

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

**AUDIT OF CONTRACTS AWARDED  
TO THE MARASCO NEWTON  
GROUP/SYSTEMS RESEARCH AND  
APPLICATIONS CORPORATION**



**AUSTIN A. ANDERSEN  
INTERIM INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of the Inspector General

Inspector General



May 6, 2005

Herbert R. Tillery  
Deputy Mayor for Operations/Interim Chief Procurement Officer  
Office of Contracting and Procurement  
441 4<sup>th</sup> Street, N.E., Suite 700S  
Washington, D.C. 20001

Barbara Childs-Pair  
Director  
Emergency Management Agency  
2000 14<sup>th</sup> Street, N.W., Suite 8000  
Washington, D.C. 20009

Dear Mr. Tillery and Ms. Childs-Pair:

Enclosed is our final report summarizing the results of the Office of the Inspector General's *Audit of Contracts Awarded to the Marasco Newton Group/Systems Research and Applications Corporation* (OIG No. 05-2-03MA).

Our report contains twelve recommendations for necessary actions to correct the described deficiencies. We received responses to the draft report from the Deputy Mayor for Operations/Interim Chief Procurement Officer and the Director of Emergency Management Agency. We consider actions taken and/or planned by both agencies to be responsive to our recommendations. The full text of the responses is at Exhibits B and C, respectively.

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 that reads "Austin A. Andersen". The signature is written in a cursive style with a large initial "A".

Austin A. Andersen  
Interim Inspector General

AAA/ws

Enclosure

cc: See Distribution List

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## ACROYNYS

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CPO	Chief Procurement Officer
COTR	Contracting Officer Technical Representative
D&F	Determinations and Finding
DCMR	District of Columbia Municipal Regulations
DRP	District's Response Plan
EMA	Emergency Management Agency
EPC	Emergency Preparedness Council
FAR	Federal Acquisition Regulation
GKA	Gardiner Kamy & Associates, P.C.
GSA	General Services Administration
OCP	Office of Contracting and Procurement
OCFO	Office of Chief Financial Officer
OIG	Office of the Inspector General
LSDBE	Local Small and Disadvantage Business Enterprise
MNG/SRA	Marasco Newton Group/Systems Research and Applications Corporation
P/N	Purchase Notification
SOW	Statement of Work
SOAR	District of Columbia System of Accounting and Reporting

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**AUDIT OF CONTRACTS AWARDED TO THE  
MARASCO NEWTON GROUP/SRA**

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## EXECUTIVE DIGEST

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### OVERVIEW

The District of Columbia Office of the Inspector General (OIG) has completed an audit of Contracts Awarded to the Marasco Newton Group/Systems Research and Applications Corporation (MNG/SRA) for the District's Response Plan (DRP). We performed this audit in response to a request from the Deputy Mayor for Operations/Interim Chief Procurement Officer to review task orders awarded to MNG/SRA from October 2001 through May 2004 and to address concerns expressed by Councilmember Vincent B. Orange, Sr., Chairman, Committee on Government Operations.

The audit objectives were to determine whether: (1) The D.C. Office of Contracting and Procurement (OCP) let contracts in an efficient, effective, and economical manner; (2) OCP complied with requirements of applicable law, rules and regulations, policies and procedures in awarding contracts; and (3) the District received the services for which it contracted. Many of the deficiencies discussed in this report have been addressed in other OIG procurement-related audit reports. Although recommendations in this report are similar to the recommendations in our recently issued report on the Audit of the Administrative Services Modernization Program (OIG No. 04-1-12MA), we are reiterating some of the recommendations to obtain management's continuing commitment to improve the procurement process.

This report is presented in two sections. Section I details deficiencies relative to the procurement and contract administration of Homeland Security contracts. Section II presents our findings relative to Councilmember Orange's concerns.

### CONCLUSIONS

Our audit found that OCP did not comply with the District's procurement regulations in awarding MNG/SRA certain labor-hour expert and consulting service contracts for the development of the District Response Plan (DRP). Specifically, OCP limited competition for task orders/ contracts amounting to about \$4.1 million between February 2002 and May 2004, citing justification as either an emergency, sole-source, or single available source contract; however, OCP failed to cite a sufficient basis for the procurement method used, as required by Title 27 of the DCMR. In several instances, neither OCP nor the Emergency Management Agency (EMA) designated a Contracting Officer Technical Representative (COTR)/contract administrator to monitor the contractor's performance. Further, we found that OCP did not obtain Council approval for contracts greater than \$1 million. Lastly, EMA and the office of the former Deputy Mayor for Public Safety and Justice did not timely address or document management actions relative to potential conflicts of interest that arose when a former MNG/SRA employee was permitted to monitor MNG/SRA's performance and current MNG/SRA contract employees were permitted to monitor and track Homeland Security funds to be used throughout the District.

## EXECUTIVE DIGEST

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These conditions occurred because contracting officials and program managers failed to prepare and maintain proper contractual documents, neglected to exercise sufficient contractor oversight, and did not implement sufficient management controls to preclude creating an environment for potential conflicts of interest to occur. Although it appears that the District did receive services as outlined in the contractor's statements of work, we cannot be certain that the task order/contracts were awarded and that these services were acquired at the best price, and that overall best value was obtained for the services and goods received.

### SUMMARY OF RECOMMENDATIONS

We directed eight 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 three recommendations to EMA that centered on providing documented assurance that senior management is free from personal and external impairments to independence and work is not authorized in advance of a written contract.

Lastly, we directed one recommendation to the Deputy Mayor for Operations to request a post award-legal sufficiency review of contracts awarded to MNG/SRA to evaluate the working relationships relative to potential conflicts of interest between MNG/SRA and the District. The purpose of this recommendation is to address any internal control breakdowns that occurred in order to preclude the recurrence of potential conflicts of interest. The results of the legal review should be provided to this Office.

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

On May 5, 2005, the Deputy Mayor for Operations/Interim Chief Procurement Officer and the Director of Emergency Management Agency provided responses to the recommendations in our draft report. In general, management concurred with the report, and provided a summary of actions taken or planned to address each recommendation. We will continue to work with EMA to obtain additional information needed to close recommendation 11. The responses are included at Exhibit B and C, respectively.

## INTRODUCTION

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### BACKGROUND

In response to the attacks of September 11, 2001, the District government focused a significant amount of effort to assess and revise city emergency plans. To expedite this effort, a Domestic Preparedness Task Force (Task Force) was established by Mayor's Order 2001-142 dated September 19, 2001. The Task Force included heads of District agencies with public safety and emergency functions, as well as key related business, industry, college, and university representation.

