

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

**AUDIT OF PROCUREMENT ACTIVITIES
BY THE OFFICE OF CONTRACTING
AND PROCUREMENT FOR THE
DEPARTMENT OF CONSUMER
AND REGULATORY AFFAIRS**



**CHARLES C. MADDOX, ESQ.
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



August 27, 2003

David Clark
Director
Department of Consumer and Regulatory Affairs
941 North Capitol Street, N.E.
Washington, D.C. 20001

Jacques Abadie, III
Chief Procurement Officer
Office of Contracting and Procurement
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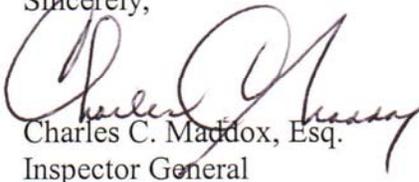
Dear Messrs. Clark and Abadie:

Enclosed is the Office of the Inspector General's (OIG) final report (OIG No. 02-1-3MA(a)) summarizing the results of our audit of procurement activities carried out by the Office of Contracting and Procurement for the Department of Consumer and Regulatory Affairs.

We received responses from the Office of Contracting and Procurement (OCP) and the Department of Consumer and Regulatory Affairs (DCRA) on August 19, 2003, and August 21, 2003, respectively, to a draft of this report. We consider actions taken and/or planned by both OCP and DCRA to be responsive to the recommendations. The complete text of both responses is included at Exhibit B.

We appreciate the cooperation and courtesies extended to our staff during the audit. If you have questions, please contact me or William J. DiVello, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,


Charles C. Maddox, Esq.
Inspector General

CCM/ws

Enclosure

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**AUDIT OF PROCUREMENT ACTIVITIES BY THE
OFFICE OF CONTRACTING AND PROCUREMENT FOR THE
DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS**

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EXECUTIVE DIGEST

OVERVIEW

This report summarizes the results of the audit by the District of Columbia Office of the Inspector General (OIG) of the procurement activities carried out by the Office of Contracting and Procurement (OCP) for the Department of Consumer and Regulatory Affairs (DCRA). OCP provides contracting services to agencies subordinate to the Mayor. DCRA, according to its mission statement in the District's *FY 2003 Proposed Budget and Financial Plan*, "facilitates sound business practices and safe development through enforcing adherence to the District's health and safety codes[.]" Procurement activity at DCRA includes the acquisition of goods and services related to nuisance property abatement, inspections, licensing materials, and examination materials.

The objectives of the audit were to review procurement activities at DCRA to determine whether: (1) procurement activities were executed in accordance with the requirements of applicable laws, regulations, policies and procedures; (2) contracts were properly monitored and administered to ensure that goods and services were delivered in accordance with contracts terms; and (3) procurement operations were carried out efficiently and effectively.

CONCLUSIONS

From March 1999 through April 2002, DCRA expended over \$4 million for nuisance abatement services. However, OCP did not make awards to the lowest bidders who responded to requests for quotations for these services. Instead, DCRA program personnel, who issued the requests for quotations for nuisance abatement services, set the same price for every vendor based on quotations received, historical costs, and government estimates. As a result, over \$279,000 in additional costs for nuisance abatement services was incurred because awards were not made to the lowest bidders.

Further, an OIG analysis of 46 small purchase procurement actions, totaling \$1,150,000, for nuisance abatement services for the period March 2001 through April 2002, indicated that 12 vendors each received from 2 to 5 indefinite quantity awards in the amount of \$25,000 per award. OCP's actions to issue multiple small purchase awards equal to the limit of \$25,000 violated the District's procurement laws against splitting, parceling, or dividing awards.

In another instance, OCP awarded a sole source contract without justification. We also found that OCP did not have evidence of competition on file for three other procurement actions.

EXECUTIVE DIGEST

SUMMARY OF RECOMMENDATIONS

We addressed five recommendations to the Chief Procurement Officer, OCP, and the Director, DCRA, which we believe are necessary to address the concerns described above.

