EXECUTIVE SUMMARY

The Office of Inspector General (OIG) initiated an evaluation of the Washington Metropolitan Area Transit Authority's (WMATA) supply chain inventory practices to assess the effectiveness of the overall management of supply chain inventory.

OIG determined that WMATA lacked repeatable processes and oversight for effective supply chain inventory management to mitigate opportunities for fraud, waste and abuse. When OIG began its review, supply chain inventory responsibilities were fragmented across Office of Support Services (SSVR), Department of Bus Services (BUSV) and Department of Rail Services (RAIL). The formal storerooms were managed separately by each of the groups. OIG confirmed that WMATA could not accurately account for its total supply chain inventory, determine its value, identify the location of the items and did not have sufficient controls and management oversight in place to safeguard items from potential theft, misuse and to effectively manage inventory obsolescence.

During the course of the review, OIG learned that WMATA was aware of the supply chain management challenges and in 2018, through the Supply Chain Management (SCM) Transformation Initiative, developed the SCM Transformation Program. At that time, the total of WMATA's inventory on hand was estimated to be $144 million, of which $78 million was defined as active inventory[1]. As described to OIG, the SCM program is designed to "holistically" improve WMATA's supply chain operations. This effort is comprised of four key focus areas:

• Centralizing of the supply chain organization,
• Creating a planning and analytics group within the supply chain organization,
• Introducing of vendor managed inventory (VMI), and
• Clarifying roles to promote continuous process improvement.

This is a transformational initiative that if implemented consistent with its goals and objectives, could result in improved inventory management practices and cost savings while shifting some financial risk from WMATA to the selected VMI company.

In February 2019, the Department of Supply Chain Management was created to centralize supply chain functions. This newly created department, reporting directly to the Chief Operating Officer, is led by a Vice President of SCM. As part of this new department, a new office of Supply Chain Planning and Analytics (SCPA) was created to bring an integrated, data driven approach to Metro's supply chain management with the goal of optimizing inventory.

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[1]Consultant Presentation to WMATA Materials/Supplies Management Transformation Project Overview, October 29, 2018

Other areas of the SCM effort are in progress and are at different stages of implementation. Coordination of support departments such as Information Technology (IT) and Procurement (PRMT) will be required to achieve full implementation. Lack of a coordinated, timely response may result in delays of moving one or more of the focus areas forward and could jeopardize the programs' outcomes.

OIG visited storage facilities, overseen by other departments outside of the SCM department, in which, parts, equipment and items are stored. These items included those procured as part of capital projects and operational readiness. Points of contact for these locations were sometimes hard to locate, and there was no centralized list of content.

OIG determined that WMATA, through the SCM program, has established a plan and has taken actions to build a foundation to transform and improve the SCM process. Elements of the plan have been completed as part of the program's implementation. Continued implementation of the remaining program elements is on-going and is being tracked against plan milestones. It is important to the success of the initiative that going forward WMATA implement the remaining program elements timely.

OIG recommendations in this report reflect our independent assessment and the on-going effort by SCM program owners. OIG will continue to conduct follow-up activities as the SCM program moves towards full implementation.

This evaluation was conducted in accordance with the Quality Standards for Inspection and Evaluation issued by the Council of the Inspectors General on Integrity and Efficiency.

MANAGEMENT'S RESPONSE

WMATA COO Management responded to OIG in a memorandum dated December 4, 2019 and concurs with the OIG recommendations in the report.   Management also reported that as part of the Supply Chain Transformation project, inventory management has been centralized to apply consistent standards and processes across rail, bus, and infrastructure under a single supply chain management function; and continues to move forward with other elements of the program.   Management has committed to continue its efforts to ensure that WMATA's supply chain practices are standardized and strenghtened in a holistic manner.

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BACKGROUND, METHODOLOGY & SCOPE

OIG initiated an evaluation of WMATA's supply chain inventory practices to assess the effectiveness of the overall management of supply chain inventory. As part of the evaluation, OIG reviewed prior reports and findings issued by OIG, the Transit Asset Management Office (TAMO); the Office of Quality Assurance, Internal Compliance and Oversight (QICO); and the Office of Operations, Budget, Performance & Planning (OBPP). OIG also met with various internal stakeholders and their consultants to gain an understanding of the processes, visited warehouses and reviewed selected inventory items at the main Storeroom 400. Through this process, OIG learned about the purpose and scope of two separate ongoing WMATA initiatives relating to inventory processes and asset controls.

