



State of New York
Department of Transportation
Albany, N.Y. 12232
<http://www.dot.state.ny.us>

Thomas J. Madison Jr.
Commissioner

George E. Pataki
Governor

December 27, 2006

Mr. Bernard McHugh
Office of the State Comptroller
Bureau of State Expenditures
110 State Street – 10th floor
Albany, NY 12236

Subject: Audit Report 2004-BSE-2
*Lease, Acquisition, and Maintenance Costs in Contracts
with M/A-COM for Radio Communications Equipment*

Dear Mr. McHugh:

In response to your request in the subject report, the Department of Transportation offers the following 90-day update on the audit recommendations.

Recommendation 1: Actively negotiate the interest rates on future equipment leases. As part of the negotiation process, share relevant information with the other two agencies and be aware of other financing options available to State agencies.

DOT Response: The Department's future radio equipment purchases will be for equipment compatible with the planned Statewide Wireless Network (SWN). Since contracts for SWN-compatible equipment and any applicable interest rates will be initiated by the Office for Technology (OFT), the Department stands ready to work collectively with OFT to negotiate future radio equipment leases.

90 Day Update: Since future equipment leases will not occur for several years no action was warranted in the 90-day period.

Recommendations 2 and 3 were not directed to the Department of Transportation.

Recommendation 4: Routinely evaluate whether it is cost-beneficial to purchase contract items when their leases expire.

DOT Response: The Department intends to purchase its existing radios at the end of the lease as this buyout is expected to be more cost-beneficial than continuing to lease.

90 Day Update: The Department is currently working with M/A-COM to negotiate a \$1 buyout of the equipment which is due to come off lease during 2007.

Recommendation 5: Ensure fiscal managers with the appropriate knowledge, skills and abilities are actively involved in acquisition decisions under the contract and are monitoring acquisition costs on an item-by-item basis to determine whether the costs are excessive.

DOT Response: The Department's Procurement staff will request program managers to provide an analysis of acquisition costs as appropriate. Any apparently excessive costs will be discussed and decided upon before forwarding the contract to the Comptroller's Office for final approval. This analysis will remain documented in the Procurement file.

90 Day Update: The Department does not anticipate future purchases under this contract. Future radio equipment purchases are anticipated to be under existing and future OGS and OFT negotiated contracts.

Recommendation 6 was not directed to the Department of Transportation.

Recommendation 7: Recover \$733,183 in excessive interest fees and \$1,561,613 in excessive monthly user fees and buyout fees from M/A-COM.

DOT Response: Since the Office of the State Comptroller (OSC) is leading the State's efforts to recover the reported excess fees, the Department defers to these efforts but remains ready to work with your staff on this issue.

90 Day Update: We continue to defer to efforts initiated by your office.

Recommendation 8: Re-evaluate the practice of replacing mobile radios after nine years. Instead, keep the radios in service for their full useful life.

DOT Response: The Department's decision to replace equipment is based on several factors, including estimated remaining useful life, availability of repair parts, and technological advancement of potential replacement equipment. We expect that the SWN's advanced interoperability among emergency responders will likely be a significant factor in the Department's decision to replace its existing mobile radios. The Department will continue to evaluate this and other relevant factors when deciding to replace existing equipment.

90 Day Update: Since replacement of our mobile radios is not expected to occur for several years, no action was warranted in the 90-day period.

Recommendation 9: Develop and maintain a statewide plan identifying mobile radio needs.

DOT Response: Prior to purchasing its existing radios in 2002, the Department developed a statewide plan for its radio needs. This plan was shared with your auditors during the

course of their audit. Elements of this plan are noted in the report. We will continue to maintain our plan and revisit it as needs change.

90 Day Update: Consistent with the Department's plan, the procured radios have been placed into Department equipment except for those radios which are maintained at the warehouse and the various service stations. These radios are needed to replace existing radios which become broken, lost, or stolen between now and when the Department upgrades to SWN-compatible radios. These spares are particularly important since the type of radio currently used by the Department is no longer manufactured and the SWN upgrade remains several years away. The Department anticipates developing a more comprehensive plan for future equipment deployments.