We recommend that the Chief Procurement Officer:

- require OCP supervisory personnel to conduct periodic reviews of contract actions processed by agency-based procurement personnel;
- cease setting the same price for nuisance abatement service providers and make the procurement awards within existing regulations and authority;
- prepare determinations and findings for sole source procurement awards; and
- hold workshops for agency program and administrative personnel regarding agency procurement planning, sole source procurements, and District procurement law and regulations.

Finally, we recommend that the Director, Department of Consumer and Regulatory Affairs, establish procurement planning procedures so that program personnel timely identify agency needs for goods and services and timely submit requisitions to procurement personnel.

We received responses from the Office of Contracting and Procurement (OCP) and the Department of Consumer and Regulatory Affairs (DCRA) on August 19, 2003, and August 21, 2003, respectively, to a draft of this report. We consider actions taken and/or planned by both OCP and DCRA to be responsive to the recommendations. The complete text of both responses is included at Exhibit B.

INTRODUCTION

BACKGROUND

The Department of Consumer and Regulatory Affairs

According to the District's proposed operating plan and budget for fiscal year 2003, "[t]he mission of the Department of Consumer and Regulatory Affairs (DCRA) is to protect the health, safety, and welfare of District residents and people who work in and visit the Nation's Capital." In addition, "DCRA facilitates sound business practices and safe development [by] enforcing adherence to the District's health and safety codes[.]" Procurement activity at DCRA includes the acquisition of goods and services related to its mission, such as the acquisition of nuisance property abatement services, inspection services, and licensing and examination materials.

The Housing Regulation Administration (HRA) of DCRA assists the District in its mission of protecting and rebuilding the District's communities. "[HRA] oversees enforcement of the District of Columbia Housing Code and condemnation and abatement activities [to rehabilitate] nuisance properties." HRA requires nuisance property abatement services in order to bring properties in violation of housing regulations into compliance. HRA assisted OCP in procuring these services by: (1) developing specifications; (2) soliciting quotations from vendors; (3) setting the prices for various tasks after comparing quotations received from vendors with historical costs and government estimates; (4) selecting vendors to provide services on a rotating basis; and (5) inspecting and approving services received from vendors.

The Office of Contracting and Procurement

The mission of the Office of Contracting and Procurement (OCP) is to provide contracting services to agencies for the delivery of quality goods and services to the residents of the District in a timely and cost-effective manner. OCP established an agency-based bureau at DCRA. OCP personnel, who were assigned to the DCRA bureau, processed contracts and purchase orders for goods and services based on requisitions received from DCRA administrative and program staff.

OCP ensures that agency program personnel receive competency-based procurement training consistent with District laws and regulations. The OCP follows the procurement and contracting provisions set forth in Title 27 of the District of Columbia Municipal Regulations.

INTRODUCTION

Criteria

District Procurement Regulations

The Procurement Practices Act of 1985, D.C. Law 6-85 (codified as amended at D.C. Code §§ 2-301.01 - 327.03 (2001 & Supp. 2002)) governs the procurement and contracting activities carried out by District departments and agencies subordinate to the Mayor. The provisions of the Act also apply to independent agencies that formally agree to be bound by the same. Title 27 of the District of Columbia Municipal Regulations (DCMR) also sets forth regulations applicable to the procurement activities carried out by OCP on behalf of DCRA.

OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of the audit were to review procurement activities at DCRA to determine whether: (1) procurement activities were executed in accordance with the requirements of applicable laws, regulations, policies and procedures; (2) contracts were properly monitored and administered to ensure that goods and services were delivered in accordance with contracts terms; and (3) procurement operations were carried out efficiently and effectively.

Our review covered procurement actions executed during the period of March 1, 2000, to February 28, 2002. However, with regard to the acquisition of nuisance abatement services, we reviewed contractor selection processes in effect and services acquired from March 1999 through April 2002. To gain a general understanding and overview of the procurement function and operations, individual transactions were randomly and judgmentally selected.

We tested DCRA transactions to determine whether regulations were followed regarding procedures for competitive sealed bids, small purchases, credit card purchases, contractor responsibility, publicizing, etc. Specific regulations with which OCP or DCRA personnel did not always comply are discussed in our finding section.

We accomplished our audit objectives through: (1) interviews with OCP and DCRA management, administration and staff; (2) review of procurement processes and the procurement system; (3) sampling and testing of procurement actions; and (4) review of DCRA contract monitoring efforts.