OIG also met with other transit OIG counterparts to understand their experience and lessons learned from similar supply chain management initiatives specific to their transition to VMI. While another transit OIG reported that its agency did garner better accountability and improved internal control, the initial cost savings projection did not initially materialize because the authority had other procurement paths that in some cases produced greater cost savings than the VMI process. That OIG further cautioned that it could take a longer period of time, in their case up to three years, after the startup of a VMI before true cost savings could be assessed.

OIG reviewed MAXIMO data, which is the supply chain management system of record to record and request inventory. This system is not consistently used when ordering through purchase cards (P-Cards) because the receiver, outside of the supply chain, does not consistently enter the information.

As part of the evaluation, OIG visited warehousing facilities including the main Storeroom 400 managed by the Supply Chain Management department. The OIG also visited Storeroom 350 and remote facilities, ███████████████████████████████████████. OIG learned that these facilities are controlled by departments outside of SCM.

WHAT WE FOUND

The OIG determined that WMATA lacked repeatable processes and oversight for effective supply chain inventory management to mitigate opportunities for fraud, waste and abuse. Repeatable processes are important to ensure efficiency, quality, consistency and measurable outcomes. When OIG began its review, supply chain inventory responsibilities were fragmented across SSVR, BUSV and RAIL. The formal storerooms were managed separately by each of the groups. OIG confirmed that WMATA could not accurately account for its total supply chain inventory or determine its value or location. OIG also confirmed that WMATA did not have sufficient controls or management oversight in place to safeguard items from potential theft and misuse, or to manage its obsolescence process effectively.

MAXIMO
Inventory is purchased with long-term contracts, with non-contract procurements, and through the use of P-Card purchases. According to SCM, purchases are not always captured in MAXIMO which is the system of record. In addition, they advised that all inventory transactions should initially be received and entered into MAXIMO. Operations maintenance personnel should then request inventory through MAXIMO work orders.

As part of this evaluation, we reviewed MAXIMO data and confirmed that total inventory on hand could not be determined with a high degree of accuracy from MAXIMO because MAXIMO does not provide a single source of data for all inventory transactions and impedes reconciliation to PeopleSoft, which contains the procurement financial data. Data integrity is a challenge and SCM believes it will be improved through the centralization of SCM, training of supply chain operations and maintenance personnel, systems up-grades to MAXIMO, and the introduction of the VMI. SCM has taken actions to turn on additional tracking capabilities in MAXIMO as part of the overall enhancement plan to improve data capture and accuracy.

Supply Chain Storerooms and Other Storage Facilities
Storeroom 400 is the main SCM storeroom. There are 23 additional storerooms that support material and supplies inventory. Eleven of the 23 storerooms are supported and managed by BUSV; eight are supported and managed by RAIL, and the remaining four storerooms are shared by both BUSV and RAIL. Storeroom 350 houses capital spares acquired through the Silver Line Phase 1 project. Since the centralization of the SCM, all storerooms are managed by supply chain management.

The OIG visited the main Storeroom 400, and Storeroom 350. The OIG also visited selected remote storage facilities. The OIG found that not all these facilities were managed by supply chain personnel. Based on a listing of leased storage facilities and points of contacts provided by the WMATA Real Estate department, OIG noted instances where the POC information was not up to date, making it difficult for the OIG to determine a sole point of contact.

There were some remote storage facilities identified that were controlled by the Infrastructure Renewal Program Group (IRPG). OIG also identified a storage facility ███████████ controlled by a previous WMATA vendor where WMATA inventory items were being maintained. **Appendix 1** shows some of the items stored ███████. For these locations, we found a lack of inventory controls and accountability.

OIG further determined that there was no clear responsibility for oversight and control of these remote storage facilities. Items stored in these facilities were items purchased for capital projects, but not used; spare parts acquired as part of a large construction or system purchase contract, which eventually will be brought into inventory; or parts that could be cannibalized to repair aged equipment when parts were no longer available.

