day and 7 days a week at 14 locations citywide for 6 agencies. DCAS established, with GPC and each agency, a comprehensive set of daily reports for parts performance as well as inventory status reports.

DCAS AUDIT RESPONSE – CONTRACT WITH THE GENUINE PARTS COMPANY

These reports far exceed the monitoring that had previously existed in vehicle parts management. DCAS primarily focuses its central efforts on parts that are still pending delivery at the end of each day.

DCAS also regularly compares GPC performance with parts performance from separate vendors who operate under the existing in-house stocking model. DCAS focused its central performance management on the daily GPC reports. The Report essentially states that 95% of parts are delivered the same day by GPC, which far exceeds performance that had previously been achieved by other vendors through the in-house stocking model. The Report also indicates that 75% of parts were delivered within the hour, which means they were stocked in the building on location.

The Report basically indicates that the 10-minute tracking rule was not adhered to. In our view, this does not constitute a weakness in DCAS' oversight of the Contract. As a practical matter, working under the constraints of this onerous time limitation is not feasible in all instances. Nonetheless, DCAS will work with GPC and DSNY to explore ways to track the 10-minute delivery rule, while balancing resource limitations.

Auditors' Finding No. 2: Insufficient Evidence that DSNY Participated in the Initial Categorization of Parts, Which May Have Contributed to Improper Categorization

DCAS' Response to Finding No. 2

DCAS verbally shared with the Auditors a summary of events regarding the Contract from its inception on April 23, 2013. DCAS also shared records of the categorization process for May 2015, Feb 2016, and May 2017.

For example, a summary prepared by the DCAS project manager including a specific reference to the initial categorization of parts, is copied below:

"Week 2: Friday

- Meeting conducted with GPC and Agency to finalize all "A, B, C" Movers, Parts Segregation, and GPC Inventory Purchase items.
- GPC Identifies all Obsolete but Saleable Inventory within facility. GPC begins process of evaluate total credit amount to be provided to Agency"¹

The GPC Contract specifically sets targets for A, B and C parts. Category C parts are the least frequently requested on a quarterly to annual basis. The Contract did not specifically address parts ordered more than quarterly to annually. GPC tracked these infrequently requested parts under the custom parts section of the Contract.

It is noteworthy to reiterate that under this Contract, it is GPC and not the City that incurs all risk for on-hand inventory; while, unused, wasted, lost and missing inventory remains a major

¹ Source: GPC Inventory Transition review and summary email from April 23, 2013, provided to Auditors.

DCAS AUDIT RESPONSE – CONTRACT WITH THE GENUINE PARTS COMPANY

concern with the in-house parts room model. DCAS also engages DSNY and GPC to regularly update the inventory lists and works to automate, through the City's Fleet Management System, re-calculations of A, B, and C movers based on actual usage patterns. However, DSNY also uses an in-house parts room at the same location where GPC operates. This arrangement limits GPC's capacity to predict and thus stock parts for DSNY.

Auditors' Finding No.3: DCAS Needs to Improve its Monitoring of GPC/NAPA to Ensure that Parts are Billed Appropriately

DCAS' Response to Finding No. 3

As shared with the Auditors, DCAS regularly produces reports comparing parts costs with GPC, to costs for parts that can be obtained through other vendors. In general, there has been a demonstrated cost saving of 5% to 9%, which is in addition to the inventory related savings resulting from this Contract.

The bid sheets for this Contract did not identify savings on every single type and model of auto part. It is the market basket that establishes the overall savings on a majority of the parts lines. The DCAS reports demonstrate that the City is benefiting from these savings. Many agencies also request premium versions of auto parts, which can limit savings in particular parts lines. The decision to order premium parts is agency based and GPC is contractually obligated to source the parts requested.

The Report states that GPC determines the parts to be checked for pricing competitiveness. This is not correct. DCAS Fleet actually determines which Original Equipment Manufacturer ("OEM") parts are to be compared based on the most used and requested parts by the agencies. A recent report summary showing 24% price savings is presented below:

OEM Part Comparison – GPC Sales, 11/1/16 – 1/31/17

| Agency | Quantity | Different Part Line Quantities | % of Total Parts Compared | GPC NYC Ext Cost | Uni-Select NYC Ext Cost | Variance |
|----------|----------|--------------------------------|---------------------------|------------------|-------------------------|----------------|
| Parks | 352 | 107 | 30% | \$21,506.22 | \$28,077.48 | (\$6,571.26) |
| DSNY | 238 | 124 | 51% | \$9,510.07 | \$12,477.82 | (\$2,967.75) |
| DOC | 614 | 169 | 27% | \$49,399.53 | \$61,382.12 | (\$11,982.59) |
| DOT | 407 | 194 | 47% | \$27,437.87 | \$29,997.66 | (\$2,559.79) |
| FDNY | 10,042 | 1,148 | 11% | \$609,840.28 | \$804,604.94 | (\$194,764.66) |
| NYPD | 10,610 | 793 | 7% | \$534,807.90 | \$714,959.85 | (\$180,151.95) |
| Citywide | 22,263 | 2,535 | 11% | \$1,252,501.87 | \$1,651,499.87 | (\$398,998.00) |

