

SUMMARY

Avon Electrical Supplies **MTA/OIG Report #11-04**

OIG received an anonymous complaint that a LIRR electrical supply vendor was overcharging for products on its invoices. Our investigation substantiated the allegation and identified overcharges of \$47,264 beginning in August 2008 through February 2009. The contracts under which these products were purchased provided that pricing would be based on an electronic database of manufacturer or commodity prices commonly known as "Tra-Ser," and then discounted at a contractually agreed-upon rate. Notably, these contracts did not require that the vendor provide documentation to LIRR of the Tra-Ser price, and LIRR could not independently verify that price because it does not subscribe to the service.

OIG collected and analyzed 122 purchase orders submitted during the period in issue and used NYC Transit's Tra-Ser subscription to verify the actual product prices. Our analysis revealed that during this period LIRR paid inflated prices for 41 percent of the products, and on 55 percent of the products the railroad received a lower discount than contractually required.

OIG recommended that LIRR review all of its electrical supply vendor purchase orders to identify other billing irregularities, and seek reimbursement for all overcharges. OIG also recommended that LIRR conduct a hearing to determine if this vendor is "responsible." Finally, OIG recommended that LIRR require the vendor to provide documentation of the trade price and detail the discounts in its invoice, and that LIRR obtain a subscription to the electronic price database in order to independently verify prices. LIRR accepted all of our recommendations.