

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

**AUDIT OF CONTRACTING ACTIONS
FOR THE DISTRICT'S
ADMINISTRATIVE SERVICES
MODERNIZATION PROGRAM**



**AUSTIN A. ANDERSEN
INTERIM INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



May 3, 2005

Herbert R. Tillery
Interim Chief Procurement Officer
Office of Contracting and Procurement
441 4th Street, NW, Suite 700S
Washington, D.C. 20001

Suzanne J. Peck
Chief Technology Officer
Office of the Chief Technology Officer
441 4th Street, NW, Suite 930S
Washington, D.C. 20001

Dear Mr. Tillery and Ms. Peck:

Enclosed is the final audit report summarizing the results of the Office of the Inspector General's audit of Contracting Actions for the District's Administrative Services Modernization Program (ASMP) OIG 04-1-12MA.

As a result of our audit, we directed nine recommendations to the Office of Contracting and Procurement (OCP) and one recommendation to Office of the Chief Technology Officer (OCTO) for necessary actions to correct the described deficiencies.

We received responses to the draft report from OCP and OCTO on April 20, 2005. Under new leadership, OCP has initiated reforms and plans to take aggressive actions in the form of personnel and policy changes to prevent reoccurrence of the conditions under which past ASMP contracting actions were undertaken. Similarly, OCTO is working cooperatively with the new OCP contracting officer to ensure that best value and fair prices are obtained in all OCTO procurements. We consider actions taken and/or planned by OCP and OCTO to be responsive to our recommendations. The full text of the OCP and OCTO responses are at Exhibits C and D respectively.

Mr. Tillery and Ms. Peck
May 3, 2005
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We appreciate the cooperation extended to our staff during the audit. If you have questions, please contact William J. DiVello, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

A handwritten signature in black ink, appearing to read "Austin A. Andersen". The signature is fluid and cursive, with a long horizontal stroke at the end.

Austin A. Andersen
Interim Inspector General

AAA/ws

Enclosure

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Mr. Tillery and Ms. Peck
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**AUDIT OF CONTRACTING ACTIONS FOR THE
DISTRICT’S ADMINISTRATIVE
SERVICES MODERNIZATION PROGRAM**

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EXECUTIVE DIGEST

OVERVIEW

The District of Columbia Office of the Inspector General (OIG) has completed an audit of Contracting Actions for the District's Administrative Services Administrative Modernization Program (ASMP). The audit objective was to determine whether the Office of Contracting and Procurement (OCP) executed effective contract planning and administration procedures. Specifically, we examined the procurement methods and types of contracts used to determine whether the procurements and related contracting practices were in compliance with the District's procurement rules and regulations.

This objective coincides with our continuing coverage of ASMP. We plan to issue an additional report that will focus on the tangible and intangible benefits of the ASMP initiative by evaluating the District's estimated return on investment and the underlying assumptions upon which potential savings are calculated.

Subsequent to the issuance of our draft report, several meetings were held with OCP and Office of the Chief Technology Officer (OCTO) officials regarding the presentation of information in the draft report. We amended the draft report based on discussions with these officials and additional documentation made available to our auditors that was not available during the audit.

While our report focuses on procurement and contract administrative problems, it is necessary to keep the findings and recommendations in context. Specifically, it is important to note that the work accomplished by OCTO has transformed positively the District's technological infrastructure, resulting in more effective government operations.

CONCLUSIONS

Our audit identified numerous deficient procurement practices involving over \$15 million in contracts awarded by OCP personnel assigned to OCTO. We found that OCP inappropriately awarded sole-source/labor-hour contracts to IT consultants; limited competition to only a small number of available competitors; failed to conduct and document procurement procedures as required by Title 27 of the District of Columbia Municipal Regulations (DCMR); and neglected to designate a Contracting Officer Technical Representative (COTR)/contract administrator to monitor the contractor's performance. Further, we found deficient procurement practices in competitive awards made by OCP and OCTO. As a result, the District government cannot be assured that these contracts were awarded on a fair and reasonable price basis or that the District received the best value for the contracted services. Additionally, potential monetary benefits of at least \$589,000 may have been achieved for procurements totaling about \$2.5 million had sole-source contracts been awarded competitively.

EXECUTIVE DIGEST

We also found that OCP and OCTO did not always follow District laws and regulations in awarding IT contracts. Specifically, contracts exceeding \$1 million were awarded without being submitted to the Council for review and approval. Additionally, we found that OCTO obtained and authorized the services of contractors, worth over \$1 million, without valid written contracts.

OCTO'S ASMP OVERVIEW

At our request, OCTO management provided the OIG with background information regarding ASMP. We requested this information in order to provide management's view regarding the motivation for the ASMP undertaking and some of the benefits to be derived.

The ASMP was undertaken to support one of the Mayor's key initiatives—"Making Government Work." ASMP's three major modules are Procurement, Human Resources (HR), and Payroll. The first two modules are fully implemented, serving 69 agencies and 24,500 employees throughout the District. A quick look at the "Before" and "After" of these administrative functions illustrates the dramatic impact of ASMP.

Before ASMP began in 2001, the District government had no automated procurement system. For nearly all purchases, District employees relied on paper forms that circulated laboriously within and among agencies. Records of transactions were often misplaced or riddled with inaccuracies. There was a Payroll/HR system, but it was 30 years old. The system kept limited data about employees, and much of that information was outdated or inaccurate. Major HR functions such as hiring, transfers, and promotions were conducted entirely on paper forms that traveled slowly through extended approval chains.

The District government launched ASMP in November 2001 to correct these problems and inaugurate a new era of efficiency throughout the District government. ASMP is a 5-year program, covering FY02–FY06. The program approaches each administrative process first by engineering new business processes that efficiently link all stakeholders, and then by implementing best-in-class software to support these new processes.

According to responsible OCTO officials, ASMP is now approximately 75 percent complete. The three major ASMP implementations compare favorably in cost, time, and functionality to the top 10 percent of similarly successful public and private sector administrative implementations.

EXECUTIVE DIGEST

PERSPECTIVE

Underpinning sound procurement principles is the concept that competition practiced in an open and unbiased forum results in fair and reasonable prices for the goods or services tendered and achieves overall best value. Our examination of the contracts awarded for ASMP, predominantly high skill labor-hour contracts, revealed that few actions were considered or undertaken to achieve adequate levels of competition among many available sources in the District. Competition gives buyers the opportunity to let market forces work to achieve fair and reasonable contract pricing. The lack of competition, limited competition, and/or faulty justifications for single-source awards in most ASMP contracts made by OCP officials in place during the timeframe reviewed by our audit (January 2002 through July 2004), created an appearance that many of the ASMP contracts may have been influenced by OCTO as to the choice of contractors, the contract method, and in some instances, the selection of individuals who worked on expert and consulting service contracts. The unusually high labor-hour rates (Exhibit B) paid to numerous contractors is one consequence of these sole-source contract awards and contract awards made with limited competition or questionable competitive practices. These labor intensive contracts, made at a time of peak labor rates during the “dot com” era, had a significant effect on the overall cost of the ASMP initiative, now estimated to be in excess of \$80 million. It should be noted that according to OCTO officials, of the \$15 million escalation (\$80 million less \$65 million baseline cost), \$9 million was attributed to approved scope extensions.

Conceptually, ASMP should provide the District with an improved, integrated, and modernized administrative system for most operating processes. ASMP, designed for development and implementation as a series of modules within the construct of system requirements and an overall architecture, was the ideal program for awarding contracts with open and vigorous competition. With each module having unique functional characteristics, such as payroll, finance, budget, property management, etc., there were many available businesses within the District that could have competed for ASMP contracts and satisfied contractual requirements at significantly reduced costs.

These lessons have not gone unnoticed, and OCP, under new leadership, has assigned a new contracting officer for ASMP contracts. Equally interested in following procurement rules, OCTO has begun working with OCP contracting officials to expand competition and close the loop on “open-ended” contracts by using option contracts. Further, procedures have been updated and actions taken that we hope will prevent reoccurrence of the conditions under which previous ASMP contracting actions were undertaken. With sound internal controls and adherence to existing procurement regulations, especially as they relate to competitive contracting, the District can look forward to more consistently obtaining fair and reasonable prices and best value for OCTO contracts.

EXECUTIVE DIGEST

SUMMARY OF RECOMMENDATIONS

We directed nine recommendations to OCP that centered in part on adhering to District contracting regulations to ensure that all proposed sole-source contracts are reviewed and approved before contract execution; that sole-source contracts are awarded only after there is assurance that selected vendors are the best choice to provide services to the District in the most efficient and economical manner; and that contract files contain documentation to support that sole-source contracting is adequately justified.

We also directed one recommendation to OCTO that centered on discontinuing the practice of obtaining contractual services without a written and valid contract, which improperly obligates District funds.

A summary of the potential benefits resulting from the audit is shown at Exhibit A.

CORRECTIVE ACTIONS

On April 20, 2005, OCP and OCTO each provided a written response to our draft report. OCP's and OCTO's responses addressed all of the recommendations, and we consider the actions currently on-going or planned to be responsive to all of our recommendations. The full text of OCP's and OCTO's responses are included at Exhibits C and D respectively.

INTRODUCTION

BACKGROUND

In October 2001, OCTO received approval to implement an Enterprise Resource Planning (ERP) project for the District of Columbia called the Administrative Systems Modernization Program (ASMP). ERP attempts to integrate all departments and functions across a company, or in this case a city, into a single computer system that can serve different departments' particular needs. ERP goals include building a software program that serves the needs of people in finance as well as human resources, in addition to the myriad of other departments found in a city government. The ASMP is a District-wide business transformation project that focuses on processes, policies, organizational improvements, and business areas within agencies of the District government.

The ASMP is an initiative designed to modernize the city's administrative systems. The project includes integration of the District's current financial system, the System of Accounting and Reporting (SOAR), and replacement of systems currently used in budgeting and planning, payroll, time and attendance, human resources, benefits and pension administration, and property management. ASMP is expected to improve administrative processes, systems, and policies across the operating agencies, administrative agencies, and financial agencies. These new business processes will flow horizontally (i.e., between agencies) instead of vertically (i.e., within an agency), thus seamlessly tying the District's agencies together.