The focus of the Task Force was to examine the city's overall preparedness, existing emergency plans and procedures, and related training efforts. The Task Force and the EMA refined the city's Emergency Operations Plan and other emergency plans to develop the District's Response Plan (DRP). City agency personnel worked with their regional, federal, and non-governmental partners to clarify methods of interaction and operating processes, and to refine roles and responsibilities. The DRP provided a new framework for District government entities to respond to public emergencies in the metropolitan Washington area.

The DRP provides a unified structure for District emergency response operations to ensure a coordinated and effective operation. The DRP describes how District agencies will work collaboratively within the District and with regional and federal partners. The ultimate goal is to protect the public and respond efficiently and effectively to significant incidents that threaten life, property, public safety, and the environment.

The DRP design was based upon the functional structure of the Federal Response Plan with recognition that for some disasters, the full capabilities of the federal government may be needed to confront the total response requirement. Should the need for a coordinated response arise, the response operations of the District will be complemented by those of federal partners in support of the District the Nation's Capital. It is also possible that regional partners will be similarly impacted, directly or indirectly, and the DRP considers regional cooperation as well.

To institutionalize the Task Force's efforts as an ongoing enterprise, the Emergency Preparedness Council (EPC) was established by Mayor's Order 2002-01, dated January 2, 2002. The EPC is co-chaired by the City Administrator and the Deputy Mayor for Public Safety and Justice, and consists of chief executives of agencies that have a role in planning for, responding to, and/or recovering from a public emergency affecting the District of Columbia. The DRP must remain a dynamic and flexible document that will change and mature with each update. The contractor chosen to develop the District's Emergency Response Plan was MNG/SRA.

## INTRODUCTION

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### OBJECTIVES, SCOPE, AND METHODOLOGY

Our audit objectives were to determine whether: (1) OCP let contracts in an efficient, effective, and economical manner; (2) OCP complied with requirements of applicable law, rules and regulations, policies and procedures in awarding contracts; and (3) the District received the services for which it contracted.

To accomplish our objectives, we held interviews and discussions with OCP and EMA 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 build the DRP. We also held meetings with representatives from the Deputy Mayor's Office of Public Safety and Justice, and the former Deputy Mayor for Public Safety and Justice. We conferred with the Secretary of the Council for the District, and representatives from the Office of the Chief Financial Officer (OCFO). Additionally, we held discussions with the Certified Public Accounting firm of Gardiner Kamyra & Associates, PC (GKA), which provided OCP with two reports pertaining to contract costs and deliverables by MNG/SRA, dated October 2, 2002, and December 10, 2004. We also reviewed the District of Columbia Municipal Regulations (DCMR), Title 27, Contracts and Procurement, which establishes uniform purchasing procedures for the District of Columbia, as well as all other applicable procurement rules and regulations.

We examined 10 task orders/contracts awarded to MNG/SRA during the period of October 2001 through May 2004 which had a total dollar value of about \$5 million. We also reviewed invoices and other contract records pertaining to those task orders/contracts. The task orders/contracts were reviewed to determine whether pertinent documents were in each contract file and to determine whether District procurement rules and regulations were followed.

We did not completely rely on computer-processed data during this audit. However, we obtained information from the District of Columbia System of Accounting and Reporting (SOAR) to verify contract amount and payment amounts for the period covered by our audit. Although we did not perform a reliability assessment of the computer-processed SOAR data, we found that the amounts contained in the supporting documentation agreed with the amounts reported in SOAR.

The audit covered transactions for the period of October 2001 through May 2004. We conducted the audit in accordance with generally accepted government auditing standards and included such tests as we considered necessary under the circumstances.

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## SECTION I FINDING AND RECOMMENDATIONS

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**FINDING: PROCUREMENT DEFICIENCIES ASSOCIATED WITH  
HOMELAND SECURITY CONTRACTS**

### SYNOPSIS

Our audit found that OCP did not comply with the District's procurement regulations in awarding MNG/SRA certain labor hour expert and consulting service contracts for the development of the District's Response Plan (DRP). Specifically, OCP limited competition for task orders/ contracts amounting to about \$4.1 million between February 2002 and May 2004, citing justifications as either an emergency, sole-source, or single available source contract; however, OCP failed to cite a sufficient basis for the procurement method used, as required by Title 27 of the DCMR. In several instances, neither OCP nor EMA designated a Contracting Officer Technical Representative (COTR)/contract administrator to monitor the contractor's performance. Further, OCP did not obtain Council approval for contracts greater than \$1 million. Lastly, EMA and the office of the former Deputy Mayor for Public Safety and Justice did not timely address or document management actions relative to potential conflicts of interest that arose when a former MNG/SRA employee was permitted to monitor MNG/SRA's performance and current MNG/SRA contract employees were permitted to monitor and track Homeland Security funds to be used throughout the District.

These conditions occurred because contracting officials and program managers failed to prepare and maintain proper contractual documents, neglected to exercise sufficient contractor oversight, and did not implement sufficient management controls to preclude creating an environment for a conflict of interest to occur. Although it appears that the District did receive services as outlined in the contractor's statements of work, we cannot be certain that the task order/contracts were awarded and these services were acquired at the best prices and that overall best value was obtained for the services and goods received.

### DISCUSSION

The conditions discussed in this report address five principal issues related to the task orders/contracts awarded to MNG/SRA. These issues include:

- Contract Award Process
- Maintenance of Contract Files
- Contract Administration
- City Council Approval
- Potential Conflicts of Interest

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## SECTION I FINDING AND RECOMMENDATIONS

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### CONTRACT AWARD PROCESS

OCP awarded MNG/SRA 7 of the 10 sole-source, labor-hour contracts for expert and consulting services amounting to about \$3.3 million between January 22, 2002 and May 7, 2004 (see Table 1, Col. 5), without adequate justification and/or documentation as required by Title 27 of the DCMR.

For the remaining three task order/contracts, (63387, 229229, 63260), we made the following observations. Task order/contract 63387 was awarded as an emergency sole-source procurement valued at \$838,560. Due to the immediate concern for safety following the events of September 11<sup>th</sup>, we believe OCP was justified in using sole-source procurement action for this procurement. Task order/contract 229229, valued at \$89,767, was competed when OCP requested and received proposals to develop a comprehensive anti-terrorism plan for the Department of Public Works. Lastly, for task order/contract 63260, valued at \$550,000, the entire file was missing.

#### *Sole-Source Procurement*

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 District of Columbia government.