The OIG determined that for the ▮▮▮▮▮▮▮▮▮▮▮▮▮▮ location there was no one actively engaged and responsible for the control and distribution of the items. OIG determined, through data provided by WMATA Real Estate that the lease for this facility began in September 2012, and the total cost for leasing this facility since the start of the lease has exceeded $800,000. The location appeared to be used as a repository for a number of power parts and landscape equipment that were reported to have been stored there for a number of years. We also observed several unopened boxes marked 2008. Pictures in **Appendix 2** identify examples of the condition of this facility and some of the items stored at this location. Many of these items are stored outside and exposed to the elements. OIG could not determine whether some of these items were still in service or waiting to be excessed.

There was no centralized process to identify items being stored at these remote storage facilities. Therefore, WMATA has no ability to determine with accuracy, the quantity, value and type of items on hand, which could result in items purchased that are already on hand, thus increasing the risk of fraud, waste or abuse. Access to those remote storage facilities was outside the control of SCM. As a result, WMATA cannot effectively predict inventory and Capital project needs.

The OIG found that through the Supply Chain Transformation Program, efforts are in process that should address many of the OIGs concerns identified. However, as SCM implements its program, there will be a continued need for sound governance, training, enabling technology, and stakeholder coordination so the program results are achieved and successful.

The SCM program efforts began in 2018 and are comprised of four key focus areas:

1. Centralization of the supply chain organization
2. Supply Chain Planning and Analytics, (SCPA)
3. Vendor Managed inventory, VMI
4. Role Clarity and Process Improvement

Supply Chain Organization Centralization

In February 2019[2], WMATA announced the reorganization of Supply Chain Management with the establishment of the Department of SCM, combining Metro's material and supply functions within BUSV, RAIL and SSVR. In addition, they have moved to a centralized and more visible supply chain management organization. The new offices within the supply chain management organization changes SCES to Supply Chain Management – Facilities and Warehousing (SCMF), and Bus Maintenance (BMNT) Storeroom and Material Logistics and Materials and Inventory Planning (MIPN) to Supply Chain Management – BUSV and RAIL, respectively. It also created an Office of Supply Chain Planning and Analytics (SCPA) to bring an integrated, data driven approach to Metro's supply chain management with the goal of optimizing inventory. In addition to disparate

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[2]Metro Staff notice number 2019-007, dated February 7, 2019

management of storerooms supporting the separate functional areas, storeroom management will also be centralized. Since the initial reorganization, SCM has further refined the supply chain organization.

Supply Chain Planning and Analytics
The supply chain process is largely a reactive process. According to SCM, the supply chain inventory is approximately 70% reactive and 30% predictive. As a result, this largely reactive process impacts the ability to properly plan for inventory needs. The creation of the SCPA provided a dedicated resource to manage demand management capabilities to better predict its supply chain inventory needs. WMATA advised that the office will track predictive supply needs based upon manufacturer's service recommendations and internal maintenance data which allow the process to shift, in time, to a less reactive process.

Focusing efforts on the Reliability Centered Maintenance (RCM), which is an industry standard process, ensures that assets continue to perform at safe levels based upon a predictive maintenance process. This should, in time, enhance WMATA's capability for predictive inventory demand projections. This capability would increase operational readiness and produce cost savings if implemented correctly. This process will require RAIL, BUSV and SSRV maintenance offices to provide advanced maintenance planning information over and beyond the manufacturer's required scheduled maintenance over the lifecycle of the asset to the Office of Supply Chain Planning and Analytics. This data, as reported to the OIG, will be used to conduct predictive analytics and forecasting to determine when parts will be needed. This is an example where the success of this process is predicated on resources and input from outside of the supply chain.

Vendor Managed Inventory (VMI)
WMATA is in the process of moving towards a VMI process. According to SCM, the first area to be introduced to VMI will be commodities inventory, which was estimated at $20 million[3] . The selection of this category of inventory will assist in establishing baseline processes to use as additional inventory categories are moved to VMI.