ASMP Benefits Projected. According to original plans (unchanged since inception of the program), ASMP is anticipated to be completed in 2006. OCTO estimated that, upon the successful implementation of ASMP, the District would realize a one-time savings of \$150 million and \$63,850,000 in annual recurring benefits. In addition to the dollar savings, the District is expected to realize increased productivity, improved access to information, and enhanced overall service delivery to citizens of the District.

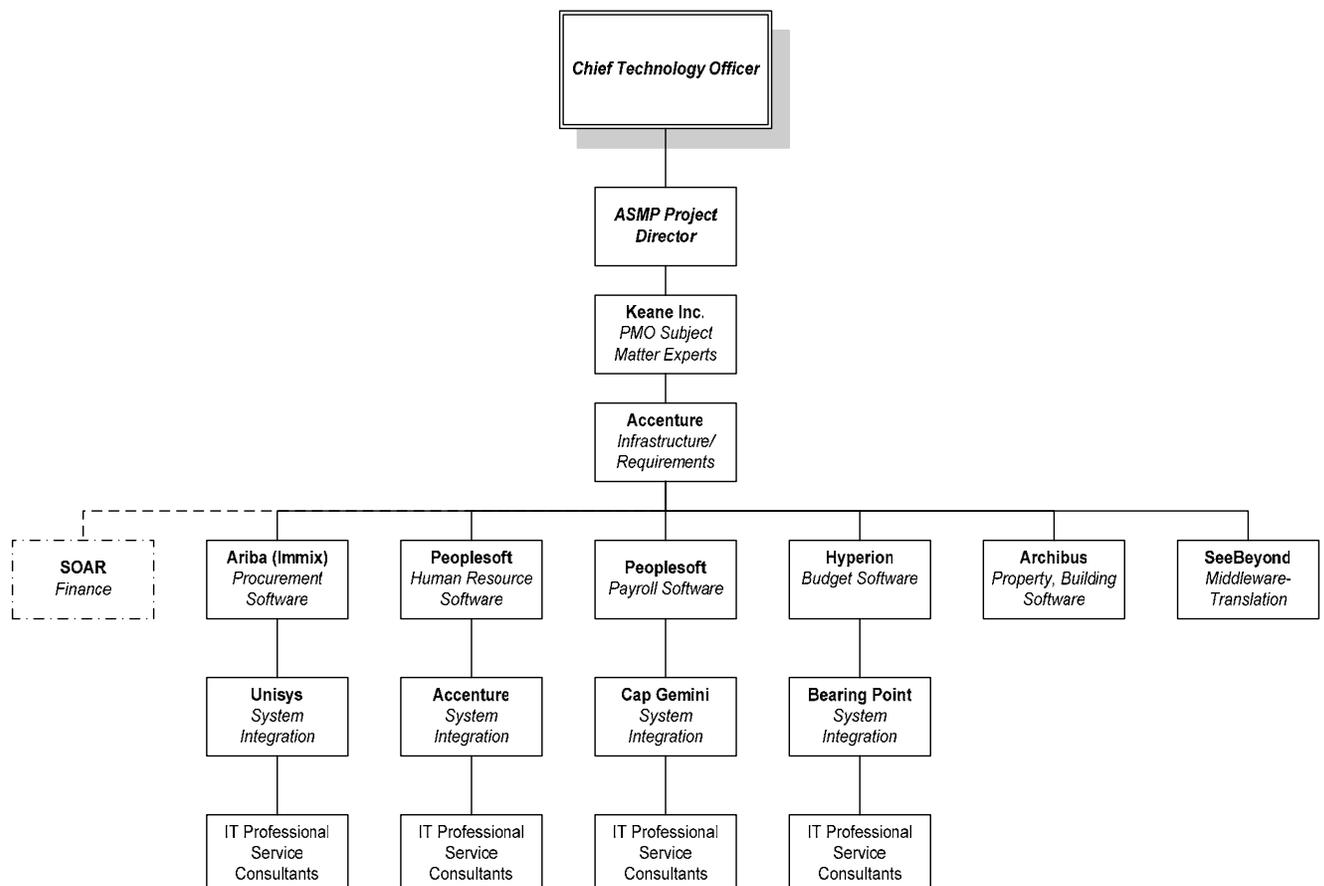
Program Oversight. An Executive Steering Committee, chaired jointly by the Chief Technology Officer and the District's Chief Procurement Officer, was created to provide leadership in the implementation of ASMP. The City Administrator acts as Chairman Emeritus. The Program Director, who is responsible for managing and overseeing ASMP operations, is a personal service contractor procured by OCTO since July 2001. The Program Director reports directly to the Chief Technology Officer.

ASMP Funding. The ASMP initiative is a capital project funded by five District agencies. OCTO is responsible for overseeing the use of funds. In February 2002, a memorandum of understanding was created among the agencies that would help fund ASMP. The five agencies are the District of Columbia's Office of Personnel, the Office of Property Management, OCTO, OCP, and the Office of the Chief Financial Officer.

INTRODUCTION

ASMP Architectural Structure. Prior to development and implementation, OCTO established the system requirements and infrastructure and obtained Program Management Office (PMO) subject matter experts. OCTO contracted with Keane Inc. to supply the PMO subject matter experts and Accenture, LLP to establish the requirements and infrastructure for each module.¹

The ASMP project director indicated that OCTO chose to use multiple vendors for each module. OCTO selected Ariba to provide the procurement software, PeopleSoft for the human resources and payroll/time and attendance modules, and Hyperion for the budget software. OCTO also used multiple vendors for system integration. ASMP management based their decision to use multiple vendors on the assumptions that licensing and maintenance costs would be cheaper with multiple vendors, and that using one vendor would require the District to purchase an unneeded financial module. A diagram depicting ASMP's architectural structure is shown below:



¹ Module refers to an independent piece of software which forms part of one or more larger programs.

INTRODUCTION

Breakdown of ASMP Costs. The original estimated cost of the project was \$65,650,000 but cost estimates are currently in excess of \$80 million. As of September 2004, total cost encumbered was \$56,760,820. The table below breaks out major costs associated with the ASMP project. It reflects those costs by fiscal year (FY) and shows the percentage of the annual ASMP cost for each category represented.

Table 1: Breakdown of ASMP Costs

BREAKDOWN OF ASMP COSTS						
	FY 2002		FY 2003		FY 2004	
	COSTS	% of Total Cost	COSTS	% of Total Cost	COSTS	% of Total Cost
IT Professionals Services	\$7,569,300	65.63%	\$14,720,620	72.24%	\$21,856,800	87.94%
Office Equipment	\$179,400	1.56%	\$64,300	0.32%	\$236,000	0.95%
Hardware	\$613,800	5.32%	\$2,992,900	14.69%	\$979,800	3.94%
Software	\$2,991,300	25.94%	\$1,919,000	9.42%	\$1,570,000	6.32%
Training	\$0	-	\$317,100	1.56%	\$94,900	0.38%
Advertising	\$178,800	1.55%	\$360,800	1.77%	\$116,000	0.47%
Total	\$11,532,600	100.00%	\$20,374,720	100.00%	\$24,853,500	100.00%

The IT Professional Services category represents employees and contractors who provided services relating to system integration; data architecture; the ASMP Program Director position; and staff members directly responsible for the management of ASMP. Services from IT Professionals represented 66% and 72% of the costs of ASMP for FY 2002 and FY 2003, respectively. As of September 2004, IT Professionals made up 88% of ASMP costs. The majority of the IT Professionals were contractors acquired by OCTO. As of May 2004, ASMP's workforce consisted of 13 District employees and 89 contractors.

Consultant Costs. Exhibit B shows a schedule of IT positions provided by contractors during FY 2002 and FY 2003. The schedule shows that these individuals were paid hourly rates of between \$100 and \$375. Several of the IT Professionals were part of the ASMP initiative since FY 2002 and worked full time. As shown in Exhibit B, annualizing these rates for the 43 contracted employees reveals that each could earn in excess of \$200,000 per year. The schedule reflects a minimum of \$100 per hour or \$208,000 per year for someone to supply business integration support, to a high of \$375 per hour or \$780,000 per year for a team leader to establish infrastructure for the project. OCTO personnel informed us that the actual dollars paid for the \$375 per hour individual was limited to approximately \$34,000 or 90 hours of work. We did, however, perform a detailed analysis of six OCTO IT professionals listed on the schedule in Exhibit B. Our analysis showed that for these six individuals, OCTO procured their services from an 8½-month period to a 12-month period with total costs ranging from \$264,040 to \$398,965. Table 2 below shows the results of the analysis.

INTRODUCTION

Table 2: Analysis of Actual Payments to IT Professionals

Title	Period of Performance	Hourly Rate	Amount Paid
Expanded Management Team Member	02/01/2002-01/31/2003	\$240.63	\$398,965
Business Integration Manager	02/01/2002-01/31/2003	\$240.63	\$346,267
Expanded Management Team Leader	01/22/2002-09/27/2002	\$322.12	\$349,822
ASMP Lead Architect	08/19/2002-10/24/2003	\$173.00	\$343,578
Business Integration Analyst	02/01/2002-01/31/2003	\$153.00	\$235,208
Quality Assurance Manager	02/01/2002-01/31/2003	\$188.13	\$264,040

OBJECTIVES, SCOPE, AND METHODOLOGY

Our audit objective was to examine whether OCP executed effective contract planning and administration procedures. Specifically, we examined the procurement methods and type of contracts used to determine whether the procurements and related contracting practices were in compliance with the District’s procurement rules and regulations.

To accomplish our objectives, we held interviews and discussions with OCTO and OCP management and administrative staff to gain a general understanding of the policies and procedures and other controls used for the procurement of goods and services needed to implement the ASMP initiative. We reviewed the District of Columbia Municipal Regulations (DCMR), Title 27, Contracts and Procurement, which establishes uniform purchasing procedures for the District of Columbia. We examined 31 contracts and pertinent documents in each contract file to determine if District procurement rules and regulations were followed. This audit is part of our continuing review of the ASMP and focused exclusively on ASMP contracts issued between January 2002 and July 2004.

The 31 contracts examined were judgmentally selected out of 425 ASMP contracts valued at \$68,448,848. The 31 contracts examined were valued at \$15,360,363. The list of 425 ASMP contracts was provided by OCTO’s former Chief Contracting Officer. We focused solely on ASMP contracts awarded for IT Professional Services. Contracts for IT Professional Services were chosen for review because in FY 2002 and FY 2003 they represented approximately 66 and 72 percent, respectively, of ASMP program costs (Table 1).

