

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

**AUDIT OF  
THE MANAGEMENT OPERATIONS OF  
THE OFFICE OF CABLE TELEVISION**



**CHARLES J. WILLOUGHBY  
INSPECTOR GENERAL**

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

**Inspector General**



December 17, 2009

Eric E. Richardson  
Executive Director  
Office of Cable Television  
3007 Tilden Street, N.W.  
Washington, D.C. 20008

David P. Gragan, CPPO  
Chief Procurement Officer  
Office of Contracting and Procurement  
441 4<sup>th</sup> Street, N.W., Suite 700S  
Washington, D.C. 20001

Dear Messrs. Richardson and Gragan:

Enclosed is the final report summarizing the results of the Office of the Inspector General's (OIG) Audit of the Management Operations of the Office of Cable Television (OIG No. 08-1-19CT). This audit was conducted at the request of the Executive Office of the Mayor after receiving allegations of improprieties in management operations at the Office of Cable Television (OCT).

As a result of our audit, we directed four recommendations to the Executive Director of OCT that we believe are necessary to correct reported deficiencies. The recommendations focus on complying with the District procurement regulations; complying with contract provisions relative to the duties and responsibilities of the Contracting Officers Technical Representative; managing and monitoring agency assets and conducting annual inventories; and developing a plan to liquidate or utilize the inventory items that were purchased for the HDTV production studio project.

The Executive Director of OCT provided a written response to the draft of this report dated October 2, 2009. OCT's response included comments from the Chief Procurement Officer, Office of Contracting and Procurement (OCP), even though no recommendations were directed to OCP.

We reviewed OCT's response and consider actions taken and planned to meet the intent of Recommendations 1, 3, and 4. However, OCT did not provide us with an adequate response for Recommendation 2. Accordingly, we request the OCT provide us with an updated response to the recommendation within 30 days of the date of this report. The full text of the responses from OCT and OCP are included at Exhibit C.

Additionally, a courtesy copy of the draft audit report was provided to Mason Production Services (MPS) as this non-governmental entity was discussed in the enclosed report. Although we did not direct recommendations to MPS, we received a written response from MPS dated September 25, 2009. The full text of the response is included at Exhibit D.

We appreciate the cooperation and courtesies extended to our staff by the OCT and OCP personnel. If you have any questions, please contact William J. DiVello, Assistant Inspector General for Audit, at (202) 727-2540.

Sincerely,

  
Charles J. Willoughby  
Inspector General

CJW/ws

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## **AUDIT OF THE MANAGEMENT OPERATIONS OF THE OFFICE OF CABLE TELEVISION**

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### **ACRONYMS**

<b>CAFR</b>	Comprehensive Annual Financial Report
<b>CFO</b>	Chief Financial Officer
<b>COTR</b>	Contracting Officer's Technical Representative
<b>D&amp;F</b>	Determination and Findings
<b>DCMR</b>	District of Columbia Municipal Regulations
<b>EOM</b>	Executive Office of the Mayor
<b>FY</b>	Fiscal Year
<b>HDTV</b>	High Definition Television
<b>MPS</b>	Mason Production Services
<b>OAG</b>	Office of the Attorney General
<b>OCP</b>	Office of Contracting and Procurement
<b>OCT</b>	Office of Cable Television
<b>OCTT</b>	Office of Cable Television and Telecommunications (previous name of the current OCT)
<b>OFOS</b>	Office of Financial Operations and Systems
<b>OFRM</b>	Office of Finance and Resource Management
<b>OIG</b>	Office of the Inspector General
<b>RCN</b>	Residential Communications Network Corporation
<b>SOAR</b>	System of Accounting and Reporting

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**AUDIT OF THE MANAGEMENT OPERATIONS OF THE OFFICE OF  
CABLE TELEVISION**

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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 the Management Operations of the Office of Cable Television. This audit was conducted at the request of the Executive Office of the Mayor after receiving allegations of improprieties in management operations at the Office of Cable Television (OCT). Our review of the specific allegations is shown at Exhibit A, Allegations and Audit Results.

The objectives of the audit were to determine whether OCT: (1) managed and used resources in an efficient, effective, and economical manner; (2) administered funds in compliance with applicable laws, regulations, policies, and procedures; and (3) implemented internal controls to prevent and detect material errors or irregularities.

