

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

**AUDIT OF THE D.C.  
DEPARTMENT OF MOTOR VEHICLES  
TICKET PROCESSING SERVICES**



**CHARLES J. WILLOUGHBY  
INSPECTOR GENERAL**

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

Inspector General



December 5, 2007

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Chairman  
Board of Review for Anti-Deficiency  
Violations  
1275 K Street, N.W., Suite 500  
Washington, D.C. 20005

Dear Mr. Gragan, Ms. Babers, and Mr. Lorigo:

Enclosed is our final report summarizing the results of the Office of the Inspector General's (OIG) *Audit of the D.C. Department of Motor Vehicles Ticket Processing Services* (OIG No. 07-2-03MA).

As a result of our audit, we directed nine recommendations to the Office of Contracting and Procurement (OCP), three of which were also directed to the Department of Motor Vehicles (DMV), and one recommendation to the Board of Review for Anti-Deficiency Violations. These recommendations are necessary to correct the described deficiencies. We received responses from the Chairman of the Board of Review for Anti-Deficiency Violations (the Board), the Chief Procurement Officer, OCP, and the Director of DMV on October 31, 2007, November 9, 2007, and November 16, 2007, respectively.

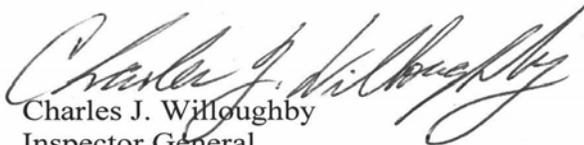
The Board, OCP, and DMV were in agreement with all but two of the recommendations made in the draft report. While OCP did not agree with Recommendations 6 and 7 regarding a lapsed 37-day contract time-period, OCP's comments to the draft report were responsive to

the intent of the recommendations because OCP has provided copies of the missing contract file documentation to show that there was no lapse in contract coverage during the 37-day contract period.

Accordingly, we consider actions taken and/or planned by the Board, OCP, and DMV to be responsive to all recommendations. The full text of the responses of the Board, OCP, and DMV are included at Exhibits B, C, and D, respectively.

We appreciate the cooperation and courtesies 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,



Charles J. Willoughby  
Inspector General

CJW/mf

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**AUDIT OF THE D.C. DEPARTMENT OF  
MOTOR VEHICLES TICKET PROCESSING SERVICES**

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## EXECUTIVE DIGEST

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### OVERVIEW

This report summarizes the results of the Office of the Inspector General's (OIG) Audit of the District of Columbia (D.C.) Department of Motor Vehicles (DMV) Ticket Processing Services Contracts (OIG No. 07-2-03MA).

The audit was conducted in response to a request from Councilmember Carol Schwartz, as former Chairperson for the Committee on Public Works and the Environment; and former Councilmember Kathleen Patterson, as former Chairperson for the Committee on Education, Libraries and Recreation. Ms. Schwartz and Ms. Patterson had concerns that a DMV initiative termed the MSMP One Done Project (MSMP Project), which included an open solicitation for ticket processing services, POTO-2004-R-0028 (MSMP Solicitation), was cancelled to allow the submission of Proposed Resolution 16-0949, the "Contract No. POKV-2006-C-0064 Emergency Approval Resolution of 2006" (PR16-0949).<sup>1</sup>

We provided Councilmember Schwartz and former Councilmember Patterson a briefing on the status of our audit work prior to the expiration of the ticket processing services contract. The purpose of the briefing was to inform executive decision makers about our preliminary findings in order to allow them to make more informed decisions regarding the future of the ticket processing services program. On December 19, 2006, the Council of the District of Columbia (Council) approved Resolution 16-1151, the Revised Contract No. POKV-2006-C-0064 Emergency Approval Resolution of 2006, which approved the award of a corresponding 2-year contract to the incumbent ticket processing services contractor, ACS. The contract was awarded to ACS in part to allow the responsible agencies sufficient procurement lead time to plan for the future ticket processing services program and permit continuity of services.

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<sup>1</sup> PR16-0949 was submitted to the Council to allow DMV to issue ACS State and Local Solutions (ACS) a 2-year contract to continue ticket processing services for the District. The cancellation of the MSMP Project and MSMP Solicitation forced the District to issue ACS a 2-year contract in order to provide continuity of service for the District's ticket processing program. PR16-0949 was withdrawn from consideration on November 6, 2006.

## EXECUTIVE DIGEST

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### CONCLUSIONS

The former Deputy Mayor/City Administrator suspended the MSMP Project without (at a minimum) informing the former Director of DMV<sup>2</sup> and the justifications for cancelling the MSMP Solicitation, which was an open solicitation included within the MSMP Project, were not in accordance with Title 27 of the District of Columbia Municipal Regulations (DCMR).<sup>3</sup> The former Deputy Mayor/City Administrator's suspension of the MSMP Project consequentially resulted in the Project's termination. As a result of the MSMP Project consequential cancellation, the District incurred \$11 million more than it would have incurred had they awarded the eight corresponding contracts under the MSMP Project.

Our audit also found that OCP had previously extended the ticket processing and collection services contract to the same contractor for approximately 31 months after the expiration of the original 5-year contract period, without soliciting competition or properly justifying the award of the sole source contracts, resulting in an expenditure of approximately \$6.4 million more than may have been necessary to provide ticket processing and collection services during the period.

The audit also determined that OCP did not comply with existing regulations when it issued a contract in excess of \$1 million without first obtaining Council approval, as required by D.C. Code §1-204.51(b)(1). OCP allowed the incumbent contractor to provide ticket collection and processing services for a brief period without a valid contract mechanism in place. This action may have violated the District's Anti-Deficiency Act laws. Lastly, OCP failed to maintain complete contract files documenting procurement actions for the DMV ticket processing services contract.

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<sup>2</sup> We did not find any regulations that required the former Deputy Mayor/City Administrator to inform the former Director of DMV that he was cancelling a major agency initiative. However, we believe that given the magnitude of the project, the financial impact to the District, the enormous work that had been performed to establish the project, and the complexity of procuring ticket processing services, it would have been prudent for the former Deputy Mayor/City Administrator to have informed (at a minimum) the former Director of DMV prior to suspending the MSMP Project.

<sup>3</sup> Pursuant to D.C. Code § 2-303.07, the OIG reviewed the cancellation of Solicitation No. POTO-2004-R-0028. Originally, the OIG relied on the former Interim Assistant OCP Director's assertion of insufficient funding and concurred with OCP's decision to cancel the solicitation.

## EXECUTIVE DIGEST

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### SUMMARY OF RECOMMENDATIONS

We addressed nine recommendations to the Office of Contracting and Procurement (OCP), (DMV) and one recommendation to the Board of Review for Anti-Deficiency Violations to initiate the necessary actions to correct the noted deficiencies.<sup>4</sup> The recommendations center on:

- Coordinating to plan, solicit, and award a new contract for ticket processing services.
- Coordinating to establish a procurement planning committee to develop advance procurement plans for major DMV contracts for goods and services.
- Developing advance procurement plans to acquire the ticket processing and collection system for FY 2009, including advance actions to acquire/download all ticket processing data from the ACS system.
- Establishing a procurement review committee to review and approve procurements in excess of \$1 million, thereby ensuring compliance with District laws and regulations.
- Ensuring consistent and continuous contract coverage for the remaining period of the ticket processing services contract.
- Evaluating the actions of contracting personnel for failure to comply with District laws and regulations and, if appropriate, taking disciplinary action in accordance with District laws and regulations.
- Establishing a system to centrally maintain contract files.
- Conducting periodic internal validations of contract file content to ensure complete contract files.
- Development of operational policies and procedures over contract file administration.

A summary of potential benefits resulting from this audit is included at Exhibit A.

### CORRECTIVE ACTIONS

We received responses from the Chairman of the Board of Review for Anti-Deficiency Violations (the Board), the Chief Procurement Officer, OCP, and the Director of DMV, on October 31, 2007, November 9, 2007, and November 16, 2007, respectively. The Board, OCP, and DMV were in agreement with all but two of the recommendations made in the draft report. While OCP did not agree with Recommendations 6 and 7 regarding the 37-day lapsed contract period, OCP's comments to the draft report were responsive to the intent of the recommendations because OCP has provided copies of the missing contract file documentation to show that there was no lapse in contract coverage during the 37-day contract period.