We did not rely on computer-based data supplied by OCP and OCTO as a basis for our audit findings and recommendations. Therefore, we did not conduct tests of the reliability of the data, nor of the controls over the computer-based system that produced the data.

We conducted the audit in accordance with generally accepted government auditing standards and included such tests as we considered necessary under the circumstances.

FINDINGS AND RECOMMENDATIONS

FINDING 1: ASMP PROCUREMENT PRACTICES
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SYNOPSIS

We reviewed 31 of 425 ASMP contracts and found that 28 were awarded as sole-source/labor-hour contracts. Of these 28 sole-source awards, 10 were awarded citing 27 DCMR § 1702, Single Available Source. However, we found that these Single Available Source Award contracts were not justified and that there were numerous competing firms that could have been solicited to satisfy the District's needs. We also found limited and/or deficient procurement practices in competitive awards made by OCP and OCTO. In addition, there were two sole-source awards made without preparation of Determinations and Findings. Further, the OCP contracting officer neglected to designate a Contracting Officer's Technical Representative (COTR)/contract administrator to monitor contractors' performance for 31 contracts. These conditions occurred because contracting officials failed to adhere strictly to District procurement rules and regulations before issuing contracts and because of the inadequate oversight over procurement practices in the OCP. As a result, the District government cannot be assured that these contracts were awarded on a fair and reasonable price basis or that the District received the best value for the contracted services. Additionally, potential monetary benefits of at least \$589,000 may have been achieved for procurements totally approximately \$2.5 million had contracts been awarded competitively, or sound procurement practices had been followed.

Limited Competition. We found that OCP limited competition on Request for Proposal (RFP) solicitation number POTO-2002-R-0009. The purpose of this RFP was to: (1) acquire Program Management Office (PMO) Subject Matter Experts, (2) acquire staff for Requirements Gathering, and (3) establish the ASMP Infrastructure. Vendors were allowed to submit proposals on all three business initiatives, a single initiative, or any combination. Based on unsigned and undated documents prepared and provided by OCTO, seven vendors were invited to bid on this RFP. According to OCTO, five vendors submitted proposals. Table 3 below lists the five vendors that responded and identifies the cost of the initiatives for which they submitted bids.

FINDINGS AND RECOMMENDATIONS

Table 3: Summary of Contract Proposals for Request for Proposal Solicitation Number POTO-2002-R-0009

		Cost FY 2002	Cost FY 2003	Cost FY 2004	Cost FY 2005	Cost FY 2006	Total Proposed Cost
ACCENTURE	PMO	\$0	\$0	\$0	\$0	\$0	\$0
	Requirements	\$1,946,800	\$0	\$0	\$0	\$0	\$1,946,800
	Infrastructure	\$1,458,000 ²	\$0	\$0	\$0	\$0	\$1,458,000
Total		\$3,404,800					\$3,404,800
SAIC	Infrastructure	\$497,810	\$546,041	\$72,990	\$0	\$0	\$1,116,841
Total		\$497,810	\$546,041	\$72,990			\$1,116,841
KPMG	Requirements	\$3,053,280 ³	\$0	\$0	\$0	\$0	\$3,053,280
	Infrastructure	\$1,592,960 ⁴		\$0	\$0	\$0	\$1,592,960
Total		\$4,646,240					\$4,646,240
KEANE, INC	PMO	\$2,891,811	\$3,737,543	\$2,247,930	\$0	\$0	\$8,877,284
	Requirements	\$1,405,002	\$0	\$0	\$0	\$0	\$1,405,002
	Infrastructure	\$413,011	\$0	\$0	\$413,011	\$0	\$826,022
Total		\$4,709,824	\$3,737,543	\$2,247,930	\$413,011	\$0	\$11,108,308
IBM	PMO	\$3,805,334	\$4,636,039	\$2,741,684	\$2,356,457	\$2,507,873	\$16,047,387
	Requirements	\$2,071,505	\$1,061,730	\$0	\$0	\$0	\$3,133,236
	Infrastructure	\$578,150	\$966,564	\$92,081	\$0	\$0	\$1,636,795
Total		\$6,454,989	\$6,664,333	\$2,833,765	\$2,356,457	\$2,507,873	\$20,817,418

Analysis of the bids in Table 3 shows that each vendor estimated different time frames for completion of elements on the proposal. Therefore, the cost estimates varied substantially between each proposal. Based on very limited information maintained by OCP and OCTO on the RFP, we were unable to determine the actions performed for the selection of Keane, Inc. and Accenture, LLP. Documents were missing from the official contract files and not available at the OCTO program office.

On February 11, 2002, OCP awarded Accenture, LLP a \$2,761,314 contract for Requirements Gathering and Establishing the ASMP Infrastructure, and on April 26, 2002, Keane, Inc. was awarded \$9,839,674 contract to provide the PMO Subject Matter Experts. Our audit was unable to determine the rationale for selecting both the Accenture, LLP, and Keane, Inc. contractors. Neither OCP nor OCTO could provide original documentation detailing the actions performed in evaluating and selecting these contractors. At a minimum, information on the selection protocol, selection panel, technical and pricing evaluation criteria, proposal evaluation scores and scoring sheets, the contracting officer's evaluation of

² These amounts were reduced to \$1,493,322 and \$1,267,992, respectively, or a total of \$2,761,314 after Accenture submitted its Best and Final Offer.

³ Estimate is based on a 6- month timeline.

⁴ Estimate is based on a 20-month timeline.

FINDINGS AND RECOMMENDATIONS

the bids and technical evaluation, as well as letters of rejection, should have been maintained in the contract files.

Contract files are required to depict a complete history of procurement actions taken and contain the rationale to support each contract action. Specifically, 27 DCMR § 1203.2 provides:

[t]he documentation in each contract file maintained by the contract office shall be sufficient to constitute a complete history of the transaction for the following purposes:

- (a) Providing a complete background as a basis for informed decisions at each step of the procurement process;
- (b) Supporting actions taken;
- (c) Providing information for reviews and investigations; and
- (d) Furnishing essential facts in the event of litigation.

Additionally, OCP did not maintain all the original proposals submitted or records of the negotiations between OCP and vendors. Except for bidder proposals, the documents and e-mails provided by OCTO to our Office were unsigned and undated. These documents did not explain how OCP concluded that Keane, Inc. and Accenture, LLP were the best candidates. The e-mails, however, suggest that OCTO – and not the OCP contracting officer – directed the procurement efforts for solicitation number POTO-2002-R-0009.

Based on the documents provided by OCTO and lack of documents in the contract file maintained by OCP, we strongly believe there was a lack of participation and a failure to provide leadership by OCP's contracting officer assigned to OCTO. The contract files for Keane and Accenture merely contained their proposals. There was no technical analysis, evaluation of the cost estimates or price on any of the proposals submitted, or any other documents in the contract file to justify the contract awards to Keane and Accenture.

Questionable Competitive Awards. We found questionable procurement practices in the competitive awards to Accenture, LLP, and Keane, Inc. The proposal submitted by Accenture, LLP, valued at \$2.7 million, stated that all work for requirements gathering and establishing the ASMP infrastructure would be completed in September 2002. Yet, as of July 2004, Accenture was still working on establishing the ASMP infrastructure and had received over \$6.3 million. Contract modifications extending the period of performance provided no justification for extending the contract. Further, IBM's proposal for Requirements and Infrastructure, covering a period through FY 2006, totaled \$4.8 million. If Accenture's bid was properly priced for the entire period (through FY 2006), the higher cost (\$6.3 million as of July 2004) associated with Accenture's proposal may have become evident and affected the award decision.

FINDINGS AND RECOMMENDATIONS

In evaluating the award of the Keane, Inc. contract, we reviewed timesheets approved by the ASMP Program Manager, and invoices submitted by Keane, Inc., and found that OCTO had permitted Keane, Inc. to provide PMO subject matter experts services prior to the award date, (April 26, 2002). From October 15, 2001, through April 25, 2002, Keane, Inc. performed services without a valid written contract with the District. Keane, Inc. did not receive payment for services performed during this period until April 2002. OCTO's actions created an appearance that it pre-selected Keane, Inc., defeating the fundamental objectives of full and open competition.

Documenting and Justifying Sole-Source Procurements. Sole-source procurement is achieved when a single available source is used to fulfill the requirements of a contract or when a sole-source contract is justifiably awarded and a single source is found to be the most advantageous to the D.C. government for the purpose of contract award. While sole-source awards can be a legitimate procurement vehicle, 27 DCMR § 1701.1 states the following: “[e]ach contracting officer shall take reasonable steps to avoid using sole-source procurement except in circumstances where it is both necessary and in the best interests of the District.” In fact, as a general rule, the procurement regulations require District contracting officers to use competitive bid procedures, unless a sole-source award may be justified by a specific exception to the rule.

Of the 31 contracts in our sample, OCP awarded 28 on a sole-source basis without the benefit of competition. These 28 contracts were valued in excess of \$2.4 million. Table 4 below summarizes the number and dollar value of the sole-source contracts by the justification (D.C. Code or DCMR provision) used to justify their award.

Table 4: Sole-Source Award Justifications

Justifications for Sole-Source Award	No. of Sole-Source Contracts Reviewed	Value of Contracts
None	2	\$388,361
Cited § 1702 & §§ 2-303.05(a)(3) and (3A)	10	\$611,129
Cited § 2103.4	6	\$1,011,875
Cited § 2-303.05(a)(3)	5	\$282,591
Cited § 2-303.05(a)(3A)	1	\$64,904
Initial purchase order under \$15,000	3	\$59,468
DC Supply Schedule purchase	1	\$36,146
Total	28	\$2,454,474

Inadequate Justification Prepared for Single Available Source Awards. Of the 28 sole-sourced contracts, 10 contained no rationale for the use of a sole-source procurement. A review of the competitive market for the 10 single available source/sole-source awards showed that there was ample competition available to satisfy the District's needs. Under the general provisions of Title 27 of the DCMR, Chapter 17, certain steps must be documented

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to justify a sole-source contract award. For example, if the justification is for a single available source, § 1702.1 provides that the contracting officer must determine that there is only one available source for the goods/services prior to awarding a contract via non-competitive procedures. This determination was not made nor an adequate justification developed for a Single Available Source contract award.