OIG has been advised that when VMI is implemented, there will be a transfer of financial risk from WMATA to the selected VMI company. That company will assist in right-sizing inventory, and will assist WMATA in only paying for the items when used. In addition, it will also help with vendor consolidation.   The VMI vendor will supply WMATA with parts and inventory on more of a "just in time" basis. Over time, according to WMATA, this should result in maintaining less inventory on hand and reducing handling/overhead costs. WMATA has engaged a consultant, who has led similar VMI initiatives within the transit industry, to support this effort. We were advised by SCM and OBPP that implementation of this initiative is anticipated to take 12 to 18 months once a vendor is selected and onboard. SCM requires timely support from PRMT in procuring a VMI vendor. Delay in this process could significantly impact the progress and success of the program.

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[3]Consultant Presentation to WMATA Materials/Supplies Management Transformation Project Overview, October 29, 2018.

OBPP also predicts that VMI will significantly reduce the use of P-Cards for inventory purchases. SCM predicts that WMATA will save an estimated $69 million over the next 5 years by right-sizing inventory and transferring inventory risk to a VMI company. According to SCM, total excess inventory amounts to approximately $75 million. The VMI Company will partner with SCPA to determine the correct forecast for inventory optimization.

Role Clarification/Process Improvement
According to WMATA, through its SCM program initiative, they are further clarifying roles and are laying the foundation for continuous process improvements. WMATA indicated that when fully implemented, this should increase controls and bring more discipline to supply chain management.

Supporting Strategic Initiatives
As WMATA continues to implement the SCM Transformation Initiative, it is important to ensure that efforts continue to be coordinated with those departments that have a role and/or support the supply chain functions to achieve program goals and objectives consistent with WMATA's mission.

SCM reported that they led thirteen formalized meetings with leadership of PRMT since December 2018 regarding the SCM transformation scope and processes. According to SCM, stakeholder leadership from the offices of the Chief Financial Officer, Capital Planning and Program Management and Internal Business Operations were also briefed and are being regularly updated on the progress of the initiative. The outcomes important to the implementation of the SCM may require support from other WMATA offices such as enhancement to MAXIMO from (IT) and procuring a VMI vendor (PRMT).

SCM will need to continue to coordinate with PRMT as the VMI process progresses. Introducing VMI should result in the opportunity to reduce and limit the use of P-Cards as the VMI vendor obviates the need. It is important that stakeholder and support departments remain involved and provide timely responses and that, as other initiatives are planned within the organization, consideration is given to their impact on initiatives underway, especially the SCM program.

SCM has requested that IT address the system gaps between PeopleSoft and MAXIMO. SCM initially advised that IT would be unable to support system upgrades to MAXIMO and PeopleSoft or future inventory systems modifications as part of the inventory process initiative with current resource levels for at least the next two years. While SCM currently reports that they have made progress with IT on reducing these timeframes, delays of this nature could have significant impact on the progress of the SCM transformation initiative. Delays could also impact the accuracy and reliability of inventory data used by management to track and forecast future inventory needs.

The Use of P-Cards for Materials and Supplies
The SCM reported in September 2018 that P-Card purchases for parts totaled $12 million over the last three years. This total was comprised of P-Card and other non-contract purchases. We confirmed through our interviews of SCM and their consultant that these purchases are not consistently updated and tracked in MAXIMO, which impacts inventory visibility and demand signals used to set inventory levels and accurately account for items. It was also noted that only 15 percent of inventory/parts were procured through the use of long-term contracts. The use of these contracts, and accurate data, allows for better identification of demand signals which in turn assists in negotiating better pricing. According to WMATA, the SCM program should reduce P-Card purchases for inventory and provide greater control over inventory management.

Handling of Obsolete and Surplus Materials
SCM stores some parts purchased from capital initiatives. We observed a quantity of RAIL parts identified as capital inventory in Storeroom 400. The operating departments are responsible for determining if parts are obsolete and can be removed from inventory. OIG determined that parts have remained in inventory with no routine follow up from the controlling departments and offices to determine when to excess the parts. This results in parts remaining in stock for years, impacting the ability to seek financial savings from proper management of warranties, timely disposal, and excess sales. Demand management predictive capability, once established, should better inform and improve the management of obsolete parts.

SCM advised OIG that it has established and is moving toward a twenty-four month demand stock retention plan. SCM has made progress in reducing the number of parts on hand toward this goal. During 2018, they increased their obsolete identification and excess sales from a typical baseline of $2 million in sales to approximately $17 million in sales. This increase was due to a policy change that authorized larger dollar amounts that could be classified as obsolete and sold during any given year.