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<sup>4</sup> The above recommendations are similar to recommendations we have made during previous reviews of OCP that were designed to identify and correct recurring systemic problems in the areas of contracting and procurement.

## **EXECUTIVE DIGEST**

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Accordingly, we consider actions taken and/or planned by the Board, OCP, and DMV to be responsive to all recommendations. The full text of the responses of the Board, OCP, and DMV are included at Exhibits B, C, and D, respectively.

## INTRODUCTION

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### BACKGROUND

**Ticket Processing and Collection Services** - Pursuant to the Council Contract Summary, the Traffic Adjudication Act of 1978 requires the DMV and the Department of Public Works (DPW) to enforce parking and civil moving infractions. This legislative interpretation allows the District to contract with private firms to operate the ticket processing program. Ticket processing services include the following activities: (1) data capture, (2) on-line and real-time data access, (3) document imaging, (4) payment processing, (5) correspondence processing, (6) vehicle and plate matching to owner, (7) notice mailings, and (8) document storage.

On May 6, 1999, OCP awarded ACS a \$23,085,000, firm-fixed-price, 3-year contract with two 1-year options for ticket processing services (Contract No. OMS-6137-AA-VK). The contractor was responsible for providing: (1) hardware and software maintenance; (2) communications; (3) facilities; system users training; (4) project management; and (5) supplies and materials required to operate the automated ticket processing system.

OCP modified Contract No. OMS-6137-AA-VK 19 times to either extend the contract period, change a contract provision, or exercise the two 1-year options. By May 2004, the approximate total value of the contract was \$42,905,915. From May 2004, until a new contract was awarded on January 3, 2007, OCP issued three sole source contracts valued at \$30,609,409 to allow ACS to continue to provide ticket processing services. In total, the DMV's ticket processing services cost the District approximately \$65,927,433 for the period of May 6, 1999, through January 3, 2007. Furthermore, we determined that ACS has provided ticket processing services under this contract for approximately 23 years.

**Motor Services Modernization Program (MSMP)** - While under the first sole source contract to ACS (POKV-2004-C-2002), the District conceived and initiated the MSMP One Done Project (MSMP Project). The OCTO, the DMV, the Metropolitan Police Department (MPD), and the DPW collaborated on developing the MSMP Project. The MSMP Project's goal was to improve and streamline the District's business processes associated with ticket processing services.

Although former ticket processing procurements were comprehensive, the contracts and solicitations associated with these procurements did not distinguish or itemize the associated auxiliary services required to provide these ticket processing services. The MSMP Project was the District's attempt to unbundle the individual services and processes required to execute ticket processing.

## INTRODUCTION

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The Project provided for individual solicitations and contract awards to vendors who could provide the following eight auxiliary services:

1. Ticket Processing
2. Consolidated Payment
3. Consolidated Notices
4. Back-office Support
5. Automated Enforcement (Red-light/Photo Radar)
6. Hand-held Equipment and Service
7. Integration and Interfaces
8. Collections

OCTO, DMV, MPD and DPW agreed that unbundling these eight auxiliary services would achieve the following benefits: (1) provide the District with greater control and rights over the ticket processing system and data; (2) stimulate competition; (3) reduce costs; (4) increase the effectiveness and efficiency of ticket process service delivery; and (5) increase vendor satisfaction.

The MSMP Project's first initiative was MSMP-Ticket Processing. On August 4, 2004, OCP issued the MSMP-Ticket Solicitation (MSMP Solicitation). The MSMP Solicitation was scheduled to close on August 31, 2004; however, OCP extended the closing date for the Solicitation to September 30, 2004. The incumbent ticket processing services provider, ACS, and three other vendors responded to the MSMP Solicitation. However, in December 2004, the former Deputy Mayor/City Administrator suspended the MSMP Project and the former Deputy Mayor for Operations/Interim Chief Procurement Officer cancelled the MSMP Solicitation prior to awarding any contracts. The District subsequently awarded the incumbent contractor two additional sole source contracts and in December 2006, the Council passed R16-0941 to award ACS a 2-year base period with three 1-year options contract to maintain continuity of ticket processing services.

## OBJECTIVES, SCOPE, AND METHODOLOGY

Our initial audit objective was to examine the events surrounding the procurement actions related to Proposed Resolution 16-0949, the "Contract No. POKV-2006-C-0064 Emergency Approval Resolution of 2006,"<sup>5</sup> and determine whether responsible officials: (1) made the procurement in an efficient, effective, and economical manner; and (2) complied with applicable laws, rules and regulations, and policies and procedures.

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<sup>5</sup> PR16-0949 was submitted to the Council to allow DMV to issue ACS a 2-year contract to continue ticket processing services for the District. The cancellation of the MSMP One Done Project and MSMP-Ticket Solicitation forced the District to issue ACS a 2-year contract in order to provide continuity of service for the District's ticket processing program. PR16-0949 was withdrawn from consideration on November 6, 2006.

## **INTRODUCTION**

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However, during our review, we developed concerns regarding the justification for Cancellation of Solicitation No. POTO-2004-R-0028 because the justification and cancellation were not prepared in accordance with Title 27 of the DCMR, and may have been used to allow ACS to continue providing services under its ticket processing services contract. In addition, we also had concerns regarding solicitation actions and the use of sole source contracts to procure ticket processing services.

To accomplish our objectives, we examined contract files and documents pertaining to DMV's ticket processing solicitation and contract actions for the period May 6, 1999, to January 3, 2007. We reviewed the DCMR and other relevant documentation pertaining to the ticket processing solicitation and conducted interviews with OCP and DMV representatives.

We also provided Councilmember Schwartz and former Councilmember Patterson a briefing on the status of our audit work prior to the expiration of the ticket processing services contract. We did not rely on any computer-processed data during this audit.

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

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## FINDINGS AND RECOMMENDATIONS

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<b>FINDING 1: CANCELLATION OF THE MSMP ONE DONE PROJECT AND MSMP TICKET PROCESSING SERVICES SOLICITATION</b>
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### SYNOPSIS

The former Deputy Mayor/City Administrator suspended<sup>6</sup> the MSMP Project without (at a minimum) informing the former Director of DMV and the justifications for cancelling the MSMP Solicitation (POTO-2004-R-0028), which was an open solicitation included within the MSMP Project, were not in accordance with Title 27 of the DCMR.<sup>7</sup>

As a result of the MSMP Project suspension and eventual cancellation, the District incurred \$11 million more than would have been incurred had the District awarded all the solicitations under the MSMP Project. Additionally, the District lost the opportunity, to take full ownership of the ticket processing system and data. Currently, ACS claims proprietary rights to maintaining and operating the ticket processing services software and hardware.

### DISCUSSION

Based on our review and examination of contract documentation, the Deputy Mayor/City Administrator's suspension of the MSMP Project without, at a minimum, informing the responsible agency director and completing a subsequent study, raises questions regarding the propriety of the MSMP Project's suspension and whether the suspension was in the best interest of the District. Additionally, the former Deputy Mayor for Operations/Interim Chief Procurement Officer and the former Interim Assistant OCP Director's justifications for cancelling the MSMP Solicitation were not in accordance with applicable laws and raise questions to whether the cancellations were in the best interest of the District, whether they resulted because of revised minimum needs, or whether they resulted due to a lack of funding.

**Project Cancellation/Best Practices Analysis** - A December 7, 2004, memorandum from the former Deputy Mayor/City Administrator provides that the MSMP Project was suspended for the following reason:

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<sup>6</sup> The former Deputy Mayor/City Administrator's suspension of the MSMP Project consequentially resulted in the MSMP Project's termination.

<sup>7</sup> Pursuant to D.C. Code § 2-303.07, the OIG reviewed the cancellation of Solicitation No. POTO-2004-R-0028. Originally, the OIG relied on the former Interim Assistant OCP Director's assertion of insufficient funding and concurred with OCP's decision to cancel the solicitation.