Modifying Expert and Consultant Service Contracts. A contract modification is any written change in the terms of a contract, such as changes to the contract period, contract amount, or scope of work. Title 27 DCMR § 1901.8 provides: “A contract for expert or consulting services shall not be extended by modification. When additional services are required, a new contract shall be awarded subject to the requirements and limitations of this section.” Additionally, the District’s FY 2003 Appropriations Act, Public Law 108-7 § 113 provides, “No sole source contract with the District of Columbia government or any agency thereof may be renewed or extended without opening that contract to the competitive bidding process as set forth in section 303 of the District of Columbia Procurement Practices Act of 1985: . . . except that the District of Columbia government or any agency thereof may renew or extend sole source contracts for which competition is not feasible or practical, but only if the determination as to whether to invoke the competitive bidding process has been made. . . .”⁵

Of the contracts reviewed, we found that four were modified by extending the period of performance on expert and consulting service contracts. Additionally, our examination of contract files for all four of the contracts showed that no justification or rationale was prepared to support the modifications. Repetitive modifications led to the award of contracts without the benefit of competition. The four contract modifications are discussed below.

The first and second contracts with modifications were Calvin C. Tildon and Midtown Personnel. Both contracts were labor-hour contracts awarded via sole-source procurement. The justification provided by OCP for the sole-source awards to the contractors was that both contracts were under \$15,000⁶. Calvin C. Tildon’s and Midtown Personnel’s initial contract awards were \$12,790 and \$11,520, respectively. However, both contracts were modified, increasing Calvin C. Tildon’s and Midtown Personnel’s contracts to \$26,210 and \$19,125, respectively. Adequate procurement planning may have prevented these sole-source awards.

The third contract modified was a sole-source labor-hour contract to Comsys. The original award to Comsys was for \$65,000. However, OCTO requested a modification for an additional \$65,000 for Comsys, increasing the contract value to \$130,000. The contract file contained no explanation or justification for the modification.

⁵ See also District of Columbia Appropriations Act, 2002, Pub. L. No. 107-96, § 113, 115 Stat. 923.

⁶ District of Columbia Office of Contracting and Office of the Chief Technology Officer, “Small Purchase Procedures”, § 1001.1 states that “A procurement for an amount of fifteen thousand dollars (\$15,000) or less may be made without obtaining competitive quotations.”

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The fourth contract modified was a sole-source labor-hour contract to JE Technologies. The original purchase order was for \$117,984. The contract was for a “temporary position” for a specific individual, at an hourly rate of \$122.90 an hour, while the individual applied for a position in OCTO. According to statements made by the Contracting Officer and documented in the contract file, a modification was issued to increase the purchase order by \$40,000, extending the period of performance “due to delays on the part of Human Resource in hiring” the individual.

In all of the modifications to the four contracts that extended the contracts by adding funding, in no instance were the contracts modified to cover a period of performance. Funding was simply placed on the contract until it was consumed. Repetitive modification of expert and consulting service contracts increases the likelihood that the District will become dependent on one contractor and thus decreases the opportunity for competition. In addition to the loss of competition, there are no effective cost controls or limits, other than funding, to control the cost growth.

Numerous Contractors Qualified for the IT Contracts Awarded as Sole-Source. In an attempt to determine if the 28 sole-sourced contracts could, in fact, have been accomplished by only one source, we randomly selected 8 of the sole-source contracts to confirm whether only one source existed. We reviewed the Statements of Work, or the purchase orders and GSA Federal Supply Schedules of contractors where no Statements of Work were available, to determine the specific work contracted out. Using a general description of the work, we searched the District Supplier Database⁷ and the GSA Federal Supply Schedule E-Library⁸ to identify other vendors who provided services similar to those provided by the sole-sourced contractors. Consequently, we were able to easily identify multiple contractors who could have possibly submitted competitive bids to provide services similar to those acquired using sole-source contracts.

Table 5 below shows the results of our review of the eight randomly selected contractors that were awarded sole-source contracts to provide IT services for the ASMP initiative. We limited our search in the GSA Federal Supply Schedule E-Library to only those vendors located in the District, because the number of District-based contractors that provided similar IT services was more than adequate to demonstrate the availability of adequate competitive sources.

⁷ The District Supply Database provides the names of vendors, by the commodity they provide, from which District agencies may obtain goods and services.

⁸ The GSA Federal Supply Schedule E-Library is an on-line database of all vendors who maintain a federal supply schedule.

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Table 5: A Sample of the Number of Vendors Available for the IT Services Contracts

	Contractors Awarded Sole-Source Contracts	Commodity	No. of Contractors on the D.C. Supplier Database	No. of Contractors Located in D.C. on the GSA Federal Supply Schedule
1	Beale Inc. Washington, DC 20018	General Purpose Commercial Information Technology Equipment, Software, and Services	700	113
2	Calvin C. Tildon Springfield, VA 22152	Management, Organization, and Business Improvement Services (MOBIS)	700	125
3	Cap Gemini Ernst & Young, LLP Centerville, OH 45459	General Purpose Commercial Information Technology Equipment, Software, and Services	134	113
4	Comsys Information Technology Services Rockville, MD 20850	General Purpose Commercial Information Technology Equipment, Software, and Services	328	113
5	DBTS Solutions Washington, DC 20002	General Purpose Commercial Information Technology Equipment, Software, and Services	700	113
6	JE Technologies, Inc. McLean, VA 22102	General Purpose Commercial Information Technology Equipment, Software, and Services	60	113
7	Paradyne Management, Inc. Arlington, VA	General Purpose Commercial Information Technology Equipment, Software, and Services	700	113
8	Susan Fitzgerald & Assoc. Washington, DC 20007	Management, Organization, and Business Improvement Services (MOBIS)	700	125

Potential Competitive Sources Available. The result of this test shows that OCP failed to follow DCMR Title 27. With minimal effort, OCP could have identified potentially competitive sources for each sole-source contract award. In addition, OCP may have been able to award contracts to more District-based firms. The District’s ASMP was designed using open architecture, which can increase the use of competition. By breaking the ASMP initiative into several projects, smaller firms were more prone to participate, thereby increasing both the quality and quantity of competition. However, our audit revealed that the OCP did not achieve the intended result of maximizing competition because the smaller projects were sole-source procurements. Numerous studies have shown that the benefits of competition range from 7% to 39% (mean of 24%). If OCP had effectively used open competition, the District could have potentially assumed savings of \$589,000 (24 percent of \$2.4 million) for IT professional services acquired for the ASMP.

Determinations and Findings Not Prepared. Of the 28 sole-source contracts, 2 did not contain a D&F to justify the sole-source award. If a sole-source contract is to be awarded, 27 DCMR § 1705.2 requires the contracting officer to prepare a written D&F that includes, *inter alia*, the following:

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- (d) A specific citation to the applicable provisions of § 305(a) of the [Procurement Practices] Act and this chapter that provide legal authority for the sole source procurement;
- (e) An explanation of the unique nature of the procurement or other factors that qualify the requirement for sole source procurement;
- (f) An explanation of the proposed contractor's unique qualifications or other factors that qualify the proposed contractor as a sole source for the procurement;
- (g) A determination that the anticipated costs to the District will be fair and reasonable; [and]
- (h) A description of the market survey conducted and the results, or a statement of the reasons why a market survey was not conducted, and a list of the potential sources contacted by the contracting officer or which expressed, in writing, an interest in the procurement

Additionally, § 1901.5 provides,

- [t]he contracting officer shall determine in writing that the contract for expert or consulting services rather than the use of District employees is in the best interest of the District for one (1) or more of the following reasons:
- (a) The use of a contract for services is substantially more economical, feasible, or necessary due to unusual or emergency circumstances;
 - (b) The services are needed for short periods only or are needed in connection with a specific project that is to be completed within a specified period; or
 - (c) The services are difficult to obtain due to scarcity of skilled personnel or because the services are of highly specialized nature.

Therefore, the D&F should have contained sufficient facts and a rationale to justify the use of the specific authority cited. At a minimum, to adequately justify the procurement actions taken, the contracting officer should have: (1) demonstrated that the proposed contractor's unique qualifications or the nature of the acquisition required the use of the authority cited; (2) provided a description of efforts made to ensure that offers were solicited from as many potential sources as was practicable, including whether a notice was publicized; (3) demonstrated that the anticipated cost to the District was fair and reasonable; and (4) provided a description of the market research conducted and the results of the same, or a statement of the reason market research was not conducted.

Use of Labor-Hour Contracts. Labor-hour contracts provide for procurement of services on the basis of direct labor-hours at specified fixed hourly rates and may also include wages, general and administrative expenses, and profit. A labor-hour contract is a variation of a

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time-and-materials contract that may be used when materials are not required. However, Title 27 DCMR, Chapter 24 expressly discourages labor-hour contracts and allows their use only after certain criteria are met.⁹ Specifically, § 2420.1 provides that labor-hour contracts may only be used after “the contracting officer determines in writing that no other type of contract is suitable, and only if the contract includes a ceiling price that the contractor exceeds at its own risk.” Additionally, § 2420.5 requires that the contract administrator shall provide surveillance of contractor performance when this type of contract is used. The contracting officer is responsible for ensuring that these requirements are met prior to the issuance of a contract. Section 1003.3 provides, “A contracting officer shall not enter into a contract unless the contracting officer has ensured that all requirements of law, Mayor’s Orders, Mayor’s Memoranda, rules, and all other applicable procedures (including approvals) have been met.”

All 31 contracts reviewed were labor-hour contracts. In awarding all 31 contracts, OCP did not follow the regulations governing labor-hour contracts. Specifically, OCP did not:

- determine in writing that no other type of contract was suitable;
- include in the contract a ceiling price that the contractor would exceed at its own risk; and
- ensure a contract administrator was designated to monitor contractor performance.

In an interview, the former contracting officer acknowledged the requirements and the lack of documentation in the contract files to support the procurement actions. The only explanation offered by the contracting officer was that, “It was just not done.”

Oversight of Contractors. District procurement regulations require that agencies monitor contractor performance to ensure that the District receives the goods and services it contracted for and that quality standards are met. Specifically, 27 DCMR § 4001.1 provides:

The using agency, or individual(s) responsible for contract administration in the case of a term contract, shall do the following: (a) Develop and apply efficient procedures for performing District contract quality assurance actions under the contract in accordance with the written directions of the contracting officer; (b) Perform all actions necessary to verify whether the supplies, services, or construction conform to contract quality requirements; . . . [and] (d) Report to the contracting officer any defects observed in design or technical requirements, including contracting quality requirements. . . .