Review of Items Listed in MAXIMO
During the review, OIG selected inventory items in MAXIMO that had not been issued in over two years and physically verified selected items to inventory on hand in Storeroom 400.
OIG identified the purchase of 900 lapel pins for years of service ranging from 15 years to 40 years. In 2013, WMATA spent over $143,000 for the purchase of these lapel pins ranging in price from $17 to $429 per pin. The WMATA official responsible for the current Length of Service Recognition Program[4], while not the person responsible for the purchase of the lapel pins, was not aware that the pins were purchased or that WMATA had approximately 204 pins, with an approximate value in excess of $87,000, still in stock in Storeroom 400.

OIG had two pins independently appraised to determine the gold content and the current values. The results indicated that the pins were 14K gold and valued from $400 to $750 each. **Appendix 3**, shows a picture of the 35 and 40 year pins.

While the inventory controls such as storage in a locked cabinet were in place, distribution of the pins was not traceable. When OIG brought this matter to WMATA's attention, WMATA officials took action to resolve this matter by transferring the pins to the Human Resources department who is currently responsible for the WMATA recognition program. In addition, they disabled the reordering process and removed these items through MAXIMO.

The following observations were identified during this OIG evaluation. We acknowledge that these issues should be addressed as part of its implementation of the SCM program:

Store Room Processes
Inventory parts on hand are transferred via work orders but frequently the management oversight does not confirm the needed quantities nor provide the necessary accountability to ensure unused parts are returned to Storeroom 400, reentered in MAXIMO, and properly tracked. Extra parts are frequently stored at remote locations and do not appear to be consistently tracked in MAXIMO.

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[4]The Length of Service and Recognition Program is facilitated and managed under the Human Resource department.

An example of this is the use of "bus kits" for scheduled maintenance. Some of the parts within the kits are not always used and therefore the extra parts in the kits are not always returned to the storeroom.

Barcoding
Barcodes currently are in place on the shelves of Storeroom 400, but not currently in use. **Appendix 4** identifies pictures of the barcoding at the storeroom. OIG was advised that the storerooms had used barcoding in the past but the process was discontinued due to system upgrades to PeopleSoft, which did not contain the necessary data fields to continue to support barcoding.

OIG has also been advised that barcoding will be resumed as part of the SCM Transformation process. Introducing the barcoding will add to the control processes needed for validating daily cycle counts and improve the accuracy of inventory on hand.

Cycle Counts
The daily cycle count listing is generated from MAXIMO data by algorithm queries that select samples of inventory items to be validated by storeroom clerks. This process is used to validate total inventory in the storerooms over the course of a one-year period. The number of items in inventory is available from MAXIMO to those taking the counts and provides opportunities for storeroom personnel to bypass performing the independent count. It was reported to the OIG that through the SCM initiative, the selected VMI vendor, along with WMATA, will conduct a full inventory count as part of the VMI transition. This process will be very important to the success of the initiative.

OIG Summary
The OIG recognizes that the WMATA SCM program has established a plan and has completed aspects of its implementation, with other areas progressing. Centralizing accountability and oversite of all storage facilities under SCM when completed should provide greater accountability. This program is a transformational initiative that, if fully implemented, will be consistent with its goals and objectives and could result in improved inventory management practices and cost savings while shifting some financial risk from WMATA to the selected VMI company. The OIG will conduct follow-up activities as the program progresses.

RECOMMENDATIONS

We recommend the General Manager/Chief Executive Officer take the following actions to address the issues identified above and continue to:

1. Leverage lessons learned from other transit authorities who have established VMI and strategies to address change management challenges;

2. Ensure that there is cross-functional coordination by the stakeholders to ensure that processes are in place, and are fully integrated and compliment the overall program goals;

3. Strengthen storeroom accountability processes including conducting a physical inventory of all items on hand stored at all storerooms and all remote locations as part of the VMI transition. This should include the proper accounting of all Capital inventory and the re-establishment of barcoding of inventory so that a more accurate inventory can be maintained;