## FINDINGS AND RECOMMENDATIONS

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With ... [DMV's] basic systems more stable and professional than they previously have been, the time is ripe for a functional review . . . . I have tasked the CIR [Center for Innovation & Reform] to work with you to perform best practice research on departments of motor vehicles across the country to identify optimal functional organizations. . . . This analysis will be the basis for developing recommendations for rationalizing and focusing the functional design of the department. In order to accommodate the spectrum of possible outcomes that may result from those recommendations, we will not continue forward with the decentralization and integration of the ticket payment and adjudication function at DMV . . . . [I]t is possible that our analysis will lead us to a different conclusion about where such functions should most logically and most efficiently reside. We therefore will maintain the current centralized system pending the outcome of this review.

On September 25, 2006, the former Director of DMV testified before the Council that “[p]rior to the award of a new contract, [for the MSMP Solicitation] the executive recognized there were legitimate fundamental issues and trade offs that could result from such a merger of functions and asked that we suspend the effort to merge the databases. As a result, the pending procurement [MSMP Project and corresponding MSMP Solicitation] was cancelled and a revised RFP issued which resulted in the contract proposal before us today.” Contrary to statements made in the December 3, 2004, D&F, the former Director of DMV informed us that she was not a party to the decision to cancel the MSMP Project or the MSMP Solicitation and that she had been enthusiastic and eagerly anticipating the MSMP Project’s implementation.

Additionally, the former Director of DMV informed us during an interview that the study to be conducted by the Center of Innovation and Reform had not been completed. The former Deputy Mayor/City Administrator’s December 7, 2004, memorandum provides that the study was the premise for suspending the MSMP Project. The memorandum provides that the DMV will maintain the status quo pending the results of the study. The District awarded the incumbent contractor (who has had the ticket processing services contract for approximately 23 years) with another sole source 2-year base period with three one-year options contract to maintain the “status quo”. The fact that the study was not conducted or completed and another sole source contract awarded to the incumbent contractor raises questions regarding the propriety of the decision to suspend the MSMP Project and corresponding MSMP Solicitation. Consequently, the DMV is still operating at the status quo and was not provided with a key internal control component, which was suggested in the memorandum, necessary for DMV to advance the ticket processing services and the District abandoned a solution that could have saved the District millions of dollars.

## FINDINGS AND RECOMMENDATIONS

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We did not find any regulations that required the former Deputy Mayor/City Administrator to inform the former Director of DMV that he was cancelling a major agency initiative and we do not question whether the former Deputy Mayor/City Administrator had the authority to cancel or suspend the MSMP Project. However, we believe that given the magnitude of the MSMP Project, the financial impact to the District, the enormous work that had been performed to establish the MSMP Project, and the complexity of procuring ticket processing services, it would have been prudent for the former Deputy Mayor/City Administrator to have informed (at a minimum) the former Director of DMV prior to suspending the MSMP Project. We believe that the decision to suspend the MSMP Project without consulting the agency was inappropriate and raises many questions regarding the propriety of the decision.

**Best Interest of the District/Revised Minimum Needs** - On December 3, 2004, the former Deputy Mayor for Operations/Interim Chief Procurement Officer issued a memorandum cancelling the MSMP Solicitation in the best interest of the District. The memorandum provides the following:

According to the findings, of the Contracting Officer, the District's requirements for the Ticket Processing will be substantially revised. Consequently, the Contracting Officer, has determined that cancellation and issuance of a revised solicitation is in the best interest of the District. In consideration of the above, I have approved a cancellation of the subject solicitation as being in the best interest of the District.

A D&F dated December 3, 2004, signed by the former Deputy Mayor for Operations/Interim Chief Procurement Officer and the former Interim Assistant OCP Director, provides that the MSMP Solicitation was cancelled in the best interest of the District because:

It has been determined that the solicitation will be re-written to solicit proposals for a comprehensive Ticket Processing solution. A more comprehensive ticket processing solution will enable the District to achieve economies of scale and for contractor(s) to amortize the cost of related hardware, software and equipment. It is DMV's position that it would receive better pricing for these services if the Government could commit to a comprehensive Ticket Processing solution. Therefore, it is in the best interest of the District to reject all proposals received and cancel the solicitation.

In lieu of awarding the MSMP Solicitation and to provide for future ticket processing services, the former Director of DMV testified on September 25, 2006, that the DMV added "One Done type improvements" to the pending solicitation, which eventually became the 2-year contract that

## FINDINGS AND RECOMMENDATIONS

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the Council awarded to ACS in December 2006.<sup>8</sup> Specifically, the improvements were: (1) combining three separate ticket databases (photo red light, speed radar, and other parking); (2) enhancing the ticket notification process; and (3) consolidating ticket payment functions. The DMV made these changes to the resolution PR16-1151 after the MSMP Project was suspended and the MSMP Solicitation was cancelled so that the District would receive some benefits over the old contract and to address concerns raised by the Council. These changes were mere additions to the scope of work and did not represent a substantial revision or change in the District's requirements, as provided in the former Deputy Mayor for Operations/Interim Chief Procurement Officer's memorandum, the MSMP-Ticket cancellation D&F, or as required by Title 27 of the DCMR, to justify the cancellation.

### Criteria for Cancelling Solicitations

Title 27 DCMR § 1530.1 provides:

An IFB may be cancelled, or bids rejected, only if the Director determines in writing that the action taken is in the best interest of the District. If all bids have been rejected, the contracting officer shall cancel the solicitation. The contracting officer shall notify the Inspector General of each cancellation within seventy-two (72) hours.

Title 27 DCMR § 1530.3 provides that “[a]fter the opening of a bid, an IFB shall not be cancelled and resolicited due solely to increased requirements for the items being procured. Award shall be made on the initial IFB and the additional quantity shall be treated as a new procurement.”

Title 27 DCMR § 1530.4 provides:

An IFB may be cancelled and all bids rejected before award but after opening when the Director determines in writing that cancellation is in the best interests of the District for any reason, including the following:

- (a) Inadequate or ambiguous specifications were cited in the IFB;
- (b) Specifications have been revised;
- (c) The supplies or services being contracted for are no longer required;
- (d) The IFB did not provide for consideration of all factors of cost to the District;

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<sup>8</sup> On December 19, 2006, the Council of the District of Columbia (Council) approved Resolution 16-0941, the Revised Contract No. POKV-2006-C-0064 Emergency Approval Resolution of 2006.

## FINDINGS AND RECOMMENDATIONS

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- (e) Bids received indicate that the needs of the District can be satisfied by a less expensive article differing from that for which the bids were invited;
- (f) All otherwise acceptable bids received are at unreasonable prices, or only one (1) bid is received and the Contracting Officer cannot determine the reasonableness of the bid price, or no responsive bid has been received from a responsible bidder; or
- (g) The bids were not independently arrived at in open competition, were collusive, or were submitted in bad faith.

Title 27 DCMR §§1530.1 and 1530.4 provide that a solicitation can be cancelled when the Director of OCP determines in writing that the cancellation is in the best interest of the District. Although 27 DCMR §§ 1530.1 and 1530.4 do not require the Director of OCP to confer with anyone prior to cancelling a solicitation and do not address the operational processes associated with exercising the authority, we believe it is in the best interest of the District and the program to consult with and consider input from the program Director prior to cancelling a solicitation. The former Director of DMV was not party to the decisions to suspend the MSMP Project or MSMP Solicitation. The lack of consideration raises questions regarding the propriety of the MSMP Project suspension and corresponding MSMP Solicitation cancellation.

Further, the memorandum suspending the MSMP Project was dated after the documents providing the justifications for cancelling the MSMP Solicitation. Specifically, the former Deputy Mayor/City Administrator's memorandum to suspend the MSMP Project was dated 4 days after the Deputy Mayor for Operations/Interim Chief Procurement Officer's D&F cancelling the MSMP Solicitation. OCP is the administrative arm authorized by law to execute the cancellation of a solicitation. OCP does not arbitrarily execute this function but considers the direction and input of District Executive Management and agency management. We did not find any evidence that the former Deputy Mayor/City Administrator or former Director of DMV instructed or prompted OCP officials to cancel the MSMP Solicitation prior to the memorandum announcing that the MSMP Project had been suspended. The former Director of DMV stated that she was not included on any discussions to suspend the MSMP Project.