⁹ According to 27 DCMR § 2421.2, the provisions governing time-and-materials contracts as found in § 2420 similarly apply to labor-hour contracts.

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Additionally, § 2420.5 provides, “[t]he contracting administrator shall provide surveillance of contractor performance when a time-and-materials type contract is used.”

Finally, 27 DCMR § 1203.4 states, “[t]he contracting office file shall document the basis for the procurement and the award, the assignment of contract administration (including payment responsibilities), and any subsequent action taken by the contracting office.”

None of the 31 labor-hour contracts we reviewed were assigned a COTR/contract administrator to monitor the contractor’s performance. The former contracting officer acknowledged that OCP was fully aware that OCTO had not designated a COTR/contract administrator to monitor each contractor’s performance. Due to the potential cost-growth problems associated with labor-hour contracts, it was important that OCP assign a contract administrator in order to provide reasonable assurance that efficient methods and effective cost controls were used.

Purchase Descriptions Not Prepared. We found that the contract files were poorly documented. From our review of 31 contract files, we could not readily identify what services OCTO was in need of, or what services were procured, for 20 contract files because they lacked a purchase description or the purpose description was unsatisfactory. Title 27 DCMR § 2500.2 states that “[t]he District shall develop specifications and purchase descriptions using market research in a manner designed to promote competition to the maximum extent possible, with due regard to the nature of the supplies or services to be procured.” In addition, § 2501.1 states that “[i]tems to be procured shall be described by citing the applicable specifications and standards or by a description containing the necessary requirements.” Finally, § 2501.7 states that “[p]urchase descriptions of services shall outline the specific services the contractor is expected to perform to the greatest degree practicable.”

Of the 31 contract files we reviewed, only 11 contract files contained a satisfactory purchase description. The remaining 20 contract files either contained an unsatisfactory purchase description or none at all. Additionally, none of the 20 contract files contained a description of the applicable specifications and standards for the procurement. Without a purchase description, there is no clear understanding of what is expected of the contractor and no basis to measure its performance.

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RECOMMENDATIONS, MANAGEMENT RESPONSES, AND OIG COMMENTS

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

1. Enforce the DCMR Title 27 requirement that all proposed sole-source contracts be reviewed and approved (including legal reviews) before contract execution.

OCP RESPONSE

OCP agreed with the recommendation and stated that all proposed sole-source procurements are currently being reviewed and approved in accordance with 27 DCMR. The full text of OCP's response is included in Exhibit C.

OIG COMMENT

We consider OCP's actions to be responsive, satisfying the intent of the recommendation.

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

2. Establish a review process (i.e., checklist) that will provide reasonable assurance that procurement rules and regulations pertaining to sole-source procurement, preparation of D&Fs and purchase descriptions, labor-hour contracts, and designation of contract administrators have been followed prior to awarding the contract.

OCP RESPONSE

OCP concurs with this recommendation and has implemented appropriate procedures. OCP has revised its contracting review process to place greater accountability with contracting officers to ensure that all statutory and regulatory requirements are followed. In addition, OCP requires that all contracts over \$100,000 include a designated Contracting Officer's Technical Representative (COTR) who has been properly trained in contract monitoring.

OIG COMMENT

We consider OCP's actions to be responsive, satisfying the intent of the recommendation.

FINDINGS AND RECOMMENDATIONS

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

3. As a supplement to DCMR Title 27 requirements, issue written guidance (standard operating procedures) to OCP contracting personnel for preparing a detailed and complete Determination and Finding for sole-source procurement.

OCP RESPONSE

OCP concurs with this recommendation. In October 2004, OCP provided substantial sole-source training to all its employees. Additionally, OCP published on-line templates and instructional guidelines for sole-source Determination and Findings (D&F) for use by all contracting personnel.

OIG COMMENT

We consider actions taken by OCP to be responsive, meeting the intent of the recommendation.

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

4. Award sole-source contracts only after there is assurance that the selected vendors are the best choice to provided services to the District in the most efficient and economical manner and:
 - (a) prepare adequate justifications for sole-source awards by completing a D&F;
 - (b) document that all avenues have been exhausted to ensure that a particular vendor is the only source that can provide the needed goods and/or service; and
 - (c) ensure that proposed contracts have gone through all processes of review, including required approvals.

OCP RESPONSE

OCP partially agreed with the recommendation. OCP agrees that adequate justification for sole-source contracts should be contained within the D&F in the contract file. OCP disagrees that in every instance a sole-source procurement must be obtained from a particular vendor that is the only vendor that can provide a needed good or service. D.C. Code §§ 2-303.05(a)(3) and (a)(3A) do not require that the vendor be the only source that can provide goods and services. The only requirements for those two provisions are that the goods and

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services be substantially the same and that the prices charged to the District are not higher than those in the relevant federal contract.

OIG COMMENT

We agree with OCP that D.C. Code §§ 2-303.05 (a) (3) and (a) (3A) allow the use of sole-source procurement even when the vendor is not a single available source. However, it is our opinion that OCP should limit the use of sole-source procurement and expand opportunities for competition, thus providing all vendors with an equal opportunity to compete for District government contracts.

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

5. Conduct training for all OCP contracting personnel to include the DCMR and D.C. Code in order to promote uniform understanding of the laws, rules, and regulations pertaining to sole-source contract justification and award.

OCP RESPONSE

OCP concurs with this recommendation. As mentioned in the response to Recommendation 3, sole-source training was provided to all OCP personnel and will continue to be provided on a recurring basis.

OIG COMMENT

We consider actions taken and planned by OCP to be responsive, meeting the intent of the recommendation.

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

6. Establish a review process (standard operating procedures) that would require labor-hour contracts to be reviewed by the contracting officer to ensure that all DCMR requirements have been satisfied.

OCP RESPONSE

OCP concurs with this recommendation and will reinforce the review process with contracting staff as well as the need to provide appropriate documentation when using labor-

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hour contracts. Each labor-hour contract will be reviewed and approved by the respective contracting officer.

OIG COMMENT

We consider actions taken and planned by OCP to be responsive, meeting the intent of the recommendation.

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

7. Require all contracting officers to obtain, in writing, a clearly-identified agency need for all procurement requests, and retain the documentation in the contract file.

OCP RESPONSE

OCP concurs with this recommendation. OCP will continue to emphasize the importance of appropriate Statements of Work (SOW) with OCP contracting personnel and agency program personnel. OCP recently reissued a SOW policy, checklist, and template to all OCP employees and agency directors and will continue to ensure that it is enforced properly.

OIG COMMENT

We consider actions taken and planned by OCP to be responsive, meeting the intent of the recommendation.

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<p>FINDING 2: ACQUIRING ASMP SERVICES WITHOUT VALID WRITTEN CONTRACTS AND CITY COUNCIL APPROVAL</p>
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SYNOPSIS

The Office of the Chief Technology Officer (OCTO) and the Office of Contracting and Procurement (OCP) did not follow District laws and regulations when acquiring ASMP services and awarding IT contracts. OCP awarded Keane, Inc. and Accenture, LLP labor-hour contracts exceeding \$1 million without obtaining the District's City Council's approval. Further, we found that OCTO had acquired services from and authorized Keane, Inc. and Accenture, LLP to perform services worth over \$1 million without valid written contracts.

Contracts Exceeding \$1 Million Without Obtaining Council Review and Approval.

D.C. Code § 1-204.51(b)(1)(2001) provides, “[n]o contract involving expenditures in excess of \$1,000,000 during a 12-month period may be made unless the Mayor submits the contract to the Council for its approval and the Council approves the contract (in accordance with criteria established by act of the Council).” This statute provides the means by which the Council stays informed about where District funds are spent and is able to address any concerns in the proposed contract.

On November 5, 2001, OCP issued Request for Proposal (RFP) Number POTO-2002-R-0009 to: (1) acquire Program Management Office (PMO) Subject Matter Experts; (2) acquire staff for Requirements Gathering; and (3) establish the ASMP Infrastructure. OCP received two bids in response to the RFP, one from Keane, Inc. and the other from Accenture, LLP. On April 26, 2002, OCP awarded a contract to Keane, Inc. for \$9,839,674 to provide PMO Subject Matter Experts. On February 11, 2002, OCP awarded a contract to Accenture, LLP for \$2,761,314 for Requirements Gathering and Establishing the ASMP Infrastructure. Both contracts required review and approval by the Council. However, OCP did not submit either contract to the Council for review and approval.

The performance period for the Accenture, LLP contract was from February 11, 2002, through September 30, 2002. However, OCP issued modifications to accommodate changes in the initial scope of the work to be performed. Thus, Accenture, LLP contract extended beyond July 2003 and increased from \$2.7 million to over \$6.3 million, without the Council's review or approval. Table 6 (provided below) outlines the initial purchase order and Modifications of Contract No. DC-C-0-920-S-006.

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Table 6: Accenture, LLP Contract No. DC-C-0-920-S-006

	Value	Date of PO or Modification	Purpose of Award
Initial PO	200,000.00	February 2002	Requirements & Infrastructure
Mod. 1	400,000.00	March 2002	Increase Purchase Order Funding
Mod. 2	500,000.00	April 2002	Increase Purchase Order Funding
Mod. 3	1,000,000.00	August 2002	Increase Purchase Order Funding
Mod. 4	800,000.00	September 2002	Increase Purchase Order Funding
Mod. 5	167,624.23	October 2002	Increase Purchase Order Funding
2nd PO	1,000,000.00	October 2002	Ongoing PMO – Services
Mod. 1	1,000,000.00	March 2003	Increase Purchase Order Funding
Mod. 2	316,558.23	June 2003	Increase Purchase Order Funding
3rd PO	1,000,000.00	July 2003	Ongoing PMO – Services
Total	6,384,182.46		

In an attempt to justify awarding the Accenture contract without Council’s review and approval, OCP claimed that in 2001 the Council approved a general IT contract for Accenture, LLP, allowing District agencies to purchase IT services, up to \$5 million a year, from Accenture, LLP. However, when we requested the documentation to support the approval from the Council, we were told there was never any approval for the Accenture, LLP contract.

The performance period for the Keane, Inc. contract (Contract No. DC-C-0-920-S-062) was April 26, 2002, through September 30, 2005. Table 7 below shows payments made to Keane, Inc. without Council approval as of July 15, 2004, for five purchase orders.