The sole-source justifications for the task orders/contracts were not adequate because the contracting officer did not follow District procurement regulations before awarding the contracts. Specifically, the contracting officer failed to prepare a written determinations and findings (D&F) that indicates the justification for the sole-source procurement. Title 27 DCMR § 1705.2, provides that the D & F shall contain the following:

- (a) Identification of the agency and specific identification of the document as a sole-source D&F;
- (b) The nature or description of the proposed procurement;
- (c) Description of the requirement, including the estimated value or cost;
- (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;

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## SECTION I FINDING AND RECOMMENDATIONS

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- (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;
- (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; and;
- (i) Any other pertinent facts or reasons supporting the use of a sole source procurement.

While sole-source awards are legitimate procurement vehicles under certain circumstances, 27 DCMR § 1701.1 states that: "Each 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, 27 DCMR § 1700.1 requires District contracting officers to use competitive bid procedures, unless a sole-source award may be justified by a specific exception to the rule.

***Purchases Through the Use of Task Orders.*** OCP issued task orders for all of the procurement actions pertaining to the District's Homeland Security Crisis. A task order is a purchase for a service issued against an existing federal contract. Part 538, Federal Schedule Supply Contracting, Section 538.7002, provides the following:

- (a) 40 U.S.C. 501, (the Act) authorizes the Administrator of General Services to procure and supply personal property and nonpersonal services for the use of Executive agencies. Under 40 U.S.C. 502, the goods and services available to executive agencies are also available to mixed ownership Government corporations, establishments within the legislative or judicial branches of Government (excepting the Senate, House of Representatives, and Architect of the Capitol), the District of Columbia, and Qualified Non-profit Agencies.

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## SECTION I FINDING AND RECOMMENDATIONS

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When using task orders against federal contracts, the District must follow federal procurement rules because established federal contracts were used to procure the needed services. The Federal Acquisition Regulation, § 8.405-2(c) (2), “Ordering procedures for services requiring a statement of work,” provides the following:

For orders exceeding the micro-purchase threshold, but not exceeding the maximum order threshold.

- (i) The ordering activity shall develop a statement of work, in accordance with 8.405-2(b)
- (ii) The ordering activity shall provide the RFQ (including the statement of work and evaluation criteria) to at least three schedule contractors that offer services that will meet the agency’s needs.
- (iii) The ordering activity should request that contractors submit firm-fixed prices to perform the services identified in the statement of work.

*Our review of contracting records for all 10 task order/contracts concluded that OCP did not properly adhere to the Federal Schedule Contracting guidelines when it awarded the 9 MNG/SRA task order/contracts.*

**Emergency Procurement.** As a result of the September 11<sup>th</sup> crisis in the National Capital Region, OCP made an emergency, sole-source task order/contract award for \$838,560 to MNG/SRA (63387) to provide emergency operations planning, support, strategic management, and fire and HAZMAT assessment and training. Title 27 DCMR § 1710.1 states, “the Director or his or her designee may approve a procurement on an emergency basis which does not otherwise comply with the requirements of the Act of this title if the procurement is essential to a District requirement to deal with an existing emergency condition, as defined in § 1710.2.” The DCMR allows 120 days, the maximum term for emergency procurement actions, and does not allow modifications or extensions.

The contracting officer appropriately justified the first task order/contract award as an emergency procurement; however, there was no evidence of a signed contract between the District and MNG/SRA. Title 27 DCMR § 1541.5, “A contract shall be deemed awarded on the date that the contracting officer signed the contract.” Further, the D&F was not signed until three days after payment was remitted to the MNG/SRA. While we acknowledged that the emergency award was necessary to provide critical operations planning, according to 27 DCMR §§1712.8 and 1712.9, the [Chief Procurement Officer (CPO) did not provide a review of the contract on a post-execution basis to ensure that proper records of each emergency procurement are maintained.]

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## SECTION I FINDING AND RECOMMENDATIONS

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***Justification for Use of Expert and Consultant Contracts.*** OCP awarded MNG/SRA five task orders/contracts 63387, 63385, 64185, 63962, and 229229 valued at \$3.8 million using the justification of expert and consulting services without preparing an adequate D&F for sole-source procurement. Title 27 DCMR §1901.5 states that the contracting officer shall make a written determination that a contract for expert or consulting services (rather than the use of District employees) is in the best interests of the District for at least one 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 a highly specialized nature.

The D&Fs should have contained sufficient facts and a rationale to justify the use of the specific authority cited. At a minimum, to 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. None of the five task orders/contracts possessed adequate justification to acquire expert and consulting services through use of sole-source procurements.

***Inadequate Justification for Use of Single Available Source Contract Award.*** OCP awarded one of the eight sole-source task order/contracts (64185), valued at \$500,000, as a single available source; however, there was neither justification nor rationale for the use of this type of procurement. Our audit revealed that if OCP conducted a competitive market analysis of available sources of supply, they would have found that there was ample competition to satisfy the needs of the requesting agency (EMA). Title 27 DCMR § 1702.1 states, "The contracting officer may award a contract by using the noncompetitive negotiation procedures set forth in § 1706 upon making a determination and findings that there is only one (1) available source for a supply, service, or construction." This determination was not made, nor was an adequate justification developed for a Single Available Source contract award.

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## SECTION I FINDING AND RECOMMENDATIONS

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***Failure to Obtain Competition for Severable Task Orders/Contracts.*** Our audit has determined that 8 of the 10 task orders/contracts issued to MNG/SRA via sole-source procurement were for services that were severable contracts, meaning they could have been divided and competed among several different contractors. Based on our review of the SOW and the Schedule of Supplies/Services for each of the task orders/contracts, we determined that there were two severable groupings. The severable groupings are detailed as follows:

**Task Orders/Contracts 63385, 63260, 64185, and 63962.** We determined that these four task orders/contracts were severable from the initial contracts awarded to MNG/SRA and could have been competitively awarded. These task orders/contracts were issued through sole-source procurement procedures for \$400,000, \$550,000, \$500,000, and \$2,000,000, respectively. All four of the SOWs prepared for these task orders/contracts had very similar objectives. The primary services requested in all four were to provide: Project Management Services; Emergency Operation Support; Training and Exercise Support; Senior Strategic Planning and Quick Response Assistance; and EMA Planning Program Support. We believe these four task orders should have been competed individually or as a group due to the similar requirements of the SOWs. We found that on two of the task orders/contracts, the schedule of supplies had the exact phrase “*Continuation of Assistance with Emergency Management Plans, Training and Operations Support.*”