### **CONCLUSIONS**

OCT entered into a contract relative to high definition television (HDTV) infrastructure on a sole source basis, without adequate justification and reasonable assurance that the contractor could perform the contract requirements. This contractual agreement also violated OCT's internal operations policy on equipment and facilities usage and was inconsistent with responsible stewardship over District funds.

Additionally, OCT did not effectively monitor the performance of the contractor used for the design and installation of a HDTV production studio. For example, the former Executive Director of OCT approved payment of the contractor's invoices without adequate supporting documentation, resulting in expenditures of a significant portion of contract funds without deliverables being provided. The ineffectiveness of contract monitoring was due to poor internal controls relating to separation of duties and the absence of effective management oversight.

As a result of these deficiencies, we believe OCT wasted over \$4 million for design, equipment, and installation of a HDTV production studio that was never built or installed, including the potential obsolescence of over \$3 million of HDTV equipment that was never used.

## **EXECUTIVE DIGEST**

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### **SUMMARY OF RECOMMENDATIONS**

We directed four recommendations to the Executive Director of OCT that we believe are necessary to correct the deficiencies noted in this report. The recommendations, in part, center on the following:

- Complying with the District procurement regulations.
- Complying with contract provisions relative to the duties and responsibilities of the Contracting Officers Technical Representative (COTR).
- Managing and monitoring agency assets and conducting annual inventories.
- Developing a plan to liquidate or utilize the inventory items that were purchased for the HDTV production studio project.

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

### **MANAGEMENT RESPONSE**

The Executive Director of OCT provided a written response to the draft of this report dated October 2, 2009, which included comments from the Chief Procurement Officer, Office of Contracting and Procurement (OCP). OCT agreed to take the actions required for Recommendations 1, 3, and 4. In its response to Recommendation 2, OCT noted that the production equipment will be installed after the completion of the new facility in McKinley Technology High School.

### **OIG COMMENT**

We reviewed OCT's response and consider actions taken and planned to meet the intent of Recommendations 1, 3, and 4. However, OCT did not provide us with an adequate response for Recommendation 2 because it did not indicate that all equipment would be used and, if not, what plans existed to liquidate residual, unused equipment. Accordingly, we request the OCT provide us with an updated response to the recommendation within 30 days of the date of this report. The full text of the responses from OCT and OCP are included at Exhibit C.

## INTRODUCTION

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### BACKGROUND

The mission of the Office of Cable Television (OCT) is to: (1) regulate the provision of cable service in the District of Columbia (District); (2) protect and advance the cable service related interests of the District and its residents; and (3) produce and cablecast live and recorded video and other programming via of the District's public, educational, and government cable channels.<sup>1</sup>

Some of the ways OCT accomplishes its mission include the following:

- Regulating the District's cable service providers by enforcing federal and District cable television laws, including District cable franchise agreements;
- Establishing and ensuring compliance with cable franchise agreements between providers and the District;
- Facilitating harmonious relationships between District cable service providers and their customers by mediating disputes and enforcing customer service regulations;
- Facilitating open access to the District government through its government cable channels, such as OCT 13 and OCT 16, and its educational cable channels (e.g., the District's Public School System's cable channels); and
- Creating and maintaining an economic and regulatory environment that promotes competition in the cable television industry in the District.<sup>2</sup>

OCT operations are primarily funded through franchise fees collected from the District's two cable television franchisees, Comcast and Residential Communications Network Corporation (RCN). In fiscal year (FY) 2008, OCT generated \$7.8 million through cable franchise fees. OCT's proposed operating budget for FY 2008 was \$7.2 million.

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<sup>1</sup> [Http://oct.dc.gov/about/index.shtm](http://oct.dc.gov/about/index.shtm) (last visited Jul. 10, 2009).

<sup>2</sup> *Id.*

## INTRODUCTION

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**Mason Production Services Contract.** On August 11, 2006, the District of Columbia Office of Contracting and Procurement (OCP), on behalf of OCT, awarded Contract No. DCCT-2006-C-0150 to Mason Production Services (MPS). The contract was a fixed price contract with a base year not to exceed \$996,052, with 4 option years valued at \$2,344,697. In general, the contract required MPS to provide expert consulting services for OCT's HDTV Infrastructure Enhancement Project, (build or installed) which included the completion of a production facility upgrade approximately 3½ months from the contract award date.