Table 7: Keane, Inc. Contract No. DC-C-0-920-S-062

	Value	Date of Purchase Order	Purpose of Award
Initial PO	\$2,593,236.58	04/04/02	To acquire PMO Subject Matter Experts
2nd PO	\$1,921,154.61	12/19/02	To acquire PMO Subject Matter Experts
3rd PO	\$983,711.32	08/25/03	To acquire PMO Subject Matter Experts
4th PO	\$78,845.39	01/12/04	To acquire PMO Subject Matter Experts
5th PO	\$892,799.64	01/30/04	To acquire PMO Subject Matter Experts
Total	\$6,469,747.54		

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Services Rendered Without a Valid Written Contract. Our review of the above purchase orders awarded to Keane, Inc. and purchase orders and modifications awarded to Accenture, LLP revealed that OCTO selected and authorized both contractors to provide services for the ASMP initiative prior to issuing the purchase orders/modifications, i.e., without a valid written contract in effect.

D.C. Code § 2-301.05 (2001)¹⁰ provided:

(d)(1) No District employee subject to this chapter shall authorize payment for the value of goods and services received without a valid written contract. . . .

(2) After April 12, 1997, no District employee shall enter into an oral agreement with a vendor to provide goods or services to the District government without a valid written contract. Any violation of this paragraph shall be cause for termination of employment of the District employee.

Additionally, 27 DCMR § 3602.2 provides in part:

A contractor shall not rely upon any written or oral statements or directions of employees or agents of the District other than the contracting officer for authority to perform work, alter schedules or specifications, or any other action that would normally require a written contract modification.

Keane, Inc.

According to the invoices submitted by Keane, Inc. and time sheets approved by the ASMP Program Director, Keane, Inc. began providing PMO subject matter experts to OCTO on October 15, 2001. At that time OCP had not yet awarded the contract (purchase order) for PMO subject matter experts. In fact, the RFP for PMO subject matter experts had not yet been released. From October 15, 2001, through April 25, 2002, OCTO obligated \$868,456 of District funds to Keane, Inc. without a written contract. Table 8 shows the total value of the services Keane, Inc. performed during the period in which no written contract existed.

¹⁰ D.C. Law 14-281, the Procurement Practices Vendor Payment Authorization Amendment Act of 2002, amended D.C. Code § 2-301.05 to allow the Chief Procurement Officer to authorize payment for goods or services received without a valid contract if certain conditions are met. This law became effective April 4, 2003.

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Table 8: Services Provided by Keane, Inc. Without a Valid Written Contract

Period of Performance	Value of Services
10/15/01-10/31/01	\$51,000.00
11/01/01-11/30/01	\$172,250.00
12/01/01-12/31/01	\$74,320.00
01/01/02-01/21/02	\$36,830.00
01/22/02-01/31/02	\$65,644.00
02/01/02-02/28/02	\$209,844.00
03/01/02-03/31/02	\$107,297.00
04/01/02-04/25/02	\$151,271.00
Total	\$868,456.00

Accenture, LLP

OCTO authorized Accenture, LLP to begin work for the ASMP initiative on January 22, 2002. However, at this time there was no formal written contract between Accenture, LLP and the District. Accenture, LLP continued to provide services for OCTO without a valid written contract until February 11, 2002. During this period, Accenture, LLP provided \$251,816 worth of services for OCTO. Table 9 shows the total value of the services Accenture, LLP performed during the period when no written contract existed.

Table 9: Services Provided by Accenture, LLP Without a Valid Written Contract

Period of Performance	Value of Services
1/22/02 – 01/25/02	\$68,824.90
1/28/02 – 2/01/02	\$88,414.08
2/04/02 – 2/08/02	\$94,577.44
Total	\$251,816.42

In total, OCTO obligated \$1,120,272 of District funds, without valid written contracts, for work that Keane, Inc. and Accenture, LLP performed. Subsequent to the performance of work by Keane, Inc. and Accenture, LLP without valid written contracts, OCP issued purchase order P2600241, dated February 2, 2002 and purchase order P2600247 dated February 4, 2002.

We requested OCTO/OCP to provide any documentation, such as letter contracts or other written authority to proceed pending a contract award, but OCTO/OCP did not provide any documentation authorizing Keane, Inc. or Accenture, LLP to proceed with the work.

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RECOMMENDATIONS, MANAGEMENT RESPONSES, AND OIG COMMENTS

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

8. Develop a mechanism that would provide reasonable assurance that contracts over \$1 million are always presented to the Council for review and approval.

OCP RESPONSE

OCP concurs with this recommendation. In September 2004, OCP conducted \$1 million contract training with all OCP personnel. This training included the statutory requirements for Council review; a discussion of Council issues concerning \$1 million contracts; and templates for the required documents in the \$1 million packages. This training will be conducted on a recurring basis.

OIG COMMENT

We consider actions taken and planned by OCP to be responsive, meeting the intent of the recommendation.

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

9. Issue a Policy Memorandum reiterating to all agency heads who receive procurement services from OCP that: (1) no District employee shall enter into an oral agreement with a vendor to provide goods and services to the District without a valid written contract; and (2) only contracting officers may award a contract.

OCP RESPONSE

OCP concurs with this recommendation and will reemphasize that no District employee shall enter into an oral agreement with a vendor to provide goods and services to the District without a valid written contract; and that only contracting officers may award a contract. This standard is articulated in OCP's Ratification of Unauthorized Commitments Policy and Procedures Directive.

OIG COMMENT

We consider actions taken and planned by OCP to be responsive, meeting the intent of the recommendation.

FINDINGS AND RECOMMENDATIONS

We recommend that the Chief Technology Officer, Office of the Chief Technology Office:

10. Discontinue allowing contractors to provide services to the District without a written and valid contract in order to avoid improper obligation of District funds.

OCTO RESPONSE

OCTO agreed with the recommendation and stated that they have been working closely with OCP to ensure that no services commence until the contracts are signed and approved by the proper authority. The full text of OCTO's response is included in Exhibit D.

OIG COMMENT

We consider actions taken by OCTO to be responsive, meeting the intent of the recommendation.

EXHIBIT A

SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT

Recommendation	Description of Benefit	Amount and Type of Benefit	Status¹¹
1	Compliance and Internal Control. Ensures that the execution of sole source contracts will only be exercised while in compliance with Title 27 of the DCMR, to include reviews and approvals.	Non Monetary	Open
2	Internal Control. Establishes a review process that will provide reasonable assurance that procurement rules and regulations have been followed prior to awarding the contract.	Non Monetary	Closed
3	Internal Control. Establishes standard operating procedures to provide guidance to OCP personnel on preparing D&Fs.	Non Monetary	Open
4a	Internal Control. Provides assurance that awards for sole-source contracts were the best choice to provide services to the District efficiently and economically, and there is adequate justification by preparing D&Fs.	Lost Opportunity for Potential Monetary Benefits of \$589,000	Open
4b	Internal Control. Provides assurance that documentation will be maintained showing that all avenues have been exhausted and that only one vendor can provide particular goods and/or services.	Non Monetary	Open

¹¹ This column provides the status of a recommendation as of the report date. For final reports, “Open” means management and the OIG are in agreement on the action to be taken, but action is not complete. “Closed” means management has advised that the action necessary to correct the condition is complete. “Unresolved” means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

EXHIBIT A

SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT

Recommendation	Description of Benefit	Amount and Type of Benefit	Status
4c	Internal Control. Provides assurance that proposed contracts will go through all processes of review.	Non Monetary	Open
5	Internal Control. Establishes internal controls ensuring that there are clear interpretations by OCP contracting personnel of the laws, rules, and regulations pertaining to sole-source contract execution.	Non Monetary	Closed
6	Compliance and Internal Control. Establishes a review process outlined in standard operating procedures that will require labor-hour contracts to be reviewed to ensure that all DCMR requirements have been satisfied.	Non Monetary	Open
7	Internal Control. Provides controls that will require all contracting officers to have clearly identified agency needs for all procurement requests documented.	Non Monetary	Closed
8	Compliance and Internal Control. Establishes controls that will provide reasonable assurance that contracts over \$1 million will be presented to the Council for review and approval.	Non Monetary	Closed
9	Compliance. Provides assurance that only contracting officers will enter into contracts for goods and services for the District.	Non Monetary	Closed

EXHIBIT A

SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT

Recommendation	Description of Benefit	Amount and Type of Benefit	Status
10	Compliance and Economy and Efficiency. Provides assurance that OCTO will not allow contractors to provide services to the District without a written and valid contract.	Non Monetary	Closed