Based on the sequence of formal documentation, it appears that the former Deputy Mayor/City Administrator and the Deputy Mayor for Operations/Interim Chief Procurement Officer had discussions regarding the MSMP Project suspension without the Director of OCP. The sequence of formal documentation raises questions regarding the sequence of events surrounding the MSMP Project suspension and the propriety of the MSMP Solicitation cancellation.

In accordance with 27 DCMR § 1530.3, we believe that the memorandum and the D&F do not provide sufficient justification to cancel the MSMP Solicitation. The changes made to the new

## FINDINGS AND RECOMMENDATIONS

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sole source contract awarded to ACS were not significant changes or revisions but changes made hastily to allow the District to receive some additional benefits over the old contract and to address concerns expressed by the Council. It appears that the District should have awarded the contract for the corresponding MSMP Solicitation and modified the awarded contract or issued a new contract for the additional requirements.

**Lack of Funding** - Pursuant to D.C. Code § 2-303.07, the OIG initially informed the Interim Assistant OCP Director that the basis provided in OCP's December 3, 2004, MSMP Solicitation cancellation D&F was not adequate justification for cancelling the solicitation. On December 14, 2005, the former Interim Assistant OCP Director stated by telephone that the MSMP Solicitation was really cancelled due to a lack of funding. The OIG relied on the former Interim Assistant OCP Director's assertion of insufficient funding and concurred with OCP's decision to cancel the solicitation.

Contrary to the assertion that funds were lacking, in a June 23, 2004, memorandum, the OCTO, budget director certified to the OCTO Contracting Officer that OCTO had \$4,200,000 for FY 2005 and an additional \$3,000,000 for FY 2006 for the "Ticket Information Processing System," providing congressional approval of the District's FY 2005 budget. The MSMP Solicitation was estimated to cost from \$4 - \$6 million per year. As such, the OCTO Contracting Officer's justification was not valid and this justification for cancelling the MSMP Solicitation was not accurate.

**Lost Opportunity** - A D&F signed by an OCTO Contracting Officer on June 8, 2004, and the Chief Procurement Officer on June 9, 2004, provides that the entire MSMP Project was estimated to cost \$9 million. The ticket processing contract with ACS was approximately \$20 million per year, leaving a difference of \$11 million. Additionally, in a D&F signed by the former Deputy Mayor for Operations/Interim Chief Procurement Officer on December 1, 2005, the former Director of DMV on November 29, 2005, and an OCP Contracting Officer on November 30, 2005, the District claimed that ACS had exclusive and proprietary rights to maintaining and operating the ticket processing services software and hardware. Under the MSMP Project, the District was to take full ownership of the ticket processing system and data. As a result of the MSMP Project suspension, the District incurred a cost of approximately \$11 million dollars because DMV and OCP did not initiate the eight solicitations and award the corresponding contract under the MSMP Project. Additionally, the District lost the opportunity to gain ownership of the administration and operation of the ticket processing system.

## **FINDINGS AND RECOMMENDATIONS**

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### **RECOMMENDATION 1**

We recommend that the Director, DMV and the Chief Procurement Officer, OCP:

1. Coordinate efforts to allow sufficient time to plan, solicit, and award a new contract for ticket processing services prior to the expiration of the current ticket processing services contract.

### **OCP RESPONSE**

OCP concurred with the recommendation and stated that they will work and coordinate with DMV to plan, solicit, and award a new contract for ticket processing as they did with the current ticket processing contract, POKV-2006-C-0064.

### **DMV RESPONSE**

DMV concurs with this recommendation and has been contacted by OCP to schedule the kickoff meeting to begin work on the new contract. DMV will utilize a DMV/OCP task force process to complete the necessary new contract award prior to the expiration of the current ticket processing contract.

### **OIG COMMENT**

We consider OCP's and DMV's actions to be responsive to the above recommendation.

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## FINDINGS AND RECOMMENDATIONS

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<h3>FINDING 2: AWARD OF SOLE SOURCE CONTRACTS</h3>
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#### SYNOPSIS

DMV issued ACS three sole source contracts to extend the ticket processing and collection services for approximately 31 months without soliciting competition or properly justifying the awards. This situation occurred because DMV did not develop advance procurement plans to contract for the continuation of ticket processing and collection services as required by 27 DCMR § 1210.5. As a result, the ticket processing and collection services contract costs escalated by approximately \$6.4 million during the extended contract period.

#### DISCUSSION

After the expiration of the initial 5-year contract (Contract No OMS-6137-AA-VK), DMV issued ACS, the incumbent service provider, three sole source contracts to continue ticket processing and collection services. The three sole source contracts covered a 31-month period (May 6, 2004, to December 31, 2006). During this period, DMV contracted for the ticket collection services without the benefit of price competition or without proper justification.

Title 27 DCMR § 1701.1 provides:

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. The contracting officer shall take action, whenever possible, to avoid the need to continue to procure the same supply, service, or construction without competition.

**First Sole Source Contract - No. POKV-2004-C-0002** - On May 6, 2004, after Contract No. OMS-6137-AA-VK expired, OCP issued a sole source contract to ACS without soliciting competition from other vendors. In addition, our review of the contract file revealed that OCP did not prepare a D&F for this single source contract. Title 27 DCMR § 1700.2(a) provides that the contracting officer “[p]repare a written determination and findings (D&F) justifying the procurement which specifically demonstrates that procurement by competitive sealed bids or competitive sealed proposals is not required by the provisions of the Act or this title....” Therefore, for this period the ticket processing and collection services were obtained from the same contractor without the benefit of price competition and the procurement was not adequately justified as a sole source procurement. The cost of ticket processing and collection services under this single source procurement was approximately \$21,352,170.90.

## FINDINGS AND RECOMMENDATIONS

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**Second Sole Source Contract No. POKV-2006-C-0062** - According to OCP officials, after the expiration of DMV's first sole source contract, on December 5, 2005,<sup>9</sup> OCP issued a second 26-day sole source award to bridge the period of December 6 thru 31, 2005, to allow OCP sufficient time to prepare a third sole source award (POKV-2006-C-0061) for ACS. OCP officials could neither provide us with the contract file nor could they provide us with any documentation to justify the sole source contract award. The OCP officials stated that the contract file was maintained by former contracting personnel and although the contract file was not destroyed, the documentation was effectively misplaced. As a result, we could not determine whether a contract mechanism existed for this period, whether the sole source justification was adequate, or whether contracting officials followed District procurement regulations before awarding the sole source contract.

Title 27 DCMR § 1705.2, provides that each sole source D&F shall include 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) A 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;
- (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

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<sup>9</sup> Contract POKV-2004-C-2002 was originally a 1-year contract that ran from May 6, 2004, through May 5, 2005. Contract modifications extended the scope from May 2005 to November 5, 2005. Subsequently, a D&F to extend a sole source contract extended the period of performance from November 6, 2005, through December 5, 2005.

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## FINDINGS AND RECOMMENDATIONS

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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.

**Absence of Competition - Escalated Cost of Ticket Processing Services** – Contract No. OMS-6137-AA-VK, including all modifications, cost DMV approximately \$43 million. During the 31-month period between the expiration of Contract No. OMS-6137-AA-VK and the enactment of Resolution 16-0941, on December 19, 2006 (May 4, 2004, to December 31, 2006), OCP awarded three sole source contracts valued at \$30,609,409.40 to the incumbent ticket collection and processing services contractor without soliciting competition.<sup>10</sup> The annualized cost for ticket processing and collection services for the 31-month period was approximately \$23,697,607.<sup>11</sup>

Consequently, the annualized cost for ticket processing and collection services DMV incurred during the 31-month period was approximately \$3.2 million dollars a year more than the average yearly cost for Contract No. OMS-6137-AA-VK. The annualized escalated cost of about \$6.4 million may have been avoided or reduced if DMV obtained competitive prices for ticket collecting and processing services for the 31-month period.

**Proprietary Rights In Data** - According to OCP's Chief Procurement Officer (CPO), OCP issued successive sole source solicitations because no other contractor would have access to the database to complete necessary processing and the incumbent contractor had exclusive access to the data. The CPO stated that the incumbent contractor was the only source who possessed proprietary rights to the ticket processing system. Additionally, the D&F for Contract No. POKV-2006-C-0061, Section 4 provides:

DMV is requesting a sole source contract for a period of [1] year to provide the services necessary for the continuation of the existing ticket processing system primarily because competition is not feasible or practical at this time to perform the operations of the system and the operating system is currently a proprietary system of ACS.