**Task Orders/Contracts 226744, 226194, 256699, and 263311.** We also determined that these four task orders/contracts were severable from the prior task orders/contracts and should have been awarded on a competitive basis and not under sole source procurement regulations. These task orders/contracts were procured to provide consulting and support services for the Office of Homeland Security Grant Administration, within the office of the former Deputy Mayor for Public Safety & Justice Office. The SOWs include task order/contract functions consisting of administrative, logistical, tracking, and monitoring all funding of the federal payments to the District concerning Homeland Security. These task orders/contracts were of the same nature and could have been procured as a combined competitive contract award. The procurement was justified under Expert & Consulting Services, 27 DCMR § 1901.8, which states, “*Justification shall include a statement of need and the requesting official’s certification that the services do not unnecessarily duplicate any previously performed work or services....*”

***Use of Labor-Hour Contracts With Ceiling Prices.*** 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 type of time-and-materials contract that may be used when materials are not

## SECTION I FINDING AND RECOMMENDATIONS

required<sup>1</sup>. However, Title 27 DCMR, Chapter 24 discourages labor-hour contracts and allows their use only after certain criteria are met. 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.” OCP awarded six labor-hour task orders/contracts, however, the contracting officer did not make a written determination that no other contract type was suitable. Further, the six labor-hour task orders/contracts were issued without inserting the statement that the contractor exceeds the ceiling price at its own risk, as required by the DCMR § 2420.1.

*In addition to the contract award deficiencies noted above, nine of the ten contract actions were not adequately documented in the official contract files.*

### MAINTENANCE OF CONTRACT FILES

We reviewed 9 of the 10 task order/contract files (one contract file was missing) to determine and obtain the individual history of each procurement action and to determine if OCP properly maintained task order/contract files. Table 1 below identifies the results of the task order/contract review.

**Table 1: Results of Task Order/Contract File Review**

		COL. 1.	COL. 2.	COL. 3.	COL. 4.	COL. 5.	COL. 6.	COL. 7.
Task Order/Contract #	Task Order/Contract Amount	Missing Task Order/Contract File <sup>2</sup>	No Task Order/Contract in File	COTR Assigned/Not Notified <sup>3</sup>	COTR Not Assigned	Lack of Sole Source Justification D&F	No Justification for Expert/Consultant D&F	No Justification for Single-Available Source D&F
63387	\$838,560		x		x		x	
63385	\$400,000		x		x		x	
63260	\$550,000	x						
64185	\$500,000			x		x	x	x
63962	\$2,000,000			x		x	x	
229229	\$89,767		x		x	x	x	
226744	\$315,484					x		
256699	\$198,675					x		
226194	\$99,337				x	x		
263311	\$50,000					x		
<b>TOTAL</b>	<b>\$5,041,823</b>							

<sup>1</sup> Pursuant to 27 DCMR §2421.2, the provisions that apply to time and materials contracts, similarly apply to labor-hour contracts.

<sup>2</sup> The entire contract file was missing. The current Contracting Officer provided a letter to the OIG asserting that this contract file was lost.

<sup>3</sup> Even though EMA employee was designated as COTR, the employee was not notified and not deemed qualified by the contracting officer.

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## SECTION I FINDING AND RECOMMENDATIONS

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According to 27 DCMR § 1203.1, “the head of each office performing contracting or contract administration shall establish files containing the records *of all contractual actions* (emphasis added) pertinent to that office’s responsibility.” Our review of the contract files revealed that one task order contract valued at \$550,000 was missing. The only document that we were able obtain was the requisition. In addition to the missing contract file, three files contained requisitions but no copies of contracts; four contract files did not include COTR assignments; and five contract files lacked D & Fs for expert and consulting services. OCP contracting files were incomplete or non-existing as shown in Table 1.

Table 1 illustrates the following contract file deficiencies for the 10 task order/contracts.

- One entire task order/contract file was missing.
- Three task orders/contract files did not have a copy of the contract.
- One assigned COTR was not notified of her monitoring duties for two task order/contracts.
- Four task orders/contracts did not have a designated COTR.
- Seven task orders/contracts did not have sole-source justifications documented.
- Five contract files did not contain D&Fs for the use of expert and consulting services contracts.
- One task order/contract file lacked justification for the use of single available source procurement.

*In addition to the documentation missing from the official contract files, we found little evidence that the contracts were adequately maintained for contractor performance.*

### CONTRACT ADMINISTRATION

***Monitoring Contractor Performance.*** The contracting officer is responsible for monitoring contractor performance through designated contract administrators to ensure that the District receives the goods and services it contracts for and that quality standards are met. Specifically, 27 DCMR § 4001.1 provides in part:

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

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## SECTION I FINDING AND RECOMMENDATIONS

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defects observed in design or technical requirements, including contract quality requirements....

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

Finally, § 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 actions taken by the contracting office.”

Four of the task orders/contracts awarded to MNG/SRA were not assigned a COTR, and two of the task orders/contracts had a COTR identified; however, when we contacted this COTR, the individual indicated that she had not been notified of her contract administrator assignment and COTR duties. Also, review of the job descriptions for these individuals indicated that they did not possess the technical expertise to provide monitoring of these task orders/contracts awarded to MNG/SRA. Due to the nature and costs of these task orders/contracts, it was important that OCP/EMA assign contract administrators in order to provide reasonable assurance that efficient and economical services were provided by the contractor, MNG/SRA.

***Contractor Working Without a Valid Contract.*** We confirmed that Marasco Newton began working on the DRP in October 2001, (possibly as early as September, 2001 as noted below). Our review of this initial procurement showed that the task order/contract was missing from the file. Moreover, the requisition initiating the work was dated January 2002, indicating that at a minimum, MNG began work at least 3 months prior to the date of requisition. While we were unable to obtain a copy of the actual task order, other documents in the contract file indicate that the first task order number was 63387. We concluded that MNG/SRA was working without a valid contract for at least the period of October 1, 2001, through some point in January 2002.

There was a second instance of MNG/SRA working without a valid contract in force. A June 4, 2002, letter signed by the Vice President of MNG/SRA supports our opinion that the contractor performed portions of its emergency preparedness efforts for EMA without a valid contract and that the District made payments upon contractor demand. The MNG/SRA Vice President states, “ *we began supporting DCEMA in September 2001 ...please be advised when this Order arrived, Marasco Newton Group had been operating at risk since approximately March 25; therefore, the labor hours actually were expended from approximately March 25-May 5 (a six week period). ... Please be advised that the paperwork for \$500,000 cited in your May 29<sup>th</sup> letter has not yet arrived at Marasco Newton Group. These funds, once they arrive, are anticipated to cover work activities from May 6, 2002 until approximately June 14, 2002.*” The OCP contracting officer signed task order 64185 for the

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## SECTION I FINDING AND RECOMMENDATIONS

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amount of \$500,000 on June 5, 2002 or one day after the before mentioned letter. The performance period for the task order/contract was June 5, 2002 through September 30, 2002; however, as stated in the June 4, 2002 letter, the funds were for work that was already accomplished.