Specifically, MPS was to supply OCT with a comprehensive array of services, including but not limited to facility design, project management, business development/marketing, engineering, and support services. However, the contract with MPS was not renewed after the completion of the base year and the studio was never built or installed. As a result, OCT was left with over \$3 million of relatively new and unused equipment. We noted that the agency had no definitive alternative uses for this equipment.

### OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether OCT: (1) managed and used resources in an efficient, effective, and economical manner; (2) administered funds in compliance with applicable laws, regulations, policies, and procedures; and (3) implemented internal controls to prevent and detect material errors or irregularities. Additionally, we evaluated whether the allegations had merit.

To accomplish our objectives, we reviewed applicable laws, regulations, policies, and procedures. We conducted interviews with responsible OCT officials in order to obtain a general understanding of their internal controls and processes. We held meetings and discussions with officials of the OCP and also met with the President/CEO of MPS.

We reviewed the contract awarded to MPS and other related records. Additionally, we observed the fixed asset inventory of OCT and performed a limited inventory of equipment on hand.

We relied on computer-processed data from the System of Accounting and Reporting (SOAR) to obtain summary information on the total amount paid to MPS from September 22, 2006, to January 18, 2008. We did not perform a formal reliability assessment of the SOAR computer-processed data because the SOAR system reliability was established based on tests performed as part of the city-wide Comprehensive Annual Financial Report audit.

## **INTRODUCTION**

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This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### **PRIOR AUDITS AND REVIEWS**

OCT annually contracts for audit services to review calculation of franchise fees paid to the District by the two cable franchisees (Comcast and RCN). The purpose of these audits is to ascertain whether cable providers paid to the District the fees actually owed. Pursuant to their franchise agreements, both companies are required to pay quarterly franchise fees, the amount of which must total five percent of the gross revenues received during the applicable quarter.

For FY 2008, OCT contracted with a private accounting firm to conduct the audit. The audit showed that the District received over \$7.8 million in franchise fees and the cable franchisees were in compliance with the agreements.

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## FINDINGS AND RECOMMENDATIONS

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<b>FINDING 1: QUESTIONABLE PROCUREMENT PRACTICES</b>
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### SYNOPSIS

OCT entered into a contract to acquire a high definition television (HDTV) infrastructure on a sole source basis, without adequate justification and reasonable assurance that the contractor could perform the contract requirements. This contractual agreement ultimately violated OCT's internal operations policy on equipment and facilities usage and was inconsistent with responsible stewardship over District funds.

As a result, the District was neither assured of obtaining services at the most reasonable or economical price, or receipt of contract deliverables. We estimate that OCT wasted over \$4 million in District funds.

### DISCUSSION

**MPS Contract.** On August 11, 2006, OCP (on behalf of OCT) awarded Contract No. DCCT-2006-C-0150 to MPS. The contract was a fixed price contract with a base year not to exceed \$996,052 and 4 option years valued at \$2,344,697. In general, the contract required MPS to provide expert consulting services for OCT's HDTV Infrastructure Enhancement Project, which included the completion of the production facility approximately 3½ months from the contract award date.

Specifically, MPS was to supply OCT a comprehensive array of services including, but not limited to, facility design, project management, business development/marketing, engineering, and support services. However, the contract with MPS was not renewed after the completion of the base year and the studio was not built or installed. As a result, OCT was left with over \$3 million of relatively new and unused equipment. The issue of unused equipment inventory is discussed in greater detail in Finding 2 of this report. We also noted that the agency had no definitive alternatives for use of this equipment.

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## FINDINGS AND RECOMMENDATIONS

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**Justification for Sole Source Procurement.** Our review of records indicated that OCT's justification for the project was flawed and facts were misrepresented. A discussion on this matter follows.

Title 27 District of Columbia Municipal Regulations (DCMR) § 1702.2 states:

“When determining whether there is only one (1) source for the requirement, the contracting officer (and, for procurements over twenty-five thousand dollars (\$25,000), the Director) shall consider whether there is a reasonable basis to conclude that the District's minimum needs can only be satisfied by the supplies, services, or construction proposed to be procured, and whether the proposed sole source contractor is the only source capable of providing the required supplies, services, or construction.”