*Id* at 2.

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<sup>10</sup> This total amount excludes the cost of DMV's second sole source contract, Contract No. POKV-2006-C-0062, because OCP was unable to provide us with this contract file.

<sup>11</sup> The annualized cost was determined by dividing the approximate contract cost incurred during the May 4, 2004 - January 1, 2007, period (\$30,609,409) by the number of months in the period (31) and multiplying the result of the division by the number of months in a 2-year period (24).

## FINDINGS AND RECOMMENDATIONS

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However, according to the original Contract No. OMS-6137-AA-VK Section F.12.b:

All data first produced in the performance of this contract shall be the sole property of the District. Contractor hereby acknowledges that all data, including, without limitation computer program codes produced by contractor for the District under this contract, are works made for hire and are the sole property of the District; but, to the extent any such data may not, by operation of law, be works made for hire, contractor hereby transfers and assigns to the District the ownership of copyright in such works, whether published or unpublished.

*Id.* at 103-104.

As such, DMV's justification for a sole source procurement on the basis of data ownership and proprietary rights was not warranted and, consequently, DMV found itself in an undesirable position of having to award successive sole source procurements to provide continuity of ticket collection and processing services.

### CONCLUSION

DMV likely paid the ticket collection and processing contractor more than was necessary for ticket collection and processing services and extended services for approximately 2 years. Our conclusion on cost escalation is premised on the rationale that adequate price competition could have afforded OCP more competitive rates for this information technology extensive contract.

Further, proper procurement planning would have provided OCP with the information necessary to ensure that the ticket processing procurements were executed in accordance with District guidelines, adequate time was devoted to award the options after Council's approval, and adequate time was devoted to solicit competition for the award of subsequent contracts after the expiration of Contract No. OMS-6137-AA-VK.

Both DMV and OCP need to establish strict operating guidelines governing the execution of sole source solicitations and advance annual procurement plans. Included in these guidelines would be a requirement for DMV to create a procurement planning committee composed of key representatives from DMV organizational units. At a minimum, these representatives should come from the OCP, the DMV Budget and Finance Office, and the DMV Program Office.

Creation of this committee would foster the development of advance procurement plans that reflect DMV future procurement needs based on essential program requirements and available procurement lead time to effect efficient and effective contracting methods based on the principles of adequate competition.

## **FINDINGS AND RECOMMENDATIONS**

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### **RECOMMENDATION 2**

We recommend that the Chief Procurement Officer, OCP and Director, DMV:

2. Coordinate to establish a procurement planning committee to develop advance procurement plans for major DMV contracts for goods and services.

### **OCP RESPONSE**

OCP concurred with the recommendation and stated that while OCP does not have a formal procurement planning committee, OCP does establish task forces for major contractual efforts.

### **DMV RESPONSE**

DMV concurs with the need to develop a procurement plan and has developed and submitted to OCP a Service Level Agreement for our FY08 procurement needs. DMV will work with OCP on task forces related to the planning and development of major DMV contracts, such as the ticket processing contract.

### **OIG COMMENT**

We consider OCP's and DMV's actions to be responsive to the recommendation.

### **RECOMMENDATION 3**

We recommend that the Chief Procurement Officer, OCP and Director, DMV:

3. Develop an advance procurement plan to acquire the ticket processing and collection system for FY 2009, including advance actions to acquire/download all ticket processing data from the current ACS system.

### **DMV RESPONSE**

DMV concurs with the need to develop a procurement plan and has developed and submitted to OCP a Service Level Agreement for our FY08 procurement needs. DMV will work with OCP on task forces related to the planning and development of major DMV contracts, such as the ticket processing contract, including a requirement for acquiring and downloading necessary data.

## **FINDINGS AND RECOMMENDATIONS**

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### **OCP RESPONSE**

OCP concurred with the recommendation and stated that they will initiate action to develop an advance procurement plan to acquire the ticket processing and collection system for FY 2009 and to acquire/download all ticket processing data from the contractor's system.

### **OIG COMMENT**

We consider actions planned by OCP and DMV to be responsive to the recommendation.

## FINDINGS AND RECOMMENDATIONS

### FINDING 3: EXCEEDING PROCUREMENT AUTHORITY

#### SYNOPSIS

OCP executed contracts in excess of \$1 million without first obtaining the Council of the District of Columbia’s (Council) approval, as required by D.C. Code § 1-204.51(b)(1). OCP could not establish or document whether Council approvals were obtained prior to initiating the contract actions. As a result, OCP authorized contract actions greater than \$1 million and prevented the Council from exercising its legal authority and oversight of contract awards greater than \$1 million.

#### DISCUSSION

OCP exceeded its procurement authority by not obtaining the Council’s approval prior to awarding Contract No. POKV-2004-C-0002, which was in effect between the periods of May 6, 2004, and December 5, 2005. During this period, OCP issued 14 modifications, valued at about \$13 million, for the ticket collection and processing contract. We found that three of those modifications exceeded the \$1 million threshold requiring Council approval. Additionally, OCP did not seek Council’s approval, as required by District regulations, for a letter contract and another three modifications that were priced at \$986,661.00, just under the \$1 million threshold.

**Letter Contract/Modifications Contract No POKV-2004-C-2002** – On May 6, 2004, after the ticket processing and collection service (Contract No. OMS-6137-AA-VK) expired, we found that OCP awarded a sole source contract to the incumbent ticket collection and processing contractor for continuity of services. Consequently, between the periods of May 6, 2004, and December 5, 2005, the value of the letter contract and subsequent modifications was approximately \$13 million. This information is depicted in Table 1 below.

**Table 1: Sole source Contract and Contract Modifications**

NO.	CONTRACT ACTION	COST	EFFECTIVE DATE	EXPIRATION DATE	ELAPSED DAYS
1	Sole Source Award (Letter Contract)	\$986,661.00	05/05/2004	06/16/2004	42
2	Modification 1	986,661.00	06/17/2004	07/28/2004	41
3	Modification 2	1,503,488.00	07/29/2004	09/30/2004	63
4	Modification 3	-	09/22/2004		-
5	Modification 4	986,661.00	10/01/2004	11/12/2004	42
6	Modification 5	986,661.00	11/13/2004	12/25/2004	42
7	Modification 6	-	11/30/2004		-

## FINDINGS AND RECOMMENDATIONS

**Table 1: Sole Source Contract and Contract Modifications (Cont.)**

NO.	CONTRACT ACTION	COST	EFFECTIVE DATE	EXPIRATION DATE	ELAPSED DAYS
8	Modification 7	3,124,420.00	12/26/2004	05/05/2005	130
9	Modification 8	267,674.00	05/05/2005	05/16/2005	11
10	Modification 9	-	-	-	-
11	Modification 10	267,674.00	05/17/2005	05/27/2005	10
12	Modification 11	3,842,942.00	05/28/2005	11/05/2005	161
13	Modification 12	8,192.00	08/22/2005	10/15/2005	54
14	Modification 13	3,245.90	10/15/2005	11/05/2005	21
15	Modification 14	800,000.00	11/04/2005	-	-
<b>Total</b>		<b>\$13,764,279.90</b>			

**Criteria** – D.C. Code § 1-204.51(b)(1) provides that “[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).”

We found no documentation in the contract file indicating that the Council approved Contract No. POKV-2004-C-2002. Further, the contracting officer from OCP stated that she was unaware of whether contracting officials had submitted the solicitation to the Council prior to its award. OCP was required by law to obtain Council’s approval subsequent to the first modification exercised, although it appears that OCP kept the initial award amount under the \$1 million threshold.

As a result, OCP awarded a sole source contract and three modifications in excess of \$1 million without first obtaining the Council’s consent, thereby preventing the Council from exercising its legal authority and oversight prior to the award of a series of successive sole source contracts for ticket collection and processing services.

### RECOMMENDATION 4

We recommend that the Chief Procurement Officer, OCP:

4. Establish a procurement review committee, which is charged to review and approve procurements in excess of \$1 million, thereby assuring compliance with District laws and regulations requiring Council approval prior to contract award.

