



आधुनिक रेल डिब्बा कारखाना, रायबरेली
MODERN COACH FACTORY, RAEBARELI

सतर्कता विभाग
VIGILANCE DEPARTMENT

Office of the General
Manager/Vig.
Modern Coach Factory,
Lalganj, Distt.- Raebareli,
Uttar Pradesh - 229120

Confidential

Date: 29.03.2023

31

No: G/MCF/RBL/Vig./Sys. Improvement

All PHOD's,
MCF/RBL.

Sub: - Compilation of System improvement points.

Based on the past performance of investigations and complaints, an area wise compilation of points for system improvements is enclosed herewith as Annexure 'A' for the kind attention of concerned PHODs. It is felt that suitable action on these points may avoid many future problems and complaints.

This has the approval of CVO.

D.A: as above

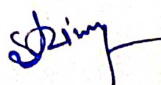
Sanjaya Tiwary
(Sanjaya Tiwary)
SVO/MCF/RBL
For General Manager/Vig.

Copy to,
Secy. to GM for kind information of GM.

FEW POINTS FOR SYSTEM IMPROVEMENT BASED ON PAST VIGILANCE CASE STUDIES/ COMPLAINTS

a) Stores Contract:

- In Stores tenders, an objective fair & transparent eligibility criteria is required to be stipulated for placement of regular & developmental orders in case of non-restrictive items i.e. items, which are not procured from approved list. Also as per Rly Bd's letter, MCF is supposed to follow the same eligibility criteria as followed by RCF in case of LHB coach items. It is learnt that RCF is following an eligibility criteria, which additionally includes financial eligibility i.e. mandatory turnover of 150% of the ATV for regular order. This additional financial eligibility criteria is currently not followed in MCF. As the items & vendor base for RCF & MCF are largely same, this is not only causing confusion but also complaints. This need to be sorted out for uniformity.
- Adequate diligence is not exercised in many cases in issuing tenders. For example, many a times, DP is not stipulated in the tenders as per requirement. The firm quotes accordingly. Later, LOI & PO are placed with a different DP as per requirement, which is not accepted by the vendor due to financial implications of any future default and results in complaints. Also, it should be clearly mentioned in the tender as to which requirements are mandatory in nature, where no deviation would be allowed.
- Post tender amendments should be minimal and, if considered inescapable, must be processed on file.
- Many a times, in case of initial procurement, proper scrutiny of rates is not done and the order is placed based on indent rate, which, in turn, was based on the firm's BQ itself. Therefore, practically the rate reasonability of the firm's offer is assessed against its own Budgetary Quote which completely undermines the financial prudence. The further damage and pecuniary loss on recurring basis cannot be denied as this rate may become the reference rate for future purchases.
- As far as possible, the procurement of proprietary items should be directly purchased from the manufacturer only instead of agents, who, many a times, markup the rates unreasonably and may resort to unfair practices.
- As per available instructions, where no. of approved sources is 3 or less, regular orders may be placed on developmental sources. Many a times, RDSO categorizes the developmental vendors for a particular item in 2 categories i.e. unqualified developmental vendors and those, in case of which, prototype has not been cleared. This creates confusion regarding the exact treatment of these 02 developmental categories and causes complaints.
- As a matter of principle, the tendering system should filter as many offers as possible without compromising the technical requirements. In any case, a lower



offer must be passed over with due diligence and caution duly recording the valid reasons.

- All the representations received during the finalization of tender should be invariably referred to TC for taking cognizance of and for proper deliberation so as to avoid future complaints on the same issues.

b) Turnkey Contract:

- To meet the production targets and to maintain the pace of outturn particularly for furnishing of coaches, Turnkey contracts are awarded wherein contractor is supposed to supply the different items contained in M1 list as per specifications and apply the same. Many complaints are received in respect of turnkey contracts. Most common complaint is that the manufacturers of the main components/ sub-assemblies are not able to participate directly as they are not aggregators & don't fulfill the eligibility criteria of turnkey tenders. On the other hand, turnkey vendor is also found often resorting to many short-cuts due to inherent problems in arranging materials from different vendors with RITES inspection (as per requirement) and meet the demanding deadlines.
- One of the problems in finalization of Turnkey contracts is perceived as paucity of adequate vendor base. As a result, invisible hand of competitive market forces is often found missing. Therefore, due to the reasons discussed above, it is suggested to consider the traditional mode i.e. supply of material through Stores and their application through Works contract, at least for regular & bulk variants of coaches. In case of special or not so regular variants, turnkey model, if considered inescapable, may be suitable considered with due caution & tinkering by excluding some of the main high-value items/ components from the purview of M1 list.
- While receiving the material, all the accompanying documents viz. RITES I/Cs and firm's challan must be scrutinized carefully. In case of any doubt, a reference may be made to RITES or their uploaded records may also be checked. A physical cross verification may also be resorted to on random basis particularly in case of hidden items i.e. cushioning material in case of Seat & Berth or thickness of sheet in case of honeycomb partition etc.
- All concerned. Progress & Shop staff may be made thoroughly conversant with the important terms & conditions of the contract to preclude any possibility of irregularity/ lapse during execution due to ignorance.
- Many a times, during execution of the contract, firm offers alternate material in place of the specified one and seek condonation from Design by writing letter. Such condonation is often granted on the firm's letter itself, which is accepted as the valid amendment to the contract by Progress/ Shops and is often acted upon. No such condonation should be allowed on any letter, which, if considered inescapable & justified, should be mandatorily processed on the contract file for issuing proper amendment to the contract though MA after thorough scrutiny of

its feasibility & examination of financial implication, if any. This short-cut had resulted in many vigilance cases in past.