The awarding of a sole source contract to MPS for the building of a HDTV production studio was based, in part, on the following statement used by the former Executive Director of OCT in preparing the July 10, 2006, determination and findings (D&F) for this contract:

Time is of the essence regarding the commencement and completion of OCTT's HDTV upgrade project. The July 31, 2006 and November 15, 2006 commencement and completion dates (respectively) related to this upgrade project were not arbitrarily chosen. For OCTT to be able to complete the various HDTV production projects that it anticipates engaging in this upcoming fall and winter season, its HDTV facility upgrade must be completed by November 15, 2006. Should its facility upgrade not be completed by this November deadline, it is likely that OCTT will be precluded from engaging in anticipated HDTV production projects. The agency has determined that its facility upgrade project must be started by July 31, 2006 if it is to be completed by the critical November 15, 2006 deadline. In light of these deadlines, OCTT requires the services of a consultant who has proven and demonstrated past experience and expertise in timely completing projects of this magnitude.<sup>3</sup>

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<sup>3</sup> *Id.* at 3.

## FINDINGS AND RECOMMENDATIONS

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We could not determine why time was of the essence given that the project was not completed within 3½ months or during the next 12 months. In fact, a contract modification in the amount of \$389,862 was executed in August 2007 (the original award amount was \$996,052), which resulted in first year contract costs of \$1,385,914.

This contract modification may have been intentionally arranged in this manner to circumvent the review requirements associated with contracts over \$1 million. We also concluded that the design and installation of a production studio in 3-4 months was unrealistic, considering that OCP understood MPS to be a start-up company. The aggressive project deadline most likely eliminated other prospective bidders for the contract.

Apparently, the former Executive Director of OCT had already begun negotiations with MPS. For example, a review of communications dated May 2, 2006, between OCP and the Office of the Attorney General (OAG) disclosed that the former OCT Executive Director was in discussions with MPS about a prospective contract on April 10, 2006. Additionally, several emails sent and received between the OCP Contracting Officer and various OAG personnel involved in reviewing this contract expressed concern about the proposed contract.

The May 2, 2006, email also provided a synopsis of a meeting between the former Executive Director of OCT, a former Deputy Mayor, and OAG. An OAG attorney characterized the former Executive Director of OCT as “not bashful in saying he wants to have a contract with Mason, and claimed that he (the former Executive Director of OCT) could justify a sole source.” The sole source contract with MPS was signed on August 11, 2006, approximately 3 months after this meeting took place. We believe the contract award to MPS creates the appearance of pre-selection and an unjustified sole source.

**Business Development/Marketing.** The contract with MPS included a line item for business development/marketing, which was budgeted at 1,000 hours at \$180 an hour. Based on our analysis of billings by MPS to OCT, \$234,000 was paid to MPS for this service. The former Director of OCT insisted that this service was necessary no matter who was awarded the contract.

We noted that there were at least three other firms who could have performed the design/installation of the production studio, but not the marketing component. Documents obtained during the audit disclosed that OAG strongly recommended that the contract be split into two agreements, a contract for design/installation and a contract for business development.

## FINDINGS AND RECOMMENDATIONS

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Splitting the contract using several vendors would have increased competition, most likely resulting in a lower cost to perform the requested services. We believe that OCT's decision to require the business development/marketing function and the design/install function be performed by the same firm was a major factor in eliminating competition for the contract.

**Approval of the HDTV Project.** In 1997, the Federal Communications Commission (FCC) mandated that all United States television stations operate digital signals and become fully digital by 2009. Digital television broadcasting is a broadcasting method by which the video and audio of a program are transmitted as electronic signals represented by binary numbers that are decoded by a device in or attached to the receiving television set. HDTV broadcasts transmit television signals with a higher resolution than traditional broadcast formats (i.e., pictures with twice the standard number of scanning lines per frame, producing pictures with greater detail).

We noted that the D&F for a sole source award made reference to the federal mandate as justification for OCT's HDTV project, stating that "[i]n an effort to comply with the above-referenced federal mandate, OCT[ ] has began the process of upgrading its production and broadcast technical infrastructure (ultimately transforming it into a completely-digital system)." However, the 1997 FCC requirement was for television stations to operate digital channels and not specifically to design and build or install a HDTV production studio.

During discussions with the MPS Chief Executive Officer, we inquired as to the basis for entering into an agreement for the HDTV production studio project. He informed us that the previous Executive Director of OCT told him that the project was a "city wide initiative," which had been presented to a former City Administrator and received an approval to proceed.