## **FINDINGS AND RECOMMENDATIONS**

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### **OCP RESPONSE**

OCP agreed with the recommendation and stated that the Office of the Attorney General (OAG) reviews and approves procurements in excess of \$1 million to ensure compliance with District laws and regulations requiring Council approval prior to contract award.

### **OIG COMMENT**

We consider OCP's actions to be responsive to the recommendation.

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## FINDINGS AND RECOMMENDATIONS

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<b>FINDING 4: LAPSE OF CONTRACT COVERAGE</b>
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### SYNOPSIS

OCP allowed the incumbent contractor to provide ticket collection and processing services on two occasions without a valid contract mechanism in place. These conditions resulted from OCP's inadequate contract oversight in extending the sole source contract (Contract No. POKV-2004-C-2002) to cover all time periods leading up to the award of their third sole source solicitation. As a result, OCP violated provisions of the D.C. Code which prohibit use of oral agreements and require a valid written contract as a basis for payment. These actions have also resulted in apparent violations of the District's anti-deficiency laws.

### DISCUSSION

On two occasions, between the periods of December 5, 2005, to December 31, 2005, and January 1, 2006, to January 12, 2006, OCP allowed ACS to work without having a valid written contract in effect. OCP officials were unable to provide documentation to account for any contract actions during these periods. Subsequent to the award of Contract No. POKV-2004-C-002, OCP awarded two sole source contracts for the continuity of ticket collection and processing services. However, from December 5, 2005, to December 31, 2005, OCP could not document that it had a valid contract mechanism in place to extend the contractual services.

**No Valid Contract** - According to OCP officials, a 26-day sole source contract (Contract No. POKV-2006-C-0062) was issued for the period of December 5, 2005, through December 31, 2005, however OCP could not provide us with the contract file. Furthermore, from January 1, 2006, through January 12, 2006, OCP did not issue any amendments to extend the sole source contract. Consequently, for approximately 37 days, OCP allowed the incumbent contractor to operate without a valid contract in place.

D.C. Code § 2-301.05(d)(2) provides that “[a]fter 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.” *Id.* D.C. Code § 2-301.05(d)(3) provides:

Except as authorized under paragraph (4) or (5) of this subsection, any vendor who, after April 12, 1997, enters into an oral agreement with a District employee to provide supplies or services to the District government without a valid written contract shall not be paid. If the oral agreement was entered into by a District employee at the direction of a supervisor, the supervisor shall be terminated....

## FINDINGS AND RECOMMENDATIONS

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**District Anti-Deficiency Laws** - Permitting a contractor to operate without a valid contract has serious consequence for both the employee responsible and the contractor providing the services. The District's Anti-Deficiency Act (D.C. Code § 47-355.02 LEXIS through D.C. LAW 17-21 and D.C. Act 17-112) effective Sept. 20, 2007) states, in part the following:

A District agency head, deputy agency head, agency fiscal financial officer, agency budget director, agency controller, manager, or other employee may not: (1) Make or authorize an expenditure or obligation exceeding an amount available in an appropriation for an agency or fund; [or] (2) Obligate the District for the payment of money before an appropriation is made or before a certification of the availability of funds is made, unless authorized by law....

In addition, the Guidelines of the Board of Review for Anti-Deficiency Violations, Section 1113.2 states:

The following action [] [is] defined as [a] violation [] by the Act and must be reported promptly to the CFO . . . for referral to the Board:... (e) Allowing an expenditure or obligation to exceed apportioned amounts. (i) For purposes of operating appropriations, this Act will be enforced at the level of agency, by fund by quarter.<sup>12</sup>

The review board's guidelines define "[m]aking an expenditure or obligation exceeding an amount available in an appropriation or fund" as an anti-deficiency violation, and provide that the Act "will be enforced at the level of agency, fund, and program level." *Id.* §§ 1113.2(a) and (a)(i).

It appears that OCP's intent was to continue to allow the incumbent contractor to provide ticket collection and processing services for at least 1 additional year. However, OCP did so without a contract mechanism in place. The lack of a contract mechanism contributed to OCP's lapse in awareness and failure to extend the sole source contract, which consequently led to the unauthorized commitment.<sup>13</sup>

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<sup>12</sup> The Notice of Emergency and Proposed Rulemaking for these guidelines provided an effective date of August 4, 2004, and the guidelines remained in effect for up to 120 days, or upon publication of a Notice of Final Rulemaking in the D.C. Register. Although authorization of final rules never occurred, the members of the District of Columbia's Anti-Deficiency Review Board confirmed that it currently follows these guidelines.

<sup>13</sup> OCP Directive 1800.03 1800.03 § 4.8 defines an unauthorized commitment as the "receipt of goods or services without a valid written contract by the District government."

## **FINDINGS AND RECOMMENDATIONS**

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### **RECOMMENDATION 5**

We recommend that the Chief Procurement Officer, OCP:

5. Take action to ensure consistent and continuous contract coverage for the remaining period of time in which ACS will be providing ticket collection and processing services, and monitor and plan for contract coverage to avoid future instances of lapsed contract coverage.

### **OCP RESPONSE**

OCP concurs with this recommendation and stated that OCP will ensure consistent and continuous contract coverage for the remaining period of time in which ACS will be providing ticket collection and processing services.

### **OIG COMMENT**

We consider OCP's actions to be responsive to the recommendation.

### **RECOMMENDATIONS 6 AND 7**

We recommend that the Chief Procurement Officer, OCP:

6. Evaluate the actions of OCP contracting personnel for failure to comply with D.C. Code § 2-301.05(d)(2) and, if deemed appropriate, take disciplinary actions in accordance with D.C. Code § 2-301.05(d)(3).

We recommend that the Chairman, Board of Review for Anti-Deficiency Violations:

7. Convene the Anti-Deficiency Review Board and take appropriate action regarding the apparent failure to comply with D.C. Code § 47-355.02 and, if appropriate, take actions in accordance with the District's Anti-Deficiency law.

### **OCP RESPONSE**

OCP did not concur with recommendations 6 and 7. OCP stated that they took action to ensure consistent and continuous contract coverage for ticket processing and collection services prior to the expiration of Contract No. OMS-6137-AA-VK by awarding sole source and competitive contracts.

## **FINDINGS AND RECOMMENDATIONS**

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### **OIG COMMENT**

At the time we concluded our audit work, OCP management was unable to provide us with any contract documentation to support contract coverage for a 26-day contract period, (December 5, 2005, through December 31, 2005) and an additional 11-day period (January 1, 2006, through January 12, 2006). We consider actions taken by OCP to be responsive to the recommendations because OCP has provided copies of the missing contract file documentation to show that there was no lapse in contract coverage during the 37-day contract period. The Board of Review for Anti-Deficiency Act Violations agreed to review this issue at its next scheduled meeting.

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## FINDINGS AND RECOMMENDATIONS

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<h3>FINDING 5: CONTRACT FILE MAINTENANCE</h3>
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#### SYNOPSIS

OCP did not maintain complete contract files for the DMV ticket processing services contracts. Specifically, three of six contract files we reviewed had missing or incomplete contract documentation. In addition, DCOP had difficulty locating some of the DMV ticket processing services contract files, which were required for us to review the ticket processing services procurement history. This occurred because OCP contracting officials failed to adequately manage and maintain proper contractual documents relating to the ticket processing solicitation. Additionally, OCP had not promulgated operational policies and procedures regarding contract file retention, storage, and sign-out. As a result, we were unable to determine whether these contract actions were properly solicited or awarded in accordance with District laws and regulations.

#### DISCUSSION

We reviewed six contract files to determine whether OCP maintained adequate documentation to verify the complete history of each ticket processing and collection services procurement. Three of the six DMV ticket processing services contract files had missing and incomplete documents. Specifically, files for Contract No. POKV-2004-C-2002, POKV-2006-C-0062, and POTO-2004-R-0028 had missing or incomplete contract documentation. Title 27 DCMR § 1203.2 provides that “[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: (c) providing information for reviews and investigations.”

Specifically, our review of these contract files revealed the following:

- One entire contract file was missing;
- One contract file did not contain a D&F or justifications documented for the use of a sole source procurement;
- One contract file was missing vendor proposals;
- One contract file lacked documented evidence that DMV adequately published notice of the ticket processing and collection services contract solicitation (*Commerce Business Daily*, newspapers, journals, magazines, and internet); and
- One contract file had an incomplete contract file index.