The DCRA Contracts and Procurement Services Department issued 382 purchase orders and contracts, totaling approximately \$8 million, during the review period. The breakdown of these purchase orders and contracts is as follows:

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Contract Type	Number of Procurement Actions
Procurement Actions > \$25,000	33
Small Purchase ≤ \$25,000 (Non-Nuisance Abatement Actions)	287
Small Purchase (Nuisance Abatement Actions) ≤ \$25,000	46
Purchase Card Usage Purchase Orders (14 Cardholders)	16
Total	382

Of the 382 procurement actions, the OIG examined 5 procurement actions greater than \$25,000, 17 small purchase actions (non-Nuisance Abatement), and 8 small purchase nuisance abatement actions. In addition, the OIG examined all purchase card actions for the period November 21, 2001, through December 21, 2001, for the 14 purchase cardholders.

Our review found that OCP was generally in compliance with regulations regarding procurement actions greater than \$25,000, non-nuisance abatement small purchase procurement actions, and purchase card procurement actions.

We conducted our audit in accordance with generally accepted government auditing standards, including such tests as were considered necessary under the circumstances.

FINDING AND RECOMENDATIONS

FINDING: SMALL PURCHASE PROCUREMENT PROCEDURES

SYNOPSIS

From March 1999 through April 2002, DCRA expended over \$4.1 million for nuisance abatement services. In making small purchase awards to all bidders who responded to the requests for quotations, OCP violated the procurement regulations because it: (1) did not make the contract awards to the lowest bidders; (2) split or parceled awards among all responsible bidders; and (3) did not give adequate consideration to competitive sealed bidding when acquiring goods or services estimated to exceed the small purchase limit. Further, DCRA program personnel, as opposed to procurement personnel, solicited quotations and set prices for the nuisance abatement awards. In one instance, OCP did not properly justify, in writing, a sole source procurement action. Lastly, OCP did not have evidence of competition on file for three other procurement actions we tested.

As a result of not making awards to the lowest bidders, OCP and DCRA did not pay the lowest prices for nuisance abatement services and had foregone over \$279,000 in potential savings.

AUDIT RESULTS

“Nuisance Abatement 5-513 Repair Program” Request for Quotations

According to the DCRA agency chief contracting officer, in 1999 the Mayor considered nuisance properties in the District to be a matter of urgent concern that needed rectifying. Properties that were trash strewn, unsafe, and not secure created nuisance conditions. These conditions posed a threat to the health and safety of District residents because the affected properties may have been unsanitary, infested with rodents or used as places for illegal drug trafficking. The Nuisance Abatement 5-513 Building Repair Program focused on correcting violations of the Housing Code, including nuisance conditions.

Because the mayor had identified the nuisance property issue as an urgent matter, the DCRA chief contracting officer and program personnel from the HRA met with vendors in the Local, Small and Disadvantaged Business Enterprise (LSDBE) program on June 10, 1999, to discuss the District’s need for nuisance abatement services. HRA distributed to the vendors a solicitation package, “5-513 Building Repair Program, Request for Quotations on Various Specifications, Housing Regulation Administration,” that detailed specifications for certain tasks, such as removal of debris and bulk items from site; removal of weeds and overgrowth from site; and the cleaning and barricading of property. Of the 50 vendors attending the meeting, 12 vendors, all of whom were LSDBE compliant, submitted quotations.

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The contracts awarded from this solicitation were non-competitive with uniform prices for specified work. HRA set the uniform prices by eliminating the highest and lowest quotes received from contractors for each specification or task and averaged the remaining quotes. HRA next calculated a historical average based on past contracts for similar work. HRA also developed a government estimate. HRA determined the price to set for a particular task by comparing: (1) the computed average cost of quotes the contractors submitted; (2) the historical cost average of previous contracts; and (3) the government estimate. The same price for performing a task was assigned to all contractors who signed agreements to perform the work at the prices set by HRA.