We determined a third instance of MNG/SRA working without a valid contract in force. The MNG/SRA June 4 letter also reveals that based on a May 29, 2002, OCP letter to MNG/SRA, MNG/SRA anticipated receipt of \$500,000 (task order 64185). These funds had not yet arrived at MNG/SRA but were expected to cover services rendered from May 6, 2002, through June 14, 2002, “based on the current rate of weekly work ordered by EMA under the current SOW.” The additional funding was not authorized until a purchase order was issued on June 5, 2002.

*In addition to the lax contract administration, there was one instance where a contract exceeding \$1 million was not submitted for Council approval.*

### **CITY COUNCIL APPROVAL OF A MNG/SRA CONTRACT AWARD**

***Council Approval for Awards Exceeding \$1 Million.*** OCP awarded a sole-source contract/task order (63962) to MNG/SRA on July 24, 2002, for \$2,000,000. Pursuant to D.C. Code § 2-301.05a(a) (2001), a contract in excess of \$1,000,000 during a 12-month period shall be submitted to Council for review and approval. The procedure for this action is to submit the task order/contract to the Office of Policy and Legislative Affairs, who then forwards all information to the Council. We concluded after discussions with this office that there was no evidence or supporting documentation indicating that OCP forwarded this task order/contract award through the proper channels.

While reviewing the contract file for Task Order 63962, we identified a letter from the former Chief Procurement Officer to the Chairman of the District of Columbia City Council, dated July 25, 2002. According to the former Chief Procurement Officer, his letter would “*inform you about several procurements, which were undertaken with my approval to counteract potential future threats.*” This letter further states, “*OCP approved an additional \$2,500,000.00 to fund the ongoing efforts at the request of the Deputy Mayor for Public Safety and Justice and EMA for a total of \$4,288,559.86.*”

We contacted the office of the Chairman of the District of Columbia City Council to determine if the Chairman had received this letter. We were told that they had no evidence that this letter was sent by the former Chief Procurement Officer or was otherwise received by the Chairman.

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## SECTION I FINDING AND RECOMMENDATIONS

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*The general lack of oversight over awards made to MNG/SRA, coupled with MNG/SRA's former employee involvement in several aspects of EMA's operations, along with current MNG/SRA contract employees' involvement in the operations of the Office of the former Deputy Mayor for Public Safety and Justice, created a strong perception of potential conflicts of interest.*

### **POTENTIAL CONFLICTS OF INTEREST**

***Potential Conflicts of Interest at EMA.*** An OCP contracting official and a former MNG/SRA manager at EMA indicated that the person assigned to monitor MNG/SRA's performance was the Director of Planning, Training, Exercise and Mitigation at EMA. According to these officials, this person was also a former MNG/SRA employee. Among his many duties, the Director of Planning, Training, Exercise, and Mitigation monitored the contract for performance and reviewed payment requests/invoices. Having this employee perform these duties created the appearance of a conflict of interest because this District employee was responsible for monitoring work performed by his former company. While we found no documentation to substantiate the extent of monitoring actually performed by the Director of Planning, Training, Exercise and Mitigation, we believe his assignment was ill-advised as his job duties created the potential for conflicts of interest between the District and the contractor.

Further, we asked EMA officials why they requested MNG/SRA to perform the needed services. EMA officials indicated that MNG/SRA had previously provided similar consulting services for the District, and that they were comfortable with their work, reputation, and performance. However, because the Director of Planning, Training, Exercise and Mitigation was a former MNG/SRA employee, his high level position at EMA created the appearance that he could have influenced the selection of MNG/SRA as a sole source contractor.

Lastly, the District Intranet site contains an employee directory which is used to identify District employees. Our review showed that MNG/SRA contract personnel were listed in the directory along with District personnel. Both District personnel and MNG/SRA personnel, working on the DRP, were labeled with the MNG/SRA project designation. This situation may have created the perception that MNG/SRA personnel were in policy, decision-making, or management positions at EMA. When reviewing the employee directory, it was difficult, if not possible, to discern who were District employees and who were contractor employees.

***Potential Conflicts of Interest at the Office of the Former Deputy Mayor for Public Safety and Justice.*** The former Deputy Mayor for Public Safety and Justice was the District Homeland Security Official. The Office of Homeland Security Grant Administration under the former Deputy Mayor was established in May 2002. The Homeland Security Office

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## SECTION I FINDING AND RECOMMENDATIONS

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provides administrative functions that monitor and track Homeland Security funds throughout the District. The former Deputy Mayor for Public Safety and Justice staffed this office with MNG/SRA personnel. The only District employees were the former Deputy Mayor for Public Safety and Justice and the Chief of Staff.

Congress appropriated \$156 million to the District during FY 2002 to be used for Homeland Security. All agencies within the National Capital Region that request funds for Homeland Security projects had to submit requests to the Homeland Security Office. MNG/SRA employees working in the Deputy Mayor's office had direct knowledge of the budget allocations and the scope of Homeland Security project requirements.

In discussions with the former Deputy Mayor for Public Safety and Justice, we were informed that MNG/SRA provided administration support but did not manage the Office of Homeland Security Grant Administration. The former Deputy Mayor for Public Safety and Justice informed us that final approval rested with government officials. Further, the former Deputy Mayor indicated that MNG/SRA personnel were prevented from participating in any decisions that would be of an advantage for their company, MNG/SRA.

However, we believe that MNG/SRA had a competitive advantage because they had direct knowledge of the budget allocation and knowledge of Homeland Security project requirements. Additionally, a letter prepared by a contracting official at another District agency, dated June 21, 2004, addressed to an official of MNG/SRA, precluded MNG/SRA from bidding on any additional Homeland Security contracts. The letter states that MNG/SRA has direct knowledge of the budget allocations because MNG/SRA manages the Federal Homeland Security Funds for the District, which gives MNG/SRA an unfair advantage over other competitors.