Recommendation 10: Consider returning the unneeded mobile radios to M/A-COM for refunds.

DOT Response: The Department will re-examine the number of mobile radios under lease. As noted in your report, these radios are being deployed to equipment which the Department has not been able to deploy them to in the past. This deployment is ongoing and will help ensure personal safety of Department staff as well as the traveling public.

90 Day Update: The Department has re-examined the equipment quantities and determined that the number of radios are appropriate to properly ensure the safety of Department personnel and the traveling public.

Recommendation 11: Account for the 303 missing radios.

DOT Response: The Department has located 264 of the 303 radios (87 percent). Based on our understanding of the reported cost savings, this would reduce the dollar value of savings from \$782,000 to \$100,653. The Department will continue its efforts to account for the remaining 39 radios (13 percent).

90 Day Update: The Department has located an additional 20 of the 39 radios, leaving the remaining unaccounted for total at 19 (.4 percent of the 4,400 radios acquired). The Department plans to conduct periodic physical inventories to better monitor its equipment. A physical inventory was conducted at the request of your office during the course of the audit and a second physical inventory will be completed in 2007.

Recommendation 12: Improve inventory controls over radio communications equipment.

DOT Response: The Department recognized the need for better inventory controls prior to the audit and began pursuing implementation of new software to better track the equipment in February 2004. The Department has since added an inventory tracking module to its *Fleet Anywhere* system, which allows statewide access and update capabilities. All inventory data has been updated in the system and it is currently being used to monitor the Department's radio equipment.

90 Day Update: As noted in the response to Recommendation 11, conducting periodic physical inventories will further enhance inventory control.

Recommendation 13: Ensure items are not paid for until their receipt has been independently confirmed by a receiving report or other such document.

DOT Response: We agree and have reminded Department staff of this requirement.

90 Day Update: No additional action warranted.

Recommendation 14: Evaluate the need for all future maintenance agreements on a case-by-case basis and purchase the agreements only when they can be shown to be cost-beneficial. Evaluate the need for all existing maintenance agreements and terminate those agreements that cannot be shown to be cost-beneficial.

DOT Response: We agree. We will continue to do this in conjunction with the Office for Technology (OFT).

90 Day Update: The Department, in conjunction with OFT, determined that maintenance on the Department's radios was essential to its operation and that the costs were not excessive. The Department's maintenance contract was renewed through December 14, 2007 with OFT's recommendation and OSC's approval.

Recommendation 15: If around-the-clock maintenance coverage is needed for base stations in the first year of their leases, negotiate a separate first-year maintenance agreement for the base stations to provide coverage not provided by M/A-COM's warranty on the items.

DOT Response: As noted in our response to Recommendation 1, the Department's next radio equipment purchase is expected to be from OFT's SWN contract(s). We expect that any contracts affiliated with a first year lease will be negotiated by OFT.

90 Day Update: No additional response warranted since the Department has continued to retain its equipment.

Recommendation 16: When maintenance agreements are purchased for items, monitor the items to ensure that the required maintenance services are performed on each item.

DOT Response: We agree. The Department's *Fleet Anywhere* software includes a tracking mechanism to determine if preventive maintenance requirements were complied with. This system alerts managers if the required preventive maintenance has not been performed. The Department's Radio Engineer will monitor the preventive maintenance status of radios on a semi-annual basis.

90 Day Update: The Department's Radio Engineer is preparing to issue a report to Regional Supervising Equipment Operator Instructors identifying those radios which have not received preventive maintenance in accordance with contract requirements. Follow-up will be done to ensure that all outstanding preventive maintenance work is completed.


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Recommendation 17: Recover \$8,936,673 in monthly maintenance fees.

DOT Response: Since the Office of the State Comptroller is leading the State's efforts to recover the reported excess fees, the Department defers to these efforts but remains ready to work with your staff on this issue.

90 Day Update: We continue to defer to efforts initiated by your office.

Sincerely,

A handwritten signature in cursive script, appearing to read "Brian O. Rowback".

Brian O. Rowback
Chief Operating Officer

Cc: Kate Sheils, Division of the Budget