4. Assess and strengthen access controls and surveillance capabilities for all storerooms and remote facilities;

5. Integrate supply chain management and work order management processes through collaboration with operating divisions.

MANAGEMENT'S RESPONSE

M E M O R A N D U M

M metro

SUBJECT: Evaluation of WMATA's Inventory Practices Evaluation OIGIE 19-0001

DATE: December 4, 2019

FROM: EVP/COO – Joseph Leader

THRU: GM/CEO – Paul J. Wiedefeld

TO: OIG – Geoffrey A. Cherrington

Washington Metropolitan Area Transit Authority

This memorandum is in response to the Evaluation of WMATA's Inventory Practices Evaluation OIGIE 19-0001 dated November 22, 2019, from the Office of Inspector General (OIG).

Under the leadership of the Chief Operating Officer, Joe Leader, inventory management has been centralized to apply consistent standards and processes across rail, bus, and infrastructure under a single supply chain management function as part of the Supply Chain Management Transformation program. The COO has hired an industry professional as Vice President for Supply Chain Management to lead the continuing transformation. WMATA's new Vice President for Supply Chain Management, retired Army Lieutenant Colonel Steve Spulick, joins WMATA with 27 years of military service, 15 of which he spent working logistics (supply chain) for medical services. Since joining WMATA he has reorganized the function and is modernizing the central Maximo system to add functionality, capacity, and expanded utilization of a 20-year old inventory control system. Dr. Steve Spulick has a PhD in Supply Chain Management from Georgia Southern University and he currently teaches Supply Chain Management for Texas Tech University, Mount Saint Mary University, and American Military University.

Training of personnel to use new automated features and new inventory protocols are underway. Additionally, Dr. Steve Spulick has an active procurement for a Vendor Managed Inventory (VMI) program which will enable operations to create a responsive inventory management system for parts and materials, improving unit pricing, reducing inactive inventory and reducing the use of procurement cards. WMATA is also tightening up on procurement card usage by limiting eligible items, requiring management and department level approvals for purchases, and subjecting all card usages to random checks from the Procurement Department Card Administrator. In addition to these internal practices, Management Audits, Risk and Compliance (MARC), WMATA's internal audit function, conducts independent oversight reviews of the Purchase Card Program.

Evaluation of WMATA's Inventory Practices Evaluation OIGIE 19-0001
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Regarding OIG's concerns about service pins, the legacy orders of pins by all WMATA departments has been discontinued. All remaining pins have been accounted for and consolidated under the Office of Human Resources Talent Management, who will distribute to employees who become eligible on milestone anniversaries, until the supply is depleted.

OIG Findings and Management's Responses

Management generally agrees with OIG's *Evaluation of WMATA's Inventory Practices* report. As indicated in the report, Management believes that the Supply Chain Management Transformation program will holistically address the shortcomings identified and has already made significant headway. Notable achievements to date include complete centralization of the supply chain function, formalization of supply chain roles and responsibilities, and the creation of a Supply Chain Planning and Analytics. Additional accomplishments and ongoing efforts to improve supply chain functions and inventory practices are indicated in Senior Management's below responses to the OIG's recommendations:

Finding #1: Leverage lessons learned from other transit authorities who have established VMI and strategies to address change management challenges.

> **Management Response:** *Management concurs with this recommendation. In Spring 2018, a WMATA cross-functional VMI RFP Working Group (SCM, CPO, CFO, and PRMT) completed on-site visits to Chicago Transit Authority (CTA) and the Virginia Department of Transportation (VDOT) to examine their Vendor Managed Inventory (VMI) models and gather lessons learned. A summary of these lessons learned was submitted to the COO on May 10, 2018. While management considers this action complete, the results continue to steer the VMI portion of this transformation. SCM and CPO continue to speak with CTA and VDOT leadership for VMI advice. SCM also continues to track VMI implementation at multiple other transit authorities across the nation. Progress will be assessed bi-annually following contract award.*

Finding #2: Ensure that there is cross-functional coordination by the stakeholders to ensure that processes are in place, are fully integrated and compliment the overall program goals.