### RECOMMENDATIONS

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

1. Re-emphasize through an internal policy memorandum for all contracting officers to follow the DCMR Title 27 requirement and that all proposed sole-source contracts be reviewed and approved before contract execution.
2. Establish a review process (e.g. a checklist) that will provide reasonable assurance that procurement rules and regulations pertaining to sole-source are followed, including requirements for:
  - a. establishing contract-ceiling prices;

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## SECTION I FINDING AND RECOMMENDATIONS

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- b. preparing purchase descriptions; and
  - c. designating COTRs/contract administrators in task order/contract files.
3. 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;
  - c. ensure that proposed contracts have gone through all processes of review, including legal reviews when necessary.
4. Provide contracting employees with training in using GSA federal supply schedules to procure goods and services for the District, and issue a policy memorandum to use federal procurement guideline when procuring from federal supply schedules.
5. Enforce requirement that all contracting officers obtain, in writing, a clearly-identified agency need for all procurement requests, and retain the documentation in the contract file.
6. Ensure contracting officials sign a statement indicating that, in all matters relating to their specific duties, that they are free from personal and external impairments to independence.
7. Enforce the requirement that all task order/contract files are maintained appropriately to ensure that all documentation is readily available identifying all contracting actions that occurred for procurement actions.
8. Determine if payment was provided to MNG/SRA for un-contracted reviews relating to plans for using any LSDBEs, evaluate the services received, and as appropriate, request from MNG/SRA any reimbursement due the District. (See Section II, OIG comment (3) for details regarding this recommendation.)

We recommend that the Director of Emergency Management Agency:

- 9. Ensure all required employees submit an annual statement of financial interests, review all employee statements of financial interests, and establish procedures to ensure employees recuse themselves from all matters that would cause a personal or external impairment to independently perform their work.

## SECTION I FINDING AND RECOMMENDATIONS

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10. Establish internal controls to preclude contractors from providing services to the District without written and valid contracts and to avoid improper obligation of District funds.
11. Provide the Office of the Inspector General a copy of the former Director of Planning, Training, Exercise, and Mitigation's financial disclosure statement.

We recommend that the Deputy Mayor for Operations:

12. Perform a post award-legal sufficiency review of contracts awarded to MNG/SRA to evaluate the working relationships relative to potential conflicts of interest between MNG/SRA and the District, and provide to the OIG the results. The purpose of this recommendation is to address any internal control breakdowns that occurred so as to preclude reoccurrence of future potential conflicts of interest.

On May 5, 2005, the Deputy Mayor for Operations/Interim Chief Procurement Officer and the Director of Emergency Management Agency provided responses to the recommendations in our draft report. In general, management concurred with the report, and provided a summary of actions taken or planned to address each recommendation. We will continue to work with EMA to obtain additional information needed to close recommendation 11. The responses are included at Exhibit B and C, respectively.

## SECTION II

### CONCERNS OF THE CHAIRMAN OF THE COMMITTEE ON GOVERNMENT OPERATIONS

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We performed this audit in response to a request from the Deputy Mayor for Operations/Interim Chief Procurement Officer to review task orders awarded to MNG/SRA from February 2002 through May 2004 and to address concerns expressed by Councilmember Vincent B. Orange Sr., Chairman, Committee on Government Operations. Councilmember Orange wrote two letters, dated September 7 and 13, 2004 requesting a review of contracting issues associated with contract awards made to MNG/SRA. In order to succinctly present the issues we summarized the information provided in Councilmember Orange's letters into seven concerns.

#### *Concern (1)*

**MNG/SRA has overcharged the District of Columbia \$300,000. It appears that MNG/SRA's profit margin doubled or at least exceeded normal profit ranges established by the federal government.**

#### *OIG Comment (1)*

The concern that MNG/SRA's profit margin has doubled or exceeded federal government profit ranges was based on statements made in the Gardiner Kamy and Associates' Independent Accountants Report, dated October 7, 2002. *The Report stated, 'Marasco's profit rate averaged 15% compared to the Federal Government[']s allowable profit rate of 7.5% to 10%.'* Conversations with the Independent Accountants stated that their report comment was merely to suggest that the District could have possibly negotiated better rates with Marasco Newton/SRA. However, when contracts are not monitored, the situation exists for the District to be overcharged. Unfortunately, without proper monitoring or documentation, it is probably impossible to determine the extent that the District may have been overcharged.

#### *Concern (2)*

**MNG/SRA manages the Federal Homeland Security funds for the District of Columbia government. This represents a significant conflict of interest issue for the company in question. Has the Office of Contracting and Procurement obtained a legal opinion concerning whether or not it is appropriate and/or legal for "MNG/SRA" to bid on procurement contracts and/or receive sole source contracts specifically related to Federal Homeland Security funds?**

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## SECTION II CONCERNS OF THE CHAIRMAN OF THE COMMITTEE ON GOVERNMENT OPERATIONS

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OIG Comment (2)

We contacted OCP General Counsel to determine if OCP performed a legal review of this contract. The General Counsel indicated that they did not perform a legal review of any of the MNG/SRA task orders/contracts. (See Finding 1 section on Potential Conflict of Interests).

*Concern (3)*

**MNG/SRA has billed the District of Columbia government in excess of \$65,000 to develop strategic action plans that would assist them in subcontracting with Local, Small, and Disadvantage Business Enterprise (LSDBEs). OCP remitted payment to MNG/SRA for the above-reference action plan, which is clearly not part of its statement of work.**

OIG Comment (3)

Our review of MNG/SRA task orders/contracts, disclosed a requirement that MNG/SRA was required to submit a plan for LSDBEs participation in the award. However, this requirement was not part of the Statement of Work and the contract did not require MNG/SRA to develop strategic action plans which would assist them in subcontracting with LSDBEs. The Contracting Officer stated that MNG/SRA's plan for LSDBE participation in the contract was not part of the Statement of Work. The Office of Contracts and Procurement stated it did not authorize payment. In addition, the Gardiner Kamy and Associates' Independent Accountants' Report, dated October 7, 2002 states, that MNG/SRA billed the District in August 2002 for \$66,985.83 for development of a LSDBE's. There was no authorization for this activity in the contract. To date we have not been able to determine whether MNG/SRA received payment for this function of developing an LSDBE plan. We recommend that OCP research this issue to determine if payment was provided and evaluate the services received and as appropriate request from the contractors any reimbursement due the District.

*Concern (4)*

**Please confirm the following sole source contracts and/or task orders and dollar amounts issued to MNG/SRA on the following approximate dates.**

<b>Feb 1, 2002</b>	<b>\$ 838,559.86</b>
<b>Feb 28, 2002</b>	<b>\$ 400,000.00</b>
<b>Apr 18, 2002</b>	<b>\$ 550,000.00</b>
<b>June 5, 2002</b>	<b>\$ 500,000.00</b>
<b>July 25, 2002</b>	<b>\$2,000,000.00</b>

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**SECTION II**  
**CONCERNS OF THE CHAIRMAN OF THE**  
**COMMITTEE ON GOVERNMENT OPERATIONS**

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*OIG Comment (4)*

The District of Columbia paid the following amounts on these five contracts.