To develop an initial pool of contractors, HRA staff rated and ranked 20 LSDBE contractors based on past performance. The names of the 20 contractors were randomly placed on a rotation list. HRA contacted the contractor at the top of the list for the completion of a task at the price previously established by HRA and then moved the contractor's name to the bottom of the list regardless of whether he/she accepted or declined the job. The next sequential contractor was given the opportunity to respond to the subsequent request for services. HRA informed the DCRA contracting officer of the contractor selection and rotation process. However, the functions of determining the price of an award and of selecting a contractor were the responsibility of procurement personnel at DCRA, not program personnel at HRA.

Initially, an indefinite small purchase contract or purchase order for \$15,000 was established for each contractor. The amount of each contract or purchase order was later increased to \$25,000. The price of each task a contractor performed was charged against the purchase order(s) that had been established for the contractor. A new purchase order was given to a contractor once/if the amount of the purchase order had been expended or exhausted. HRA inspected each contractor's work after the assignment was completed. From March 1999 through April 2002, DCRA expended more than \$4.1 million for nuisance abatement services according to a dollar summary document prepared by HRA.

Failure to Award to the Lowest Bidder

Title 27 of the DCMR establishes the criteria for non-competitive procurements. Section 1801.1 defines non-competitive small purchases as procurements of \$2,500 or less. Section 1802.1 provides general guidelines for the solicitation of quotations that promote competition to the maximum extent practicable for small purchases over \$2,500. Section 1802.1(d) states that the "contracting officer shall, unless the award is to take into consideration factors other than price or price-related factors, award the contract to the vendor providing the lowest price quotation for the goods or services solicited." The request for quotation did not provide for the consideration of other legitimate factors upon which to evaluate vendors' quotations. HRA gave the same price to all vendors to whom awards were given rather than awarding work to the bidders who bid the lowest

FINDING AND RECOMENDATIONS

price for a specified task. Consequently, the District did not receive the most economical price for each type of nuisance abatement service procured.

The following Table 1 illustrates the difference in price between the lowest quotation received for specific tasks in comparison to the price set by HRA.

Table 1

Task	Lowest Quote Received	HRA Set Price	Difference
Exterior Refuse Removal	\$110.00	\$199.00	\$89.00
Weed/Overgrowth Removal (0-500 Sq Ft)	\$150.00	\$203.00	\$53.00
Interior Refuse Removal	\$110.00	\$235.00	\$125.00
Secure Property with Barricade	\$41.00	\$65.00	\$24.00
Weed/Overgrowth Removal (750-1000 Sq Ft)	\$200.00	\$408.00	\$208.00

Using an HRA document containing the number of properties and violations abated from March 1999 through April 2002, we computed savings of approximately \$279,000 that could have been realized if awards had been made based on the lowest prices instead of the set prices for the first four tasks listed.¹ Computations are shown in Table 2.

¹The total potential savings does not include any amounts attributable to weed/overgrowth removal (750–1000 Sq Ft). We could not determine potential savings for this task because documents were not available.

FINDING AND RECOMENDATIONS

Table 2

Violation Needing Abatement	Number of Properties	Difference Between Lowest Quote and Set Price	Potential Savings
Exterior Refuse Removal	782	\$89	\$69,598
Weed/Overgrowth Removal (0-500 Sq Ft)	782	\$53	\$41,446
Interior Refuse Removal	1128	\$125	\$141,000
Securing Property With Barricade	1128	\$24	\$27,072
Total Potential Savings			\$279,116

As noted above, between March 1999 and April 2002, 1,128 notices were issued for violations because properties were not clean and/or secure. During that same period, 782 properties received one or more violation notices for trash/weed conditions. For exterior refuse removal, \$69,598 (782 x \$89) could have been saved based on the difference between the lowest received quote and the HRA set price. For weed/overgrowth removal up to 500 square feet, \$41,446 (782 x \$53) could have been saved. For interior cleaning/refuse removal, DCRA could have realized savings of \$141,000 (1,128 x \$125). For securing a property, \$27,072 (1128 x \$24) in savings could have been realized based on the difference between the lowest price and the set price. In total, DCRA could have saved approximately \$279,000 from the \$4,116,111 expended for nuisance abatement services if small purchase awards had been made based on lowest quotations instead of set prices.