## FINDINGS AND RECOMMENDATIONS

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OCP's Procurement Policy & Procedure Directive § 4.1.1, dated April 19, 2006, states that "[e]ach contract file shall include all relevant contract documents and shall be maintained, for a contract exceeding the small purchase threshold, in a six-part contract file folder." Section 4.1.2, states, "[a]ll six-part contract file folders shall contain the following:

- (a) Contract File Cover Sheet;
- (b) Contract File Index; and
- (c) All relevant documents listed in the Contract File Index."

Section 4.5.1 states, "[t]he Contracting Officer shall ensure that the Index is filled out completely." Section 4.5.2 states "[t]he assigned Contract Specialist will validate the information by dating and initialing each and each entry."

We concluded that missing and/or incomplete contract file documentation occurred because OCP did not provide adequate contract maintenance over their contract files as required by District and agency regulations. Title 27 DCMR §1203.8 requires that "[a] central control and, if needed, a locator system shall be established to ensure the ability to locate promptly any contract files." OCP officials informed us that one of the main reasons for the lack of maintenance over contract files is that [OCP] lacks a good centralized system.

OCP officials also informed us that at times there are problems with locating certain contract files. According to OCP's Procurement Policy & Procedure Directive §4.61, "the contract files [are] maintained by the agency personnel to whom it is assigned." Section §4.62 also provides that "assigned agency personnel will maintain the contract file in a safe and secure manner." However, the policy does not address how contract files are to be handled once agency personnel have departed from the agency. An official stated that when individuals who have been working on a contractual assignment depart from the agency, their workload does not always get transferred over to the appropriate parties. Additionally, we were informed that contract files transferred to a new contract specialist were kept in an unlocked file cabinet. We also noted that upon our request for information, the contract specialist had difficulty locating some of the contract files. The contract specialist informed us that he was not initially responsible for the contents of the contract files and was unsure what they contained. As a result, we could not determine whether contracts were properly awarded, whether services were rendered, and whether best value was obtained for the ticket processing solicitation.

## **FINDINGS AND RECOMMENDATIONS**

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### **RECOMMENDATION 8**

We recommend that the Chief Procurement Officer, OCP:

8. Establish a system to centrally maintain contract files, including a system to enable staff to locate contract files promptly.

### **OCP RESPONSE**

OCP concurs with this recommendation and stated that OCP initiated a project to establish a better system to centrally maintain contract files, which includes a system to enable staff to locate contract files promptly prior to receiving the subject draft audit report.

### **OIG COMMENT**

We consider OCP's actions to be responsive to the recommendation.

### **RECOMMENDATION 9**

We recommend that the Chief Procurement Officer, OCP:

9. Conduct periodic internal validations of contract file content to ensure contract files contain all required contract documentation.

### **OCP RESPONSE**

OCP concurs with this recommendation and stated that OCP conducts periodic, random audits of contract files to ensure the files contain documentation required by OCP policy and procedures.

### **OIG COMMENT**

We consider OCP's actions to be responsive to the recommendation.

### **RECOMMENDATION 10**

We recommend that the Chief Procurement Officer, OCP:

10. Develop operational policies and procedures that include guidance for contract file composition, retention, storage, and sign-out.

## **FINDINGS AND RECOMMENDATIONS**

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### **OCP RESPONSE**

OCP concurs with this recommendation and stated that operational policies and procedures relative to contract file composition existed prior to the subject draft audit report. OCP is currently working on operational procedures for file retention, storage, and signing-out of contract files.

### **OIG COMMENT**

We consider actions planned by OCP to be responsive to the recommendation.

**EXHIBIT A - SUMMARY OF POTENTIAL BENEFITS  
RESULTING FROM AUDIT**

<b>Recommendations</b>	<b>Description of Benefit</b>	<b>Amount and Type of Benefit</b>	<b>Agency Reported Estimated Completion Date<sup>14</sup></b>	<b>Status</b>
1	<b>Compliance and Economy and Efficiency.</b> Funds put to better use. Compliance with established procurement regulations.	\$11 million	November 16, 2007	Closed
2	<b>Compliance and Internal Control.</b> Establishes policies and procedures requiring the formulation of a procurement planning committee to coordinate the development of advance procurement plans.	Nonmonetary	November 16, 2007	Closed
3	<b>Compliance and Economy and Efficiency.</b> Funds put to better use. Program Results. Establishes an advance procurement plan to acquire the ticket processing and collection system for FY 2009 and download all data from the current ACS system.	\$6.4 million	November 16, 2007	Closed

<sup>14</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. If a completion date was not provided, the date of management’s response is used. “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**

<b>Recommendations</b>	<b>Description of Benefit</b>	<b>Amount and Type of Benefit</b>	<b>Agency Reported Estimated Completion Date<sup>14</sup></b>	<b>Status</b>
4	<b>Compliance and Internal Control.</b> Establishes District-wide guidelines requiring agencies to submit tasks orders greater than \$1 million if the basic contract has not been subject to Council approval.	Nonmonetary	November 9, 2007	Closed
5	<b>Compliance and Internal Control.</b> Takes action to review all internal controls to ensure continuity of services and monitor and plan for consistent contract coverage to avoid instances of lapsed contract coverage.	Nonmonetary	November 9, 2007	Closed
6	<b>Compliance and Internal Control.</b> Evaluates the actions of OCP contracting personnel to establish compliance with D.C. Code §2-301-05(2) and takes appropriate disciplinary actions in accordance with D.C. Code § 2-301.05(3).	Nonmonetary	November 9, 2007	Closed
7	<b>Compliance with Laws and Regulations.</b> Determines appropriate action to be taken with regard to anti-deficiency requirements.	Nonmonetary	October 31, 2007	Closed

**EXHIBIT A - SUMMARY OF POTENTIAL BENEFITS  
 RESULTING FROM AUDIT**

<b>Recommendations</b>	<b>Description of Benefit</b>	<b>Amount and Type of Benefit</b>	<b>Agency Reported Estimated Completion Date<sup>14</sup></b>	<b>Status</b>
8	<b>Internal Control.</b> Establishes a system to centrally maintain files, including a system to locate contract files promptly.	Nonmonetary	November 9, 2007	Closed
9	<b>Internal Control.</b> Periodic internal validations of contract file content to ensure contract files contain all required documentation.	Nonmonetary	November 9, 2007	Closed
10	<b>Internal Control.</b> Establishes standards for internal operations over contract file accountability and administration.	Nonmonetary	November 9, 2007	Closed

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## EXHIBIT B – THE BOARD’S RESPONSE

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**Government of the District of Columbia**  
**Office of the Chief Financial Officer**

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07 OCT 31 PM 3:54



Board of Review for Anti-Deficiency Violations

October 31, 2007

Charles J. Willoughby  
Inspector General  
Office of the Inspector General  
717 14<sup>th</sup> Street, NW  
Washington, DC 20005

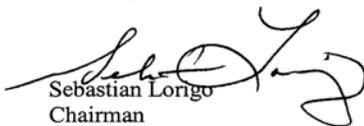
Dear Mr. Willoughby:

Thank you for providing the Board of Review for Anti-Deficiency Violations (the Board) with a copy of the draft report, dated October 17, 2007, summarizing the results of the Office of the Inspector General Audit of the District of Columbia Department of Motor Vehicles Ticket Processing Services (OIG No. 07-2-03MA).

In this draft report, you recommended that the Board be convened and take appropriate action regarding the Anti-Deficiency Act issues documented in your report. I agree with this recommendation. The Board will address this subject at its next scheduled meeting.

If you have any questions, please contact me at 202-442-6445.

Sincerely,

  
Sebastian Lorigo  
Chairman

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## EXHIBIT C – OCP RESPONSE

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GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of Contracting and Procurement

RECEIVED  
6/27/07

Director



07 NOV -9 PM 3:49

November 9, 2007

Charles J. Willoughby  
Inspector General  
Office of the Inspector General (OIG)  
717 14<sup>th</sup> St. NW, 5<sup>th</sup> Floor  
Washington, DC 20005

Dear Mr. Willoughby,

I thank you for the opportunity to respond to the OIG "Audit of the D.C. Department of Motor Vehicles Ticket Processing Services" OIG No. 07-2-03MA. The following is our response to the draft audit report.