> **Management Response:** *Management concurs with this recommendation. WMATA's SCM Transformation plan includes formalizing cross-functional coordination by the stakeholders in the form of a*

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Governance Committee. A Supply Chain Management Governance Committee will stand up (projected start in February 2020) with cross-functional representation and chaired by the Vice President of SCM. This structure will ensure that major Authority decisions that impact SCM are made holistically. Moreover, since Summer 2018, multiple briefings and meetings have occurred between SCM, CPO and key stakeholders, such as PRMT, CFO, all maintenance groups, TAMO, COUN, IT, and HR regarding this transformation effort.

Finding #3: **Strengthen storeroom accountability processes including conducting a physical inventory of all items on hand stored at all storerooms and all remote locations as part of the VMI transition. This should include the proper accounting of all Capital inventory and the re-establishment of barcoding of inventory so that a more accurate inventory can be maintained.**

Management Response: *Management concurs with this recommendation, with some clarification. VMI will only pertain to a partial subset of WMATA inventory. SCM already conducts scheduled inventories of all parts and materials, except "capital spares," which are repair and spare parts purchased as part of an initial capital asset purchase. Currently, asset owners conduct inventories of capital spares. However, over the long term, capital spares will be brought under SCM purview and inventory responsibility, pending implementation planning with the asset owners (projected completion in December 2020). Additionally, SCM continues to implement a capital project, initiated in 2018 (Supply Chain Modernization), to reinstitute barcoding by midyear 2020 to support inventory efficiency. Furthermore, as part of the VMI onboarding, WMATA and the VMI company will conduct a complete inventory over an 18-month startup, anticipated to conclude in June 2021. SCM Management is also pleased to report that, to date, nearly $1 million in inventory cost savings have been realized only two months after instituting a new reorder point algorithm designed to optimize inventory across storerooms. Now that the pilot phase is complete, all storerooms will be enrolled under this new algorithm by early 2020.*

Finding #4: **Assess and strengthen access controls and surveillance capabilities for all storerooms and remote facilities.**

Management Response: *Management concurs with this recommendation. SCM published improved access control procedures on June 12, 2019. SCM is also working to implement access-card reader locks for all storerooms as part of WMATA's overall access control improvements. SCM plans to further enhance access control procedures once access readers are installed and new storeroom hours established.*

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SCM continues to bolster its video surveillance presence across more storerooms. Video cameras have been purchased for RAIL storerooms and for the Metro Supply Facility. SCM is currently evaluating surveillance of the storerooms that support BUSV. Additionally, enhanced analytic capabilities established by SCM will allow for quicker detection of abnormal inventory events. Lastly, quarterly reviews to identify inventory anomalies will begin in December 2019.

Finding #5: **Integrate supply chain management and work order management processes through collaboration with operating divisions.**

Management Response: *Management concurs with this recommendation. Management realizes that work order management improvement will involve a cross-functional approach. Leadership already engaged with SCM, BUSV, RAIL, FSVT, TAMO, RCMP, and IT on this matter. Leadership also plans to engage with PRMT, LAND, and any other offices that are directly involved or affected by work order management. Additionally, Reliability Engineering and Asset Management (REAM) plans to implement an improved parts induction process for work orders by March 2020.*

In conclusion, Management is pleased with the progress that the Supply Chain Management Transformation has already achieved and looks forward to additional significant improvements soon. A deeper cross-functional approach, led by the Department of Supply Chain Management, will help ensure that WMATA's supply chain practices are standardized and strengthened in a holistic manner.

TO REPORT FRAUD, WASTE, OR ABUSE

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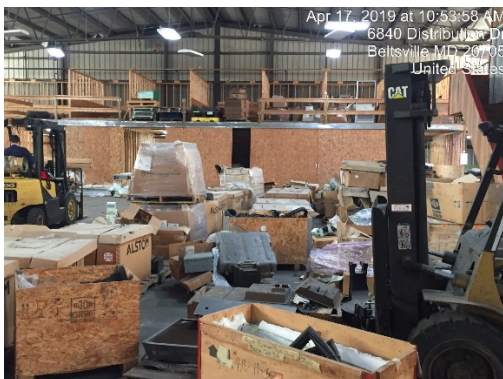   Washington, D.C. 20024

APPENDIX 1
██████ Storage Facility

APPENDIX 2

███████████████████████ Facility

APPENDIX 3
35 AND 40 YEAR LAPEL PINS

APPENDIX 4
Barcoding Storeroom 400