Task Order/ Contract #	Contract Value	Requisition Date	Period of Performance	Amount Disbursed
63387	\$ 838,559.86	Jan 22, 2002	10/1/01 - 1/31/02 <sup>4</sup>	\$ 838,559.86
63385	\$ 400,000.00	Jan 31, 2002	2/11/02 - 6/10/02 <sup>5</sup>	\$ 375,014.02
63260	\$ 550,000.00	No Contract File	No Contract File	\$ 550,000.00
64185	\$ 500,000.00	May 17, 2002	6/5/02 - 9/30/02	\$ 500,000.00
63962	\$2,000,000.00	July 19, 2002	7/24/02 - 9/30/02	\$ 2,000,000.00

These task order/contracts were awarded sole source to MNG/SRA. (See Finding 1 Task Order/Contract File Review, Table 1).

***Concern (5)***

**The committee on Government Operations requests a review of any and all Sole Source Determination and Findings recommending to procure the services of MNG and SRA on a sole source basis.**

*OIG Comment (5)*

There were D&Fs prepared for 9 of the 10 task orders/contracts awarded to MNG/SRA. However, the task order/contracts lacked adequate justification for the sole source procurement for eight of the nine. (See Finding 1 Task Order/Contract File Review, Table 1)

***Concern (6)***

**Please determine whether MNG/SRA manages the Federal Homeland Security Funds for the District of Columbia.**

*OIG Comment (6)*

MNG/SRA provided consulting, administrative, logistical, research, and other services that were requested by the former Deputy Mayor for Public Safety and Justice. The former Deputy Mayor for Public Safety and Justice staffed the Office of Homeland Security Grant

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<sup>4</sup>Since task/orders were not in the contract file, we determined the period of performance by reviewing the SOW.

<sup>5</sup> Same as above.

## SECTION II CONCERNS OF THE CHAIRMAN OF THE COMMITTEE ON GOVERNMENT OPERATIONS

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Administration with MNG/SRA personnel. However, the former Deputy Mayor stated that she had final approval and managed the funds while MNG/SRA provided administrative support. The former Deputy Mayor for Public Safety and Justice indicated that due to the limited time federal funds were available this precluded the District from hiring permanent employees to staff her office. However, we believe that sources other than MNG/SRA were available.

*Concern (7)*

**Has there been a determination as to whether money has been paid to present and/or former District of Columbia EMA personnel by MNG/SRA.**

*OIG Comment (7)*

We did not find information to indicate whether any money has been paid to present and/or former EMA employees. However, if we obtain any reliable information stating so, we will forward this concern to our Investigations Division.

Exhibit A

**SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT**

<b>Recommendation</b>	<b>Description of Benefit</b>	<b>Amount and Type of Benefit</b>	<b>Status<sup>6</sup></b>
1	Compliance and Internal Control. Ensures that the execution of sole-source contract will be exercised while in compliance with Title 27 of the DCMR.	Non Monetary	Open
2a	Compliance, Internal Control, and Economy and Efficiency. Provides assurance that contracts have well defined cost at time of execution.	Non Monetary	Open
2b	Internal Control. Provides both the contractor and the COTR with defined requirement of the task order/contract, to ensure that the District receives goods and services as warranted, and the COTR is aware as to what is to be monitored of the contractor.	Non Monetary	Open
2c	Internal Control. Provides assurance that the requesting agency is aware of the individual that has been designated by the contracting officer as the COTR to monitor the contract.	Non Monetary	Open
3a	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.	Non Monetary	Open

<sup>6</sup> 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
3b	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
3c	Internal Control. Provides assurance that proposed contracts will go through all processes of review.	Non Monetary	Open
4	Compliance and Internal Control. Provides assurance that OCP is following required procurement rules and regulations when procuring goods and services from federal supply schedules.	Non Monetary	Open
5	Internal Control. Provides controls that will require all contracting officers to have clearly identified agency needs for all procurement requests documented.	Non Monetary	Open
6	Internal Control. Establishes assurance that contract actions provided by OCP contracting officials are free from personal and external impairments to independence.	Non Monetary	Open
7	Compliance and Internal Control. Provides assurance that contract files are maintained in a manner to ensure that all documents pertaining to the contract actions are in the contract files.	Non Monetary	Open

Exhibit A

**SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT**

<b>Recommendation</b>	<b>Description of Benefit</b>	<b>Amount and Type of Benefit</b>	<b>Status</b>
8	Internal Controls. Provides that payments were not inappropriately made to contractors.	Potential Monetary Benefit.	Open
9	Internal Control. Establishes assurance that the requesting agency is free from personal and external impairments to independence.	Non-Monetary	Open
10	Compliance and Economy and Efficiency. Provides assurance that EMA will not allow contractors to provide services to the District without a written and valid contract.	Non-Monetary	Open
11	Internal Controls. Provides assurance that a District employee did not have financial interest with a company contracted to provide services to the District in which he was providing contract monitoring duties.	Non-Monetary	Open
12	Internal Control. Establishes assurance that the District has not been put in risk due to the potential for conflicts of interest with a contractor.	Non-Monetary	Open

**DEPUTY MAYOR FOR OPERATIONS/INTERIM CHIEF  
PROCUREMENT OFFICER RESPONSE TO DRAFT REPORT**

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
EXECUTIVE OFFICE OF THE MAYOR**

**Herbert R. Tillery**  
Deputy Mayor for Operations



Thursday, May 05, 2005

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

Dear Mr. Andersen:

This letter is written in response to your draft Audit of Contracts Awarded to the Marasco Newton Group/Systems Research and Applications Corporation (OIG No. 05-2-03MA).

In your audit, you recommended the following: "...the Deputy Mayor for Operations to request a post-award legal sufficiency review of contracts awarded to MNG/SRA to evaluate the working relationships relative to potential conflicts of interest between MNG/SRA and the District."

As Deputy Mayor for Operations, I concur with this recommendation and will work with the Office of Contracting and Procurement and the Office of the Attorney General to ensure that a post-award legal sufficiency review of contracts awarded to MNG/SRA is conducted. Upon its completion, we will provide the results of the post-award legal sufficiency review to your office. Additionally, we will work to establish an internal control mechanism to prevent reoccurrences of potential and actual conflicts of interest.

The Office of the Deputy Mayor for Operations is committed to ensuring the oversight and integrity of the District's operations. If additional information is required, please contact me at 202-727-3636.

Respectfully,

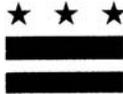
A handwritten signature in black ink, appearing to read "H. Tillery".