Split Procurements

OCP/DCRA's small purchase procurement practices for nuisance abatement services violated District regulations prohibiting split procurements. According to 27 DCMR § 1800.1, small purchase procedures may only be employed where the procurement does not exceed \$25,000. Title 27 DCMR § 1800.4 states that "[a] contracting officer shall not split a procurement totaling more than \$25,000 into several purchases that are less than the limit in order to permit the use of small purchase procedures." *See also* D.C. Code § 2-303.21 (2001). Section 1800.5 states that "[a] procurement requirement shall not be parceled, split, divided, or purchased over a period of time in order to avoid the dollar limitations for use of small purchase procedures."

FINDING AND RECOMENDATIONS

Each contractor was given one or more small purchase, indefinite quantity awards for \$25,000. We analyzed a total of 46 awards for the period March 2001 through February 2002 and found that 42 of the awards were multiple awards to only twelve vendors. Specifically, we determined that: (a) five vendors received two awards, for a total of \$50,000 per vendor; (b) two vendors received three awards, for a total of \$75,000 each; (c) one vendor received four awards totaling \$100,000; (d) three vendors received five awards, totaling \$125,000 per vendor; and (e) one vendor received seven awards totaling \$175,000. As a result of making these awards, OCP and DCRA personnel violated the prohibition against parceling and splitting small purchase procurement actions.

Circumvention of Procurement Controls

Of the 46 procurement actions analyzed by the OIG, DCRA awarded 25 procurement actions, totaling \$625,000, during fiscal year 2001. The remaining 21 procurement actions, totaling \$525,000, were awarded during fiscal year 2002. Over the 3-year period from March 1999 through April 2002, DCRA expended an average each year of \$1,372,037 (\$4,116,111 / 3) for nuisance abatement services. Hence, nuisance abatement services that DCRA needed each year significantly exceeded the \$25,000 small purchase dollar limitation in effect. Nevertheless, OCP used small purchase procedures for nuisance abatement services even though 27 DCMR § 1800.2 states that the contracting officer shall not use small purchase procedures when the requirement can be met by using a requirements contract or an indefinite quantity contract (issued under competitive sealed bid procedures).

By using special small purchase procedures in lieu of competitive bidding procedures, OCP circumvented the regulations requiring contractors with awards over \$100,000 to submit tax affidavits and regulations requiring contracting officers to prepare written determinations as to the responsibility of a prospective contractor. Section 2204.6 requires any contractor who submits a bid or proposal for a contract exceeding \$100,000 to submit an affidavit confirming compliance with the filing requirements of District of Columbia tax laws. Section 2200.2 states that a contracting officer shall not make a purchase or award unless the contracting officer has determined in writing that the contractor is responsible in accordance with the regulations.²

² To be determined responsible, § 2200.4 specifically states that contractors must meet the following requirements:

- (a) Financial resources adequate to perform the contract, or the ability to obtain them;
- (b) Ability to comply with the required or proposed delivery or performance schedule, taking into consideration all existing commercial and governmental business commitments;
- (c) A satisfactory performance record;
- (d) A satisfactory record of integrity and business ethics;

FINDING AND RECOMENDATIONS

DCRA Rational for Nuisance Abatement Award Process

According to the DCRA contracting officer, the particular process for awarding nuisance abatement contracts was chosen because nuisance properties numbered in the hundreds at the time the Mayor declared the urgency of abating nuisance properties in the District. The process of awarding vendors small purchase, indefinite quantity contracts at the same price was considered an expedient method of procuring the services, and thereby serving customers (the Mayor and DCRA). By awarding the contracts to LSDBE vendors, DCRA was able to meet its LSDBE requirements. Also, the contracting officer stated that at the time the process was implemented there were only two procurement employees at DCRA. The DCRA contracting officer further stated that the regulations did not specifically disallow the process that was used, which resulted from “thinking outside the box.”

We disagree with the DCRA’s rationale that the regulations did not preclude the procurement process utilized in this instance. D.C. Code § 2-303.21 and 27 DCMR § 1800.1 place a \$25,000 limit on small purchase awards. In addition the regulations require award to the lowest bidder, unless there are factors, other than price, to be evaluated. Further, Section 2-303.21 and 27 DCMR § 1800.5 prohibit splitting and parceling awards.