We asked whether he had any documentation of the approval by the former City Administrator, but the MPS Chief Executive Officer was unable to provide us with this information. We also asked the current Executive Director of OCT whether he was aware of any approvals made by city officials to go forward with the HDTV project. He also told us that he was not aware of any documented approval for the project.

Our research disclosed that other governmental jurisdictions (Montgomery County, Maryland, Baltimore, Maryland, and Boston, Massachusetts) currently do not use HDTV broadcast equipment and technology.

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## FINDINGS AND RECOMMENDATIONS

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**Review of Mason Contract by OCP and OAG.** In October 2006, the Assistant Attorney General assigned to OCP recommended to the Interim Chief Procurement Officer for OCT that OCT terminate the contract with MPS and create two new ones. OAG found numerous issues and conflicts with the HDTV production studio contract with MPS. Among those issues, OAG found that MPS's contract did not "detail any sort of 'partnership agreement'" as was mentioned in the OCT and MPS's August 15, 2006, press release. Excerpts from the release entitled "DC Office of Cable TV Enters Partnership with Mason Productions" are as follows:

(Washington, DC) The D.C. Office of Cable Television and Telecommunications (OCTT) has entered into a significant private/public partnership with Mason Productions, LLC (Mason Productions) that has economic and national implications for OCTT. OCTT is a District of Columbia agency that operates under the Executive Office of the Mayor. OCTT is charged with the responsibility of regulating the provision of cable television services by cable television service providers who operate video distribution systems that occupy the public rights-of-way in the District of Columbia. OCTT also manages and operates the District's two government cable access channels: OCTT 13 and OCTT 16 and cablecast the University of the District of Columbia's channel 98. Pursuant to its new partnership with OCTT, Mason Productions will design and manage the upgrade of OCTT's digital broadcast center to High Definition. OCTT's broadcast center is located in the Intelsat Building; 3007 Tilden Street, NW; Washington, D.C.

In addition, Mason Productions will market OCTT's broadcast facility to local and national production communities.

James D. Brown, Jr., Executive Director of OCTT and creator of the agency's business initiative said, "We are excited about our new partnership with Mason Productions. We are excited about the tremendous benefits that this partnership will bring to our District of Columbia audience, and we are very enthusiastic about its broad economic potential."

Brown added, "Our goals regarding this upgrade and alliance are to attract more television production work to Washington, D.C.; to expand the production talent base in the District; and to satisfy the digital television broadcast mandates that have been imposed upon OCTT and other broadcasters by the Federal Communications Commission," states OCTT Executive Director James D. Brown, Jr. "By developing this private/public relationship, we will create greater opportunities for District of

## FINDINGS AND RECOMMENDATIONS

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Columbia residents to gain substantive exposure to the television production industry.”

OCP and OAG noted that the former Executive Director of OCT made statements that were not entirely accurate. This included statements that OCT vetted the proposed terms of the agreement with the Deputy Attorney General for OAG’s Commercial Division. The Deputy Attorney General for OAG’s Commercial Division denied this occurred.

**Office of Cable Television Policy.** The contract entered into with MPS violated OCT’s Programming Policy on equipment and facilities usage, which provides, in pertinent part that:

- OCT production equipment and facilities are to be used strictly and exclusively for productions that 1) clearly are in the interest of the DC Government and its agencies, 2) occur as a result of a request from the Executive Office of the Mayor, 3) occur as a result of a request from DC Council members, or 4) occur as a result of a request from a DC Government Agency Director and with the approval of the OCT Director.
- Loaning, renting, or use of the equipment for personal or commercial use is strictly prohibited.<sup>4</sup>

It is not clear how this project was clearly in the interest of the District government, its agencies, or the citizens of the District of Columbia. Specifically, for the total expected project costs of \$6.5 million,<sup>5</sup> the District would derive the benefit of a higher resolution television broadcast picture of mayoral, D. C. Council, and educational events. Also, the District was expected to generate future revenue from rentals of the upgraded studio facilities to private enterprises, which would violate OCT’s policy against renting its equipment for commercial use.

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<sup>4</sup> [Http://oct.dc.gov/information/policy/regulations.shtm#top](http://oct.dc.gov/information/policy/regulations.shtm#top) (last visited Aug. 10, 2009).