EXHIBIT B

**SCHEDULE OF ASMP VENDORS CHARGING IN EXCESS
OF \$100 PER HOUR FOR INDIVIDUAL POSITIONS**

	Vendor	Position	Contracted Hourly Rate	Yearly Rate¹²
1	Accenture LLP	Establish Infrastructure Team Lead	\$375	\$780,000
2	Accenture LLP	Expanded Mgt. Tm Member	\$322	\$669,760
3	Accenture LLP	Establish Infrastructure Technical Architect	\$322	\$669,760
4	Keane, Inc.	Expanded Management Team Member	\$275	\$572,000
5	Keane, Inc.	Business Integration Manager	\$241	\$501,280
6	Accenture LLP	Req. Manager	\$224	\$465,920
7	Keane, Inc.	Data Architect	\$188	\$391,040
8	Keane, Inc.	System Integrator	\$188	\$391,040
9	Keane, Inc.	Solution/Technical Architect	\$188	\$391,040
10	Keane, Inc.	Quality Assurance Manager	\$188	\$391,040
11	Keane, Inc.	Metrics Manager	\$188	\$391,040
12	Keane, Inc.	Communications / Change Management Manager	\$188	\$391,040
13	Keane, Inc.	Configuration Manager	\$188	\$391,040
14	Accenture LLP	Core HR/Payroll Leader	\$186	\$386,880
15	Accenture LLP	Procurement Lead	\$186	\$386,880
16	Accenture LLP	Establish Infrastructure EAI Architect	\$186	\$386,880
17	Accenture LLP	T&A/Benefits Lead	\$183	\$380,640
18	Accenture LLP	Pensions Lead	\$183	\$380,640
19	JE Technologies	ASMP Lead Architect	\$173	\$359,840
20	Sogeti USA, LLC	ASMP Software Control Test Manager	\$154	\$320,320
21	Keane, Inc.	Business Integration Analysts	\$153	\$318,240
22	Cherry Road Technologies	Professional Services	\$150	\$312,000
23	Susan Fitzgerald	Subject Matter Expert-Procurement	\$150	\$312,000
24	Accenture LLP	Property Management Lead	\$149	\$309,920
25	Accenture LLP	Training & Education Lead	\$149	\$309,920
26	Accenture LLP	Legacy Interfaces Lead	\$149	\$309,920
27	Accenture LLP	Payroll/T&L Business Integration Analyst	\$149	\$309,920
28	Accenture LLP	Procurement Business Integration Analyst	\$149	\$309,920
29	Accenture LLP	Procurement Business Process Analyst	\$149	\$309,920
30	Sogeti USA, LLC	System Architect	\$137	\$284,960
31	Advanced Integrated Tech Corp.	Hyperion Technical Manager	\$133	\$276,640
32	Keane, Inc.	Network and Communications Manager	\$131	\$272,480
33	CRISS, Inc.	Senior Function Analyst	\$131	\$272,480
34	CRISS, Inc.	Senior Computer Systems Analyst	\$131	\$272,480
35	CRISS, Inc.	Senior Applications Programmer	\$131	\$272,480
36	CRISS, Inc.	Senior Data Base Management Specialist	\$131	\$272,480
37	Accenture LLP	HR/Benefits Business Process Analyst	\$124	\$257,920
38	JE Technologies	Enterprise Resource Specialist for ASMP	\$123	\$255,840
39	Keane, Inc.	Conversion Manager	\$109	\$226,720
40	JE Technologies	CM Administrator	\$108	\$224,640
41	Beale, Inc.	Training Analyst	\$107	\$222,560
42	Accenture LLP	Training & Education Business Process Analyst	\$102	\$212,160
43	Paradyne Management	Business Integration Support for PMO	\$100	\$208,000

¹² Yearly rate calculated on the basis of 2,080 hours (40-hour work weeks, 52 weeks) annually. It should be noted that these are annualized totals and may not reflect the actual amounts paid to each individuals. See Table 2 in the Introduction section of the report for the actual amounts paid for six individuals.

EXHIBIT C

OC P RESPONSE TO DRAFT REPORT

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of Contracting and Procurement

Director



Tuesday, April 19, 2005

Austin A. Andersen
Interim Inspector General
Office of the Inspector General
717 14th Street, N.W.
Washington, DC 20005

Dear Mr. Andersen:

As the Deputy Mayor for Operations and Interim Chief Procurement Officer, I thank you for the opportunity to comment on your draft audit report of Contracting Actions for the District's Administrative Services Modernization Program (ASMP).

The Office of Contracting and Procurement (OCP) appreciates the Office of the Inspector General's (OIG) audit and recommendations. As you know, the OCP is currently undergoing a major reform initiative. Specifically, a comprehensive assessment of OCP's core facets was conducted by the Office of the City Administrator's Center for Innovation and Reform (CIR). We were pleased to see that your draft audit underscores many of the issues raised by CIR and subsequently addressed by OCP.

We recognize that there are global concerns about the District's overall contracting process and feel that the current transformation will allow us to explore these issues in great detail and determine methods for improvement. We will work with our vendor community, agency program personnel, members of the Office of the Chief Financial Officer (OCFO), as well as other process partners who have an interest in the contracting process to assist us in shaping the organization. OCP has independently addressed six (6) recommendations made by your office and will take steps to address the remaining recommendations within the next 90 days.

The following are responses to each recommendation cited in the draft audit report.

Recommendation 1: Enforce the DCMR Title 27 requirement that all proposed sole-source contracts be reviewed and approved (including legal reviews) before contract execution.

OCP's Response: OCP concurs with this recommendation in that all proposed sole source procurements are already being reviewed and approved in accordance with 27 DCMR. OCP will continue to enforce Title 27 regulations for all sole source procurements for the Office of the Chief Technology Officer (OCTO) in excess of \$500,000.00. Those procurements at the \$500,000.00 threshold and below are not subject to the Procurement Practices Act of 1985, as amended (D.C. Official Code, § 2-301.01 *et seq.*) and implementing regulations at 27 DCMR. Instead, procurements for OCTO that are \$500,000.00 or below are governed presently by Title II, DC Funds Operating Expenses, Governmental Direction and Support, of the District's FY 2005 Appropriations Act, Public Law 108-335. Similar provisions have been in effect for these procurements for the past several years.

EXHIBIT C

OCP RESPONSE TO DRAFT REPORT

Recommendation 2: Establish a review process (i.e., checklist) that will provide reasonable assurance that procurement rules and regulations pertaining to sole-source procurement, preparation of D&Fs and purchase descriptions, labor-hour contracts, and designation of contract administrators have been followed prior to awarding the contract.

OCP's Response: OCP concurs with this recommendation and has implemented appropriate procedures. OCP has revised its contracting review process to place greater accountability with contracting officers to ensure that all statutory and regulatory requirements are adhered to. In addition, OCP requires that all contracts over \$100,000.00 include a designated Contracting Officer's Technical Representative (COTR) who has been properly trained in contract monitoring.

Recommendation 3: As a supplement to DCMR Title 27 requirements, issue written guidance (standard operating procedures) to OCP contracting personnel for preparing a detailed and complete Determination and Finding for sole-source procurement.

OCP's Response: OCP concurs with this recommendation. In October 2004, OCP provided substantial sole source training to all its employees. Additionally, OCP published on-line templates and instructional guidelines for sole source Determination and Findings (D&F) for use by all contracting personnel.

Recommendation 4: Award sole-source contracts only after there is assurance that the selected vendors are the best choice to provide services to the District in the most efficient and economical manner and:

- (a) prepare adequate justifications for sole-source awards by completing a D&F;
- (b) document that all avenues have been exhausted to ensure that a particular vendor is the only source that can provide the needed goods and/or service; and
- (c) ensure that proposed contracts have gone through all processes of review, including required approvals.

OCP's Response: OCP concurs in part with the recommendation. OCP believes that adequate justification for sole source contracts should be contained within the D&F in the contract file. However, OCP disagrees that in every instance a sole source procurement must be obtained from a particular vendor that is the only vendor that can provide a needed good or service. In fact, DC Official Code, Secs. 2-303.05 (a) (3) and (a) (3A) do not require that the vendor be the only source that can provide goods and services. The only requirements for those two provisions are that the goods and services be substantially the same and that the prices charged to the District are not higher than those in the relevant Federal contract.

Recommendation 5: Conduct training for all OCP contracting personnel to include the DCMR and D.C. Code in order to promote uniform understanding of the laws, rules, and regulations pertaining to sole-source contract justification and award.

OCP's Response: OCP concurs with this recommendation. As mentioned in our response to recommendation three, sole source training was provided to all OCP personnel and will continue to be provided on a recurring basis.

Recommendation 6: Establish a review process (standard operating procedures) that would require labor-hour contracts to be reviewed by the contracting officer to ensure that all DCMR requirements have been satisfied.

EXHIBIT C

OCP RESPONSE TO DRAFT REPORT

OCP's Response: OCP concurs with this recommendation and will reinforce this process with contracting staff the need to provide appropriate documentation when using labor-hour contracts. Each labor-hour contract will be reviewed and approved by the respective contracting officer.

Recommendation 7: Require all contracting officers to obtain, in writing, a clearly identified agency need for all procurement requests, and retain the documentation in the contract file.

OCP's Response: OCP concurs with this recommendation. OCP will continue to emphasize the importance of appropriate Statements of Work (SOW) with OCP contracting personnel and agency program personnel. OCP recently reissued a SOW policy, checklist and template to all OCP employees and agency directors and will continue to ensure that it is enforced properly.

Recommendation 8: Develop a mechanism that would provide reasonable assurance that contracts over \$1 million are always presented to the Council for review and approval.

OCP's Response: OCP concurs with this recommendation. In September 2004, OCP conducted \$1 million contract training with all OCP personnel. This training included the statutory requirements for Council review; a discussion of Council issues concerning \$1 million contracts; and templates for the required documents in the \$1 million package. This training will be conducted on a recurring basis.

Recommendation 9: Issue a Policy Memorandum reiterating to all agency heads who receive procurement services from OCP that: (1) no District employee shall enter into an oral agreement with a vendor to provide goods and services to the District without a valid written contract; and (2) only contracting officers may award a contract.

OCP's Response: OCP concurs with this recommendation and will reemphasize that no District employee shall enter into an oral agreement with a vendor to provide goods and services to the District without a valid written contract; and that only contracting officers may award a contract. This standard is articulated in OCP's Ratification of Unauthorized Commitments Policy and Procedure Directive.

Recommendation 10: Discontinue the practice of allowing contractors to provide services to the District without a written and valid contract in order to avoid improper obligation of District funds.

OCP's Response: OCTO will provide a response to this recommendation separately.

OCP respectfully request your inclusion of these responses in the final audit report alongside the actual findings and recommendations.

I look forward to working with you to ensure that OCP protects the integrity of the District's procurement process and continues to meet the Mayor's initiative to improve performance standards throughout District government. If additional information is required, please contact me at 202-727-0252.

Respectfully,



Herbert R. Tillery
Deputy Mayor for Operations
and Interim Chief Procurement Officer

EXHIBIT C

OCP RESPONSE TO DRAFT REPORT

DISTRIBUTION:

The Honorable Anthony A. Williams, Mayor, District of Columbia
Mr. Robert C. Bobb, Deputy Mayor/City Administrator, District of Columbia
Ms. Alfreda Davis, Chief of Staff, Office of the Mayor
Mr. Gregory M. McCarthy, Deputy Chief of Staff, Policy and Legislative Affairs
Ms. Suzanne Peck, Chief Technology Officer, Office of the Chief Technology Officer

EXHIBIT D

OCTO UNSIGNED RESPONSE TO DRAFT REPORT – RECEIVED VIA E-MAIL

**Report on the “District’s Administrative Services Modernization Program” (OIG04-1-12MA)
Response of the Office of the Chief Technology Officer (OCTO)
April 19, 2005**

Introduction

The above-cited Inspector General (IG) audit focused on procurement practices for the Administrative Services Modernization Program (ASMP), and its findings and recommendations are directed primarily toward the Office of Contracting and Procurement (OCP). OCTO therefore has comments only on selected conclusions, recommendations, and findings. These comments are based on a draft provided to OCTO before publication of the final report. Our comments are discussed in the order in which the relevant statements appear in the draft report.