OEM parts generally have more consistent part reference numbers across suppliers. However, for after-market parts, there is more variability in the part reference numbers used by various suppliers. This makes cost comparison more challenging in general and DCAS has instructed GPC to provide reference information to assist comparisons. These comparisons are structured and administered by DCAS. DCAS continues to implement, and will look to increase, these types of comparisons.

DCAS AUDIT RESPONSE -- CONTRACT WITH THE GENUINE PARTS COMPANY

Auditors' Finding No. 4: DCAS Performs Limited Verification of Data Received from GPC/NAPA

DCAS' Response to Finding No. 4

All specific parts that are procured under this Contract must be signed for and approved by DSNY staff. This is the most of critical aspect of data verification under this Contract.

GPC provides the City with a comprehensive set of daily reports under this Contract, which include lists of all parts supplied and in waiting. The management of these lists includes reviews and enables verification of performance under the Contract.

The Contract under Article 4, Section 2(G) (i) Reporting Requirements, states, "The Contractor shall provide access to the inventory system...for the purpose of verifying the accuracy of the information contained in these reports." At DCAS' request, GPC currently tracks its company owned inventory on the City's Fleet Management System, which provides DCAS access to that inventory for verification.

Also under Article 4, Section 2(G) (x), Reporting Requirements, it states that the "Contractor cannot allow City direct access to propriety systems." GPC's propriety system is TAMS, to which the Report recommends that DCAS obtain direct access. DCAS will work with GPC to determine the type of data can be obtained from TAMS that is not already tracked in the City's Fleet Management System, and to address access or verification needs consistent with the Contracts requirements.

Auditors' Finding No. 5: GPC/NAPA Has Inappropriate Access to DSNY's Inventory Records

DCAS' Response to Finding No. 5

The inventory section of the Contract requires GPC to work with the City's existing Fleet Management System for the purpose of recording parts and associating those parts to work orders, and to manage pre-existing City owned parts inventory. The Contract language is provided below:

Article 4. Section - 2A (vii) (a): "Necessary and Current Parts. For the necessary and current Parts, the Contractor shall denote these Parts with stickers or in another agreed upon manner and Issue them at no cost to City vehicles as requested and needed until the pre-existing supply is exhausted.

During the Contract, the Contractor will also accept and record into inventory at no cost Parts that are attained through new vehicle procurements by the City, or through other means such as

DCAS AUDIT RESPONSE – CONTRACT WITH THE GENUINE PARTS COMPANY

grants, and shall Issue them at no cost in the same manner as necessary and current Parts during Contract onset.”

Article 4. Section - 2D (i):“Relationship between the City’s and the Contractor’s Inventory Systems. Currently, the City uses an MCMS fleet management system for Parts inventory. The City is contemplating upgrades or replacement to this system. **The Contractor will be required to work with either the existing MCMS system or any future upgrade or replacement. The Contractor shall be required to record specific Parts Issued to vehicles using the MCMS system as well as their own system, the requirements of which are described below** (*Emphasis Added*). Alternatively, the City at any specific facility may choose to input and record all MCMS data.”

Given the aforementioned, GPC’s access to the inventory system is not unwarranted. Furthermore, the Report also raises concern regarding GPC having read-only access to information about previous parts expenditures and costs by the City. This is a contractual requirement. Nonetheless, DCAS has removed the access that relates to the now completed component of the Contract pertaining to City owned inventory. Additionally, as explained to the Auditors, DCAS disseminated this cost information to all potential vendors as part of the RFP process. It is public information; therefore, it does not provide GPC with an unfair advantage.

Auditors’ Finding No. 6: Parts Received from GPC/NAPA Not Recorded in the M5 Information System

DCAS’ Response to Finding No. 6

As stated earlier, prior to the GPC contract and DCAS’ implementation of the City’s new Fleet Management System (NYC Fleet Focus through AssetWorks), DSNY was the sole agency among fleet servicing agencies that was not required to complete work orders. As such, it was irrelevant for DSNY to link work orders to parts. DCAS is pleased, however, that the Report found no instances where parts did not link to work orders. Linking all parts on work orders to the Fleet Management System was a great milestone for achieving transparency and accountability in this area.