**FINDING 1: CANCELLATION OF THE MSMP ONE DONE PROJECT AND MSMP TICKET PROCESSING SERVICES SOLICITATION**

**RECOMMENDATIONS**

We recommend that the Director, DMV and the Chief Procurement Officer, OCP:

1. Coordinate efforts to allow sufficient time to plan, solicit and award a new contract for ticket processing services prior to the expiration of the current ticket processing services contract.

**OCP RESPONSE:** The OCP will work and coordinate with the DMV to plan, solicit and award a new contract for ticket processing as we did with the current ticket processing contract, POKV-2006-C-0064.

**FINDING 2: AWARD OF SOLE SOURCE CONTRACTS**

**RECOMMENDATIONS**

We recommend that the Chief Procurement Officer, OCP and Director, DMV:

2. Coordinate to establish a procurement planning committee to develop advance procurement plans for major DMV contracts for goods and services.

3. Develop an advance procurement plan to acquire the ticket processing and collection system for FY 2009, including advance actions to acquire/download all ticket processing data from the current ACS system.

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441 4th Street N.W., Suite 700 South, Washington, D.C. 20001  
(202) 727-0252 Fax: (202) 727-3229

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## EXHIBIT C – OCP RESPONSE

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**OCP RESPONSE:** While OCP does not have a formal procurement planning committee, we do establish Task Forces for major contractual efforts. OCP will initiate action to develop an advance procurement plan to acquire the ticket processing and collection system for FY 2009 and to acquire/download all ticket processing data from the contractor's system.

### **FINDING 3: EXCEEDING PROCUREMENT AUTHORITY**

#### **RECOMMENDATIONS**

We recommend that the Chief Procurement Officer, OCP:

4. Establish a procurement review committee which is charged to review and approve procurements in excess of \$1 million, thereby assuring compliance with District laws and regulations requiring Council approval prior to contract award. This existing requirement, in OCA's view, obviates the need for a second entity to review a contract over \$1 million to assure compliance with District laws and regulations.

**OCP RESPONSE:** The Office of the Attorney General, OAG, reviews and approves procurements in excess of \$1 million to ensure compliance with District laws and regulations requiring Council approval prior to contract award.

### **FINDING 4: LAPSE OF CONTRACT COVERAGE**

#### **RECOMMENDATIONS**

We recommend that the Chief Procurement Officer, OCP:

5. Take action to ensure consistent and continuous contract coverage for the remaining period of time in which ACS will be providing ticket collection and processing services, and monitor and plan for contract coverage to avoid future instances of lapsed coverage.
6. Evaluate the actions of OCP contracting personnel for failure to comply with D.C. Code § 2-301.05(d)(2) and, if deemed appropriate, take disciplinary actions in accordance with D.C. Code § 2-301.05(d)(3).

We recommend that the Chairman, Board of Review for Anti-deficiency Violations:

7. Convene the Anti-deficiency Board and take appropriate action regarding the apparent failure to comply with D.C. Code § 47-355.02 and, if appropriate, take actions in accordance with the District's Anti-deficiency law.

**OCP RESPONSE:** OCP does not concur with statements under **FINDING 4: LAPSE OF CONTRACT COVERAGE** and **RECOMMENDATIONS 6** and **7**. OCP took action to ensure consistent and continuous contract coverage for ticket processing and collection services prior to the

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## EXHIBIT C – OCP RESPONSE

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expiration of Contract No. OMS-6137-AA-VK by awarding sole source and competitive contracts for those services. There was no lapse in contract coverage. There was no violation of the Anti-deficiency law as funding was available for the contract.

OCP will ensure consistent and continuous contract coverage for the remaining period of time in which ACS will be providing ticket collection and processing services as noted under **RECOMMENDATION 5**.

The principal Contracting Officer involved with the sole source contracts awarded to ACS for ticket processing and collection services which bridged the time between the expiration of Contract No. OMS-6137-AA-VK and the two new competitive contracts for ticket processing and collection services, Contract Nos. POKA-2006-C-0064 and DCKV-2007-C-0001 respectively, has left the employment of the District Government. Disciplinary action is not required because there was no violation of the Anti-deficiency law.

OCP has written documentation to support our response to the findings that there was no lapse in coverage of this contract. These documents are attached for your review.

### **FINDING 5: CONTRACT FILE MAINTENANCE**

#### **RECOMMENDATIONS**

We recommend that the Chief Procurement Officer, OCP:

8. Establish a system to centrally maintain contract files, including a system to enable staff to locate contract files promptly.
9. Conduct periodic internal validations of contract file content to ensure contract files contain all required contract documentation.
10. Develop operational policies and procedures that include guidance for contract file composition, retention, storage, and sign-out.

**OCP RESPONSE:** OCP initiated a project to establish a better system to centrally maintain contract files which includes a system to enable staff to locate contract files promptly prior to receiving the subject draft audit report.

Operational policies and procedures relative to contract file composition existed prior to the subject draft audit report. OCP is currently working on operational procedures for file retention, storage and signing-out of contract files.

OCP conducts periodic, random audits of contract files to ensure the files contain documentation required by OCP policy and procedures.

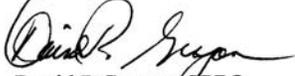
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## EXHIBIT C – OCP RESPONSE

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Should you have any questions, please feel free to contact me on 202-724-4242.

Sincerely,



David P. Gragan, CPPO  
Chief Procurement Officer

cc: Dan Tangherlini, City Administrator and Deputy Mayor  
Lucinda Babers, Director, DMV  
Sebastian Lorigo, Chairman, Board of Review for Anti-Deficiency Violations

Attachments

## EXHIBIT D – DMV RESPONSE

DC DMV Response to OIG Audit No. 07-2-03MA

Page 1 of 1

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**From:** Babers, Lucinda (DMV) [Lucinda.Babers@dc.gov]  
**Sent:** Friday, November 16, 2007 4:22 PM  
**To:**  
**Cc:** Lorigo, Sebastian (OCFO); Gradan, David (OCP); Tangherini, Dan (EOM); [REDACTED] (DMV); [REDACTED] (DMV); [REDACTED] (DMV)  
**Subject:** DC DMV Response to OIG Audit No. 07-2-03MA

Per our conversation today, I apologize for the delay in this response. DC DMV has reviewed the findings and recommendations outlined in the OIG Audit No. 07-2-03MA, Audit of the DC Department of Motor Vehicles Ticket Processing Services. We have provided the following responses to the DMV related recommendations outlined in the report:

1. Coordinate efforts to allow sufficient time to plan, solicit, and award a new contract for ticket processing services prior to the expiration of the current ticket processing services contract.

Response: DMV concurs with this recommendation and has been contacted by DC Office of Contracts and Procurement to schedule the kickoff meeting to begin work on the new contract. We will utilize a DMV/OCP task force process to complete the necessary new contract award prior to the expiration of the current ticket processing contract.

2. Coordinate to establish a procurement planning committee to develop advance procurement plans for major DMV contracts for goods and services.

Response: DMV concurs with the need to develop a procurement plan and has developed and submitted to OCP a Service Level Agreement for our FY08 procurement needs. DMV will work with OCP on task forces related to the planning and development of major DMV contracts, such as the ticket processing contract as outlined in response 1.

3. Develop an advance procurement plan to acquire the ticket processing and collection system for FY2009, including advance actions to acquire/download all ticket processing data from the current ACS system.

Response: DMV concurs with the need to develop a procurement plan and has developed and submitted to OCP a Service Level Agreement for our FY08 procurement needs. DMV will work with OCP on task forces related to the planning and development of major DMV contracts, such as the ticket processing contract (which will also include a requirement for acquiring and downloading necessary data).

Thank you for the opportunity to respond to this draft audit report. Please contact me if there are any questions or concerns related to our responses.

Lucinda M. Babers, Director  
D.C. Department of Motor Vehicles  
95 M Street, SW, 3rd Floor  
Washington, DC 20024  
202-727-2200 (office) - 202-727-1010 (fax)  
lucinda.babers@dc.gov

11/19/2007