Comments

1. Page i, ¶ 1, Conclusions: “Further, we found deficient procurement practices in competitive awards made by OCP and OCTO. As a result, the District government cannot be assured that these contracts were awarded on a fair and reasonable price basis or the District received the best value for the contracted services. Additionally, potential monetary benefits of at least \$589,000 may have been achieved for procurements totaling about \$2.5 million had contracts been awarded competitively.”

Response: This conclusion is based on findings (see # 7, below) related to the use of sole-source contracting for certain ASMP services. While OCTO agrees in principle with the IG that competition is desirable in most circumstances and generally leads to best value, in the cases where sole-source contracting was used for ASMP, the selected vendors had unique qualifications for the work, and there is no basis for any conclusion that other theoretically available vendors would have had the same qualifications. Moreover, our extensive experience, based on nearly 500 other competed ASMP contracts and thousands of other competed OCTO contracts, indicates that the prices obtained were fair and reasonable. In fact, many of these prices were based on District or federal supply schedules, meaning that they were obtained originally through the deployment of consolidated government bargaining power and thus very favorable to the purchasing government. OCTO disagrees that \$589,000 savings were foregone. Rather, we saved an estimated \$10-15 MM through below-market rates during the contract time frame in the 15 largest ASMP contracts.

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OCTO UNSIGNED RESPONSE TO DRAFT REPORT – RECEIVED VIA E-MAIL

2. Page ii, ¶ 1, Conclusions: “We also found that OCP and OCTO did not always follow District laws and regulations in awarding IT contracts. Specifically, contracts exceeding \$1 million were awarded without being submitted to the Council for review and approval. Additionally, we found that OCTO obtained and authorized the services of contractors, worth over \$1 million, without valid written contracts.”

Response: We agree with the findings, but note that we undertook prompt remedial action immediately upon discovery, and there has been no recurrence of either problem.

As to the unapproved contracts, as soon as the problem was discovered, OCTO and OCP sought Council’s retroactive approval of the unapproved contracts. The Council enacted legislation to grant these approvals on September 21, 2004. Additionally, OCTO and OCP instituted administrative reforms to ensure that the errors in contracting for the HR program would not recur. OCTO’s administrative reforms included the following:

- Centralizing all OCTO financial contract personnel, and the OCTO program management office, under a senior operations officer (OCTO’s Chief Operating Officer)
- Installing a new senior manager to direct all ASMP program finance operations
- Preparing to conduct a full review of people, programs, processes, and technology with regard to contract management
- Assigning every OCTO contract to a manager who will work with the OCTO financing team to track invoices against purchase orders
- Creating a spreadsheet for each purchase order showing balances as of September 10, 2004 and weekly run rate estimates, to be updated weekly based on contractors’ timesheets
- Developing new timesheets that require each vendor to provide an estimate of amounts remaining on the associated purchase order (PO) so that we can check our calculations
- Re-issuing instructions to vendors to send all invoices to the OCTO Chief Financial Officer for logging rather than directly to individual OCTO program officers
- Instituting monthly agency-wide contract administration meetings in which we conduct detailed review of outstanding aged invoices over 30 days
- Developing new metrics and invoice aging reports to support scrutiny of aging invoices
- Consistently training OCTO program managers on procedures for tracking timesheets and invoices against POs
- Exploring two options for systems that will weekly track used hours against available hours on time and materials POs (one in PASS, the other in Remedy, our primary problem-tracking system).

As to the use of services without written contracts, this incident occurred over approximately six months in 2001-2002, and there have been no recurrences of this problem. Since then

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OCTO UNSIGNED RESPONSE TO DRAFT REPORT – RECEIVED VIA E-MAIL

OCTO has worked very closely with OCP to assure that no services are started until the contracts is signed and approved by the proper authority.

3. Page iii, ¶ 3, Summary of Recommendations: “We also directed one recommendation that centered on discontinuing allowing contractors to provide services to the District without a written and valid contract, which improperly obligates District funds.”

Response: This recommendation was implemented, in effect, long before the audit. As noted in # 2, above, the instance of accepting services without a contract cited in the report was isolated and occurred nearly four years ago. Since then, OCTO has instituted successful measures to prevent recurrences, and there have been none.

4. Page 3, ¶ 3, Introduction, Consultant Costs: “We did however perform a detailed analysis of six OCTO IT professionals listed on the schedule in Exhibit B. Our analysis showed that for these six individuals, OCTO procured their services from an 8 ½ - month period to a 12-month period with total costs ranging from \$264,040 to \$398, 965. Table 2 below shows the results of the analysis.”

Response: The findings are correct, but should be considered in context. The ASMP project is an extremely complex enterprise-wide undertaking. It is common business practice in both private and public sectors to use highly skilled people from consulting companies for short periods of time to ensure that such complex work is performed correctly.

In such complex enterprise-wide projects, one year is a short period of time. It is rarely possible or warranted to recruit and hire employees with necessary ASMP skill sets for a single year. Such employees command salaries between \$100,000 and \$175,000 per year, plus typical benefit packages of 24%, plus bonuses of 10% to 35%.

The six professionals listed in Table 2 of the IG report were all obtained through competitive procurements at well below market rates.

5. Page 5, ¶ 2, Finding 1, Limited Competition: “We found that OCP limited competition on Request for Proposal solicitation number POTO-2002-R-0009. The purpose of this RFP was to (1) acquire Program Management Office (PMO) Subject Matter Experts, (2) acquire staff for the Requirements Gathering, and (3) establish the ASMP infrastructure. Vendors were allowed to submit proposals on all three business initiatives, a single initiative, or any combination. Based on unsigned and undated documents prepared and provided by OCTO, seven vendors were invited to bid on this Request for Proposal. According to OCTO, five vendors submitted proposals. Table 3 below lists the five vendors that responded and identifies the cost of the initiatives they submitted bids for.”

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OCTO UNSIGNED RESPONSE TO DRAFT REPORT – RECEIVED VIA E-MAIL

Response: Competition was not limited in the ASMP program or in the particular procurement described. For the ASMP program overall, OCTO followed the OMB procurement strategy, which is designed to maximize competition. The procurement described was fully competitive, especially in light of the complex requirements of the contract. OCP solicited seven vendors, and five chose to bid. All of these vendors were among the most highly regarded in the nation for the complex undertaking involved. (In fact, it is a mark of the District's advance in stature that we were able to attract so many eminent firms to this bid, given the District's difficulty in the late 1990's in attracting highly qualified bidders for similar procurements.) Their proposals were competitive in terms of quality and technology. The bid prices for the staff positions covered by the District's solicitation were well within market rates for comparable projects.

6. Pages 7, 8 Finding 1, Questionable Competitive Awards: “We found questionable procurement practices in the competitive awards to Accenture, LLP, and Keane, Inc. Accenture, LLP proposal, valued at \$2.7 million, proposed that all work for requirements gathering and establishing the ASMP infrastructure would be completed in September 2002. Yet, as of July 2004, Accenture was still working on establishing the ASMP infrastructure and had received over \$6.3 million. Contract modification extending the period of performance provided no justification for extending the contract....From October 15, 2001, through April 25, 2002, Keane, Inc. performed services without a valid written contract with the District. Keane, Inc. did not receive payment for services performed during this period until April 2002. OCTO's actions created an appearance that it pre-selected Keane, Inc., defeating the fundamental objectives of full and open competition.”

Response:

OCTO worked under the direction of OCP on the selection of Accenture and believes that the selection process for Accenture was fair and open. All vendors awarded any part of the PMO were excluded from participating in the implementation, as the PMO is an oversight role. This left two bids for the Requirements work. Accenture's price was 56% below that of its competitors. The Requirements portion of the Accenture award was completed in August 2002 as planned and budgeted. The Infrastructure award was for multi-year work, and the Accenture contract was extended by OCP in accordance with the procurement regulations of DCMR 27.

OCTO did not pre-select Keane or in any other way influence the procurement for PMO services that resulted in an award to Keane. The facts of the procurement process, shown in Table 3 on page 6 of the IG report, belie any appearance of pre-selection. Keane and IBM bid for the PMO work. Both proposals met the technical and business requirements of the District's solicitation, but, as Table 3 shows, for the three years by both vendors (2002-2004; Keane bid only for those years), Keane's cumulative bid was by far the lower—25% below IBM's. The choice for award was clearly determined by price, and not by any pre-selection on the part of OCTO. It should also be noted that Keane's bid price was further reduced

EXHIBIT D

OCTO UNSIGNED RESPONSE TO DRAFT REPORT – RECEIVED VIA E-MAIL

during pre-award negotiations, and that Keane’s work on the PMO contract ended as bid in 2004.

7. Page 11, ¶ 1, Finding 1, Potential Competitive Sources Available: “With minimal effort, OCP could have identified potentially competitive sources for each sole-source contract award.... If OCP had effectively used open competition, the District could have potentially assumed savings of \$589,000 (24 percent of \$2.4) for IT professional services acquired for the ASMP.”

Response: We disagree with the finding that open competition would have produced savings of \$589,000. As noted in # 1, above, in the cases where sole-source contracting was used, the selected vendors had unique qualifications for the work, and there is no basis for any conclusion that other theoretically available vendors would have had the same qualifications. Our extensive experience, based on nearly 500 other competed ASMP contracts and thousands of other competed OCTO contracts, indicates that the prices obtained were fair and reasonable. We estimate that ASMP saved an estimated \$10-15 MM through below-market rates in the 15 largest ASMP contracts. In contrast, the estimated foregone savings in the report is not based on an analysis of market rates for the services in question, but only on a theoretical savings estimate for “competition” generally—which may not apply to the highly specialized services obtained in these procurements.

8. Page 21, Recommendation 10: “We recommend that the Chief Technology Officer, Office of the Chief Technology Office: 10. Discontinue allowing contractors to provide services to the District without a written and valid contract in order to avoid improper obligation of District funds.”

Response: As noted in # 2, above, this recommendation was implemented, long before the audit. The instance of accepting services without a contract cited in the report was isolated and occurred nearly four years ago. Since then, OCTO has instituted a series of successful measures to prevent recurrences, and there have been none.

9. Page 24, Recommendation 10

Response: As noted above, this recommendation was implemented, long before the audit. For that reason, the status of this recommendation should be listed as “Closed.”