

## SUMMARY

### Assessing the MTA Contractor Safety Incentive Program (CSIP) MTA/OIG Report #10-01

The MTA utilizes Owner Controlled Insurance Programs (OCIPs) to obtain bulk rate savings for insurance coverage against personal injury and property damage claims associated with the construction projects for NYC Transit, LIRR, and Metro-North. To reduce its insurance costs, the MTA, through its Risk & Insurance Management (RIM) department, designed a Contractor Safety Incentive Program (CSIP) in 1998. Under CSIP, RIM offered monetary rewards to contractors when it believed that eventual losses from accident claims would fall below the target established for each construction project. CSIP also allowed RIM to assess financial penalties when it forecast that accident costs would exceed its estimates.

OIG conducted a review of the CSIP program. During the period reviewed, RIM distributed approximately \$3 million in rewards to and assessed \$500,000 in penalties against contractors associated with fifty-seven NYC Transit construction contracts, resulting in a net program cost of approximately \$2.5 million.

Although RIM uses industry accepted standards for estimating potential losses, we found that its methodology for determining whether a contractor is eligible for safety incentives is too imprecise. As a result, RIM's CSIP computations for 19 of the 57 contracts we reviewed resulted in \$722,322 in higher rewards and lower penalties than were supported by the contractors' actual safety performance – overly generous incentives equal to almost 30 percent of the net program costs.

We recommended that RIM substantially improve its methodology for assessing contractor eligibility for safety incentives. If this is not possible, we recommended that the program be discontinued, and the MTA initiate negotiations with contractors to remove or at least reduce the Authority's contractual incentive obligations from current contracts still covered by CSIP.

In light of our findings and recommendations, RIM devised procedural modifications that it expects will mitigate the risks that arise from utilizing interim claim values. RIM agreed to assess the impact of these changes to determine if they have actually reduced the risks and then ultimately determine whether the program warrants future extension.

RIM also agreed with, and implemented, our second and third recommendations, which were:

- Create internal controls to improve the accuracy of data and calculations used to compute incentives; and
- More closely scrutinize safety monitor inspection charges submitted to the MTA for reimbursement

#### Press

[The New York Post 10/6/10 - That hurts! MTA blows 722G on 'injury' bonuses](#)