DCAS is working with DSNY and GPC to address any data field issues relating to the integration of the parts in the Fleet Management Systems. A Reconciliation Report has now been created in the Fleet Management System to help address any data integration issues.

DCAS AUDIT RESPONSE – CONTRACT WITH THE GENUINE PARTS COMPANY

RECOMMENDATIONS

1. DCAS should request that GPC/NAPA add a field to TAMS to enter order time so that performance delivery can be tracked and enforced per the Contract.

DCAS Response: Where practical DCAS will work with GPC and customer agencies to develop more effective ways to measure the 10-minute parts delivery time, including scheduled bathroom breaks for GPC staff and agency delays in picking-up parts from GPC. GPC has procured a new time clock to assist with this process. GPC will continue sending daily reports as well.

2. DCAS should require GPC/NAPA to prepare and submit reports based on delivery times in accordance with the criteria established in the Contract.

DCAS Response: Please see our response to recommendation #1.

3. DCAS should ensure that all parts are appropriately classified by GPC/NAPA and DSNY, and that periodic reclassifications based on usage are performed.

DCAS Response: As noted in the Report, parts categorization reviews are taking place with GPC and DSNY, and will continue to take place.

4. This recommendation pertains to DSNY. Therefore, DCAS has no comment.

5. DCAS should conduct periodic audits of GPC invoices to ensure that parts are being billed at GPC's dealer price, plus the fixed markup.

DCAS Response: DCAS agrees with this recommendation. DCAS has a process for checking contractual markups on GPC invoices, and will increase checks of jobber prices.

6. DCAS should perform periodic price comparisons to ensure that the City is getting the best prices for the parts ordered.

DCAS Response: DCAS agrees with this recommendation. DCAS will continue to conduct price comparisons and will work to increase the frequency of these comparisons.

7. DCAS should request read-only access to TAMS' screens related to parts transactions with the City, and periodically verify the reliability of the information in the GPC/NAPA provided reports.

DCAS Response: DCAS will work with GPC to improve verification of daily and other reports consistent with the Contract.

8. In the event that DCAS finds that the data is unreliable, DCAS should ensure that GPC/NAPA takes corrective action to make its data consistently accurate.

DCAS Response: DCAS agrees with this recommendation.

DCAS AUDIT RESPONSE – CONTRACT WITH THE GENUINE PARTS COMPANY

9. DCAS should limit the access of GPC/NAPA personnel to M5 for only required functions, and should remove GPC/NAPA's access to view DSNY's in-house inventory.

DCAS Response: DCAS agrees with this recommendation. DCAS has removed GPC's access to in-house inventory records because that aspect of the required Contract is complete.

10. DCAS should work with DSNY to identify all instances where parts are not appearing in M5, so that GPC/NAPA can be informed and corrections can be made.

DCAS Response: DCAS agrees with this recommendation. This recommendation has already been implemented and is reflected in the daily reports between DCAS and DSNY.

11. DCAS should thoroughly investigate why parts issued against work orders are not appearing in M5 and work with GPC/NAPA to address this issue.

DCAS Response: DCAS agrees with this recommendation. DCAS is working with AssetWorks and GPC on a report for monthly reconciliation that will report on any discrepancies related to the M5 and TAMs integration.

12 through 14. These recommendations pertain to DSNY. Therefore, DCAS has no comment.



sanitation

Kathryn Garcia Commissioner

Kathryn Garcia
Commissioner

May 22, 2017

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The Honorable Marjorie Landa
Deputy Comptroller for Audit
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Re: Audit Report on the Oversight of the Department of Citywide Administrative Services and the Department of Sanitation over New York City's Contract with Genuine Parts Company (Audit Number MD16-122A), dated May 22, 2017.

Dear Deputy Comptroller Landa,

Thank you for the opportunity to review and comment on your recent audit of the Oversight of the Department of Citywide Administrative Services (DCAS) and the Department of Sanitation over New York City's Contract with Genuine Parts Company (GPC/NAPA).

The audit report finds that in general, the agency is exercising adequate oversight with respect to its responsibilities for the GPC/NAPA contract. It also recommends that we continue our efforts to effectively monitor GPC/NAPA's performance, by implementing the changes regarding the DS 295 forms, as well as coordinating with DCAS to ensure that the prices charged by the vendor are appropriate.

Our agency acknowledges your findings and recommendations and will continue to collaborate with DCAS to improve oversight and monitoring of the contract.

Thank you.

Sincerely,


Kathryn Garcia
Commissioner