Pursuant to D.C. Code § 2-301.05(a), District agencies are responsible for determining contract service requirements. DCRA procurement and program personnel were required to exercise procurement authority in accordance with regulations and should have determined their acquisition needs so that goods and services could be obtained in accordance with existing regulations. Because DCRA acquired nuisance abatement services in past years, it had bases for identifying and determining its needs in a timely manner.

We discussed the process DCRA used for procuring nuisance abatement services with the OCP official who supervised the DCRA contracting officer at the time the award process was initiated. The OCP supervisory official informed us that she had discussed with the DCRA contracting officer his proposed method of averaging quotations and giving every vendor the same price. The OCP official further said that she informed the DCRA contracting officer that there was no authority or regulation which allowed the proposed method of award and that the services had to be procured within existing authority. The

-
- (e) The necessary organization, experience, accounting and operational controls, and technical skills, or the ability to obtain them;
 - (f) Compliance with applicable District licensing and tax laws and regulations;
 - (g) The necessary production, construction, and technical equipment and facilities, or the ability to obtain them; and
 - (h) Other qualifications and eligibility criteria necessary to receive an award under applicable laws and regulations.

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OCP official also informed us that she did not know that the DCRA contracting officer had proceeded and used the unauthorized method.

The OCP's lack of oversight is attributable to several factors. First, because the awards were handled as small purchases, higher-level supervisory reviews or controls that would have taken place with larger dollar awards were not performed. Second, the DCRA contracting officer was physically based at DCRA whereas the OCP supervisory official was located at OCP headquarters, contributing to reduced supervisory oversight.

The current small purchase ceiling is \$100,000, which means that even more procurement actions processed by agency-based contracting officers will not be subject to higher-level reviews. OCP can improve oversight by requiring supervisory personnel to conduct periodic reviews of contract files maintained by agency-based procurement personnel to ensure that agencies comply with regulations. OCP should also cease the process of giving every nuisance abatement service provider the same price and make the awards within existing authority and regulations.

Sole Source Procurement

OCP awarded purchase notification #207926, in the amount of \$24,800, to procure services to conduct a survey of street vendors. OCP did not seek competition for this award.

Title 27 DCMR § 1802.5 states, in part:

small purchase solicitation may be awarded on a sole source basis when the contracting officer determines in writing that one (1) of the four (4) conditions in section 305(a) of the Act is satisfied. . . .

Section 305 of the Procurement Practices Act of 1985, D.C. Code § 2-303.05(a) (2001) states that procurement actions may be awarded through noncompetitive negotiations when a contracting officer determines in writing that: (1) there is only one source; (2) the contract is for the purchase of real property; (3) the contract is with a vendor who maintains a price agreement with a federal agency and the price is no greater than that of the federal agency; or (4) the contract is for commodities, supplies, equipment or construction services that would normally be purchased on a competitive basis except that an emergency has been declared.

Here, none of the aforementioned conditions existed. Rather, the DCRA agency contracting officer stated that the procurement action was awarded as a sole source contract because the contractor had previously performed similar services and had street maps with the locations of street vendors. However, the fact that the vendor rendered a similar service in a past year does not justify sole source procurement. Further, the

FINDING AND RECOMENDATIONS

names, numbers, and locations of street vendors, which the contractor had previously obtained, would not necessarily have been the same since the last survey of vendors. In addition, the DCRA contracting officer did not prepare a determination in writing to justify the sole source award. The DCRA contracting officer gave the OIG no reason for not preparing the determinations and findings (D&F) but stated that he knew one should have been prepared.

As stated above, DCRA program personnel should timely identify their requirements in order for OCP personnel to properly plan and execute acquisitions. Also, when appropriate, procurement personnel must prepare D&Fs for sole source procurement as required.

No Evidence of Competition

Title 27 DCMR § 1802.1 requires that:

- a) three oral quotes be obtained for procurement actions between \$2,500.01 and \$7,500.00;
- b) three written quotes be obtained for procurement actions between \$7,500 and \$15,000 ; and,
- c) four written quotes be obtained for procurement actions between \$15,000 and \$25,000.

DCRA procurement personnel did not have evidence of competition documented for three procurement actions we tested. We did not find documentation in the files evidencing competition for purchase notifications: (1) #218537, in the amount of \$5,600, for temporary employee services; (2) #204550, in the amount of \$8,400, for legal consulting services; and, (3) #200549, in the amount of \$15,189, for paper.