Herbert R. Tillery  
Deputy Mayor for Operations

## DEPUTY MAYOR FOR OPERATIONS/INTERIM CHIEF PROCUREMENT OFFICER RESPONSE TO DRAFT REPORT

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
EXECUTIVE OFFICE OF THE MAYOR

Office of the Director



Thursday, May 05, 2005

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

Dear Mr. Andersen:

This letter is written in response to your draft Audit of Contracts Awarded to the Marasco Newton Group/Systems Research and Applications Corporation (OIG No. 05-2-03MA).

In response to your findings and recommendations, the Office of Contracting and Procurement (OCP) will:

- highlight actions taken and/or planned;
- list target dates for completion of planned actions; and
- briefly describe reasons for any disagreements with the findings or recommendations.

Additionally, we will include proposed alternative solutions to the recommendations that OCP believes will more effectively and efficiently correct the noted deficiencies.

### BACKGROUND INFORMATION

The OCP is currently undergoing a major reform initiative. Under new leadership and guidance, OCP has developed a comprehensive assessment of the agency's core facets. This assessment was conducted in conjunction with the Office of the City Administrator's Center for Innovation and Reform (CIR).

The current transformation allows OCP to explore these issues in great detail and determine the best method for improvement. The agency is working with its vendor community, agency program personnel, the Council of the District of Columbia, members of the Office of the Chief Financial Officer (OCFO), as well as other process partners who have an interest in reshaping and enhancing the overall acquisition process.

### OCP RESPONSES

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

**Recommendation 1:** Re-emphasize through an internal policy memorandum for all contracting officers to follow the DCMR Title 27 requirement and that all proposed sole-source contracts be reviewed and approved before contract execution.

Exhibit B

**DEPUTY MAYOR FOR OPERATIONS/INTERIM CHIEF  
PROCUREMENT OFFICER RESPONSE TO DRAFT REPORT**

**OCP's Response:** OCP concurs with this recommendation in that all proposed sole source procurements are already being reviewed and approved in accordance with the DCMR Title 27. OCP will continue to enforce the DCMR Title 27 regulations for all sole source procurements for the Emergency Management Agency.

**Recommendation 2:** Establish a review process (e.g., checklist) that will provide reasonable assurance that procurement rules and regulations pertaining to sole-source are followed including requirements for:

- a. establishing contract-ceiling prices;
- b. preparing purchase descriptions; and
- c. designating COTRs/contract administrators in task order files.

**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 for adherence to all statutory and regulatory requirements. OCP has revised its policy on contract-ceiling prices and purchase order descriptions.

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:** 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 legal reviews when necessary.

**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. OCP will ensure that all appropriate contracts are reviewed for legal sufficiency when necessary.

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) does not require that the vendor be the only source that can provide goods and services. The only requirements for the 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 4:** Provide contracting employees with training in using GSA federal supply schedules to procure goods and services for the District, and issue a policy memorandum to use federal procurement guideline when procuring from federal supply schedules.

**OCP's Response:** OCP concurs with this recommendation. OCP will conduct a series of trainings for OCP contracting personnel to include the GSA federal supply schedules. Additionally, OCP will offer training in DCMR and D.C. Code in order to promote uniform

## DEPUTY MAYOR FOR OPERATIONS/INTERIM CHIEF PROCUREMENT OFFICER RESPONSE TO DRAFT REPORT

understanding of the laws, rules, and regulations pertaining to sole-source contract justification and award.

**Recommendation 5:** Enforce requirement that all contracting officers 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 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 6:** Ensure contracting officials sign a statement indicating that, in all matters relating to their specific duties, that they are free from personal and external impairments to independence.

**OCP's Response:** OCP concurs with this recommendation in principle. It should also be noted that the OCP currently mandates that each contract evaluation panelist and contracting official sign a Conflict of Interest form. The form is reviewed on an annual basis.

**Recommendation 7:** Enforce the requirement that all task order/contract files are maintained appropriately to ensure that all documentation is readily available identifying all contracting actions that occurred for procurement action.

**OCP's Response:** OCP concurs with this recommendation and will continue to offer task order and contract file maintenance training. Additionally, OCP has developed a policy and procedure directive on contract file preparation, which ensures that contract documents are properly filed and easily accessible upon completion of a procurement action.

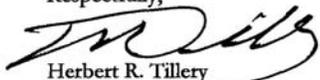
**Recommendation 8:** Determine if payment was provided to MNG/SRA for un-contracted reviews relating to plans for using any LSDBEs, evaluate the services received, and as appropriate, request from MNG/SRA any reimbursement due the District. (See Section II, OIG comment (3) for details regarding this recommendation.)

**OCP's Response:** OCP concurs with this recommendation. The agency will work with the Office of the Chief Financial Officer to conduct a comprehensive review of services provided by Marasco Newton Group/SRA International, Inc. (MNG/SRA) to determine if payment has been provided. If services have not been rendered, OCP will exercise the appropriate steps to recoup reimbursement.

OCP respectfully requests your inclusion of these responses in the final audit report along with the actual findings and recommendations.

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 B

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**DEPUTY MAYOR FOR OPERATIONS/INTERIM CHIEF  
PROCUREMENT OFFICER RESPONSE TO DRAFT REPORT**

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**DIRECTOR OF EMERGENCY MANAGEMENT AGENCY  
RESPONSE TO DRAFT REPORT**

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Emergency Management Agency

Anthony A. Williams  
Mayor

RECEIVED  
4364  
Barbara A. Childs-Pair  
Director  
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May 5, 2005

Austin A. Andersen  
Interim Inspector General  
Office of the Inspector General  
717 14<sup>th</sup> Street, NW, 5<sup>th</sup> Floor  
Washington, DC 20005

Dear Mr. Andersen:

After review of the draft report entitled "Audit of Contracts Awarded to the Marasco Newton Group/Systems Research and Applications Corporation", the following is provided relative to the recommendations to the Director of Emergency Management Agency:

**Section 1, item 9:** I will ensure that all required employees submit an annual statement of financial interests, review all employee statements of financial interests, and establish procedures to ensure employees recuse themselves from all matters that would cause a personal or external impairment to independently perform their work.

**Section 1, item 10:** I will review current internal controls and implement necessary internal controls to preclude contractors from providing services to the District without written and valid contracts.

**Section 1, item 11:** Attached are copies of the former Director of Planning, Training, Exercise, and Mitigation's electronic financial disclosure statement from the Office of Campaign Finance. As stated earlier, the employee departed DCEMA in April of 2003, therefore his personnel file is not at DCEMA, but at our off-site storage facility. This submission can be verified by the Office of Campaign Finance if required.

Sincerely,

Barbara Childs-Pair  
Director

cc: Mr. Robert C. Bobb, City Administrator  
Mr. Edward D. Reiskin, Deputy Mayor for Public Safety and Justice  
Mr. Herbert Tillery, Deputy Mayor for Operations