- In few cases, it was noticed that railways material had been issued to turnkey vendor on loan basis to tide over the disruption in their supply chain in order to maintain outturn, which was grossly irregular. In such case, no proper records were also found maintained by the shops which further aggravated the situation.
- A normal free period from the allotment of coach is allowed to turnkey vendor for completing the contracted work and thereafter penalty is levied. Many a times, even if the work is not completed within free time, no penalty is levied giving vague justifications to justify the delay on administrative account thereby causing loss to exchequer. No proper record is often maintained for levying such penalty.
- In many cases, completion report is issued certifying the completion of work as per scope of the contract without issue of regularizing MAs even though there were many deviations during execution with involvement of financial implication.
- Many a times, prototype of a new firm or new variant is approved with many deviations. Later these deviations are automatically adopted by the vendor in regular execution treating the approval of prototype as an authority.

c) Works Contract:

- It is experienced that estimate is not prepared with due diligence and often found having many procedural lapses.
- Similar work of the tender is not defined with due caution and diligence. Many a times, the similar work resulted in undue restriction of fair competition and was found loaded in favor of a particular firm. For example, in a particular case involving robotic welding, initial contract was awarded to a particular firm by inviting quotation. Later the regular tenders were issued with the defined similar work that the firm should have the past experience of robotic welding, which is generally not prevalent in open market. This practically rendered all the subsequent contracts being awarded to that particular firm which initially got the requisite experience through quotation. This is grossly irregular, biased and loaded in favor of a particular firm.
- During execution of a works contract, proper records, MBs, cement/ steel registers are not found maintained properly. Many a times, Tax invoices were found containing the names of the different firms other than the contracting firm indicating outsourcing without any authority.
- Many a times, DOC was found extended on administrative grounds giving vague & nebulous justifications without levying any penalty.
- Many deviations from the contractual terms & conditions are made during the course of execution without any authority and/ or without the issue of formal amendment.
- In few cases, it was noticed that the final payment is made without issue of completion report.

- Many a times, works contract is finalized by inviting quotations without compliance of necessary & requisite pre-conditions for inviting quotations. For example, in few cases it was noticed that quotation was invited since the regular tender could not be finalized in time on account of vague reasons. In another case, the tender opening date of the regular tender was postponed abnormally based on the firm's request and the quotation was invited to take care of this gap.
- In few cases, variation has been done by adding new NS item, which was completely different and changed the scope, character and purpose of the original contract.
- In contract/tender documents, the specification, schedule of items, conditions of the contract should be invariably incorporated, which were not found in few cases.

d) Outsourcing contracts:

- Due diligence is not exercised while outsourcing any activity. In many cases it is noticed that a proper assessment & utilization of the in-house capacity is not made before outsourcing. In a particular case of coach lowering activity, some broad assessment of the in-house capacity was made by the concerned shop in the initial cycle for deciding the extent of outsourcing. In subsequent cycles, almost full activity was outsourced ignoring the available in-house capacity. Such instances only prove that there is undue & unjustified emphasis on outsourcing which often leads to complaints. Similarly many activities are unnecessarily outsourced in MCF causing loss to exchequer and causing complaints.
- In case of man-power outsourcing; payment to the agency is normally made on the basis of labour rate, which are seldom paid to the engaged staff. Although, as principal employer, this is our prime responsibility yet there is no proper system in place to check this malice. This often generates many complaints.
- There are instructions to finalize such service contracts through GeM, yet there is a lot of apathy amongst executives to bypass these instructions and resorting to some escape routes. Many a times, such contracts were found finalized for 3 years in one go, which further scuttles the possibility of their future finalization through GeM after incorporating some requested modification by them.
- Similarly, the maintenance of almost all the assets have also been outsourced to by finalizing AMC contracts which often appear to be loaded in favor of AMC holding firms. During investigation it is experienced that many a times normal maintenance schedule as per contract is not followed by the firm and their bills are cleared without any/ commensurate deduction. Similarly, in many cases a proper record of the down time of the asset in case of failure is not found maintained for working out penalty. Many a times, even those assets, which don't require regular maintenance by normal prudence (for example Water coolers etc.) are also found covered under AMC without any maintenance schedule.

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- Similarly, proving out and installation of few high value Plants & Machines are still pending due to non-compliance of specified parameters. As advance payment of nearly 80% had already been made in respect of these cases, a due care needs to be taken by the concerned executives/ Finance to safeguard organizational interests and avoid potential problems.

e) Miscellaneous:

- No proper system seems to be in place in bill passing and bills are returned on flimsy grounds by raising objections in piecemeal manner, which is highly objectionable.
- In selections of staff, proper assessment of vacancies, qualifying service etc. is often found compromised which result in many complaints. Similarly, in case of few selections, a fair, transparent and proper system to assess the eligibility of the candidates in terms of issued notification is not found in practice, which ultimately results in many complaints.

S. J. Singh