OCP needs to develop a standard file maintenance checklist and conduct periodic reviews to ensure that required documents are maintained.

Procurement Planning and Training

DCRA should improve its procurement planning in accordance with 27 DCMR § 1210. Title 27 DCMR § 1299.1 defines procurement planning as: “the process by which the efforts of all personnel responsible for an acquisition are coordinated and integrated through a comprehensive plan for fulfilling agency needs in a timely manner and at a reasonable cost. It includes developing the overall strategy for managing the acquisition.” Section 1210.1 further states that “agencies shall perform procurement planning and conduct market surveys to promote and provide for full and open competition with due regard to the nature of the supplies and services to be acquired.”

FINDING AND RECOMENDATIONS

By requiring DCRA to identify and estimate its requirements for goods and services, DCRA is able to make timely requisitions to OCP. In turn, OCP may properly, and timely, act upon the requisitions in accordance with its procurement plan. Good procurement planning, therefore, should aide OCP-DCRA in identifying acquisition needs and procuring those needs in a timely fashion in accordance with regulations.

During the course of our audit, we noted that OCP procurement personnel had conducted a brief, basic training workshop for program personnel. One objective of the workshop was to identify and clarify the various roles of the OCP and user agency in completing the purchase notification form. One of OCP's strategic goals is to ensure "that all OCP staff and agency program employees receive competency-based procurement training in courses tailored to District laws and regulations." We further note that the workshop included a segment on sole source procurement, which addressed justification and invalid justification for sole source procurement. We suggest that OCP hold a training workshop for DCRA program personnel on agency procurement planning, sole source procurements, and District procurement law and regulations to further the procurement competency of DCRA personnel.

RECOMMENDATIONS

We recommend that the Chief Procurement Officer, Office of Contracting and Procurement:

1. Require OCP supervisory personnel to conduct periodic reviews of contract files at DCRA to strengthen management oversight of agency-based procurement personnel.
2. Cease the process of setting the same price for nuisance abatement contractors and make awards within existing regulations and authority.
3. Prepare determinations and findings for any future sole source procurement awards at DCRA.
4. Hold workshops for DCRA program and administrative personnel regarding agency procurement planning, sole source procurements, and procurement law and regulations.

We recommend that the Director, Department of Consumer and Regulatory Affairs:

5. Establish procurement planning procedures and processes so that program personnel timely determine or identify their needs for goods and services and timely submit requisitions to procurement personnel.

FINDING AND RECOMENDATIONS

OCP AND DCRA RESPONSES (RECOMMENDATIONS 1-5)

Both OCP and DCRA concurred with the recommendations and have planned or taken actions to address each issue identified. The full text of both responses is at Exhibit B.

OIG COMMENT (RECOMMENDATIONS 1-5)

We consider OCP's and DCRA's actions to be responsive and meet the intent of the recommendations.

EXHIBIT A

SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT		
Recommendation	Description of Benefit	Amount and Type of Benefit
1	Compliance and Internal Control. Will strengthen management oversight of agency-based procurement personnel.	Nonmonetary.
2	Compliance and Internal Control. Will curtail noncompliant practices on nuisance abatement contract awards.	Lost opportunity to save \$279,116 on previous nuisance abatement work. Undeterminable amount can be saved on future nuisance abatement contracts.
3	Compliance and Internal Control. Will improve compliance with procurement regulations.	Nonmonetary.
4	Program Results. Will improve procurement planning at DCRA.	Nonmonetary.
5	Program Results. Will create procedures and processes for identifying procurement needs and developing procurement plans to meet those needs.	Nonmonetary.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of Contracting and Procurement

Chief Procurement Officer
Jacques Abadie, III, CPCM



August 19, 2003

Charles C. Maddox, Esq.
Inspector General
Office of the Inspector General
717 14th Street, NW
Washington, DC 20005

Ref: Audit of Procurement Activities by the Office of Contracting and Procurement for the Department of Consumer and Regulatory Affairs, dated 7/24/03

Dear Mr. Maddox

This is in response to your letter of July 24, 2003, requesting information concerning the audit of procurement activities by the Office of Contracting and Procurement (OCP) for Department of Consumer and Regulatory Affairs (DCRA), dated 7/24/03. The draft audit contains four (4) recommendations concerning OCP. Our responses are as follow.

- 1. Require OCP supervisory personnel to conduct periodic reviews of contract files at DCRA to strengthen management oversight of agency-based procurement personnel.**

OCP concurs with this recommendation and management will conduct quarterly reviews and conduct inspections on files for contracts exceeding small procurement threshold at DCRA.

- 2. Cease the process of setting the same price for nuisance abatement contracts and make awards within existing regulations and authority.**

OCP concurs with this recommendation.

- 3. Prepare determinations and findings for any future sole source procurement awards at DCRA.**

OCP concurs with this recommendation and along with the management quarterly review in recommendation # 1 above will ensure all documentation is incorporated into the files.

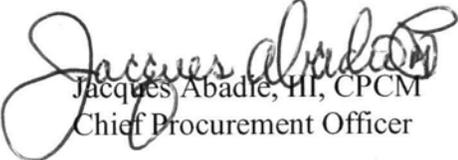
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4. Hold workshops for DCRA program and administrative personnel regarding agency procurement planning, sole source procurements, and procurement law and regulations.

OCP concurs with this recommendation and will make training days available for DCRA program personnel to be held during first and second quarter FY 2004.

If you need additional information, please do not hesitate to contact me at 202-727-0252.

Sincerely,


Jacques Abadie, III, CPCM
Chief Procurement Officer

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GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Consumer and Regulatory Affairs

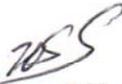


Office of the Director

MEMORANDUM

To: Charles C. Maddox
Inspector General

Thru: David Clark, Director 
Department of Consumer and Regulatory Affairs

From: William S. Clemmons 
Agency Chief Contracting Officer
Office of Contracting and Procurement
Department of Consumer and Regulatory Affairs

Date: August 21, 2003

Subject: Audit of Procurement Activities by the Office of Contracting and Procurement for the Department of Consumer and Regulatory Affairs
OIG No. 02-1-3MA(a)

In response to the Draft report for review audit of procurement activities carried out by the Office of Contracting and Procurement for the Department of Consumer and Regulatory Affairs, I am providing an update to actions taken based upon the summary and recommendations outline on page 2 of the Executive Digest section in that document.

The office of Contracting and Procurement instituted a process to allow for a complete review of each requisition submitted by the DCRA Housing Rehabilitation Administration (HRA) program personnel regarding nuisance abatement.

- a. All requisitions must have an accompanying inspection sheet and a proposed scope of work attached to a governmental cost estimated and funding document.
- b. The HRA supervisors and the Deputy Director review the documents, which are developed by inspection personnel. Upon the Deputy's review it is forwarded to OCP/DCRA.
- c. The OCP Contracting Officer assigns the procurement request to a contract specialist to prepare a bid package and once approved by the ACCO, the solicitation is issued.

- d. Once bids are submitted an evaluation of the bids are conducted for price reasonableness and a determination of responsibility is conducted regarding the apparent awardee
- e. In accordance with the DCMR 27 the award is generally made upon the criteria established in the solicitation document. There has not been an instance in the last year that warranted a deviation from that process. If such a circumstance should occur OCP/DCRA would develop the appropriate Determination and Findings and acquire the appropriate approvals.

There has not been any recurrence of instances identified by the OIG of setting prices for any services within DCRA. It is well understood that if any such need were identified it would require legislative action and approval.

The need for Determinations and findings for Single Available Source and/or Sole Sources are rare at DCRA because everything is competed in accordance with the DCMR 27. However there have been two D&Fs submitted to the CPO for approval during FY2003. Both were approved.

In the past six months the Agency Chief Procurement Officer has met with each Department Administrator, Deputy Director and with the Director of DCRA to discuss procurement policies and procedures, Procurement Planning (SLA), sole source procurements and the District Procurement law and regulations. With the recent implementation of the new Procurement Automation Support System (PASS), the revised procedures for the procurement card program, new procedures and new policies for small purchases there will be a need for additional discussions, changes in procedures and updated training workshops.