<sup>5</sup> The contract had a base year value of \$996,052 and 4 option years valued at \$2.3 million for a total of \$3.3 million. Also, OCT purchased over \$3.3 million in equipment from various vendors in connection with the project (separate from the contract) for a total expected project cost of \$6.5 million.

## **FINDINGS AND RECOMMENDATIONS**

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None of these benefits were obtained because the contract was not renewed after 15 months. OCT officials could not provide us with a rational explanation as to why the contract was not renewed. During this period, the contractor was paid approximately \$1 million for a completed design for the studio. Also, OCT purchased over \$3 million in equipment in expectation of the studio; however, the studio was not built.

As such, we conclude that the contract violated OCT policy because the HDTV project was not clearly in the interest of District government, its agencies, and more importantly, the citizens of the District of Columbia. Specifically, important District dollars were wasted on a project that was never completed.

We also noted that MPS listed on its business cards and website the same address from which OCT conducts its operations (Tilden Street, NW, Washington, D.C.). This address was used by MPS until OCP directed it to cease the practice. During the audit, we did not obtain any documentation to indicate that MPS paid separate costs such as rent, electricity, telephones, etc., for use of OCT's facility. Therefore, MPS used District facilities to operate its business, in violation of OCT policy.

## **RECOMMENDATIONS, MANAGEMENT RESPONSES, AND OIG COMMENTS**

We recommend that the Executive Director, Office of Cable Television:

1. Coordinate with OCP to train OCT staff in District procurement and contract administration procedures to include standards of conduct and ethics relative to government contracting and management responsibilities.

### **OCT RESPONSE**

OCT agreed with the recommendation and stated in its response that training in District procurement and contract administration procedures, to include standards of conduct and ethics relative to government contracting and management responsibilities, has begun and will continue until completed.

### **OIG RESPONSE**

Actions taken by OCT are considered to be responsive to our recommendation. The full text of OCT's response is included at Exhibit C.

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## FINDINGS AND RECOMMENDATIONS

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<b>FINDING 2: DEFICIENT CONTRACT MONITORING</b>
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### SYNOPSIS

OCT did not effectively monitor the performance of the contractor used for the design and installation of a HDTV production studio. For example, the former Executive Director of OCT approved payment of the contractor's invoices without adequate supporting documentation, resulting in a significant portion of contract funds being expended without proof of deliverables. The ineffectiveness of contract monitoring was due to poor internal controls relating to separation of duties and the absence of effective management oversight.

As a result, OCT spent over \$4 million for design, equipment, and eventual installation of a HDTV production studio that was never built or installed. Further, the failure to build the production studio resulted in the potential obsolescence of over \$3.3 million of idle HDTV equipment.

### DISCUSSION

OCT purchased over \$3.3 million of equipment from various vendors in connection with the HDTV project. Because the contract was not renewed beyond the first year, most of this equipment was sitting in a storage area of OCT's office building, still in the original boxes at the time we performed our audit. We estimate that this equipment has depreciated significantly. We also believe that the District may only obtain minimal value from the equipment due to obsolescence.

**Monitoring Contractor Performance.** Section G.9.1 of the MPS contract states,

The COTR is responsible for general administration of the contract and advising the Contracting Officer as to the Contractor's compliance or noncompliance with the contract. In addition, the COTR is responsible for the day-to-day monitoring and supervision of the contract, of ensuring that the work conforms to the requirements of this contract and such other responsibilities and authorities as may be specified in the contract.

However, the MPS contract was not properly monitored.

## FINDINGS AND RECOMMENDATIONS

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The MPS contract cited a specific OCT employee as the COTR for the MPS contract. However, the former Executive Director of OCT assumed the role of COTR for the MPS contract, including the approval of MPS invoices. We reviewed 58 MPS invoices to determine whether sufficient documentation and support was obtained or provided by MPS to support the invoices.

Of these 58 invoices, we noted that 38 invoices lacked supporting documentation, 10 invoices had some documentation, and the remaining 10 invoices had adequate documentation. Most of these invoices were approved for payment by the former Executive Director of OCT. Based on our analysis, 38 invoices totaling \$328,695.22 lacked adequate supporting documentation to justify payment. We contacted the vendor and requested supporting documentation for the 38 invoices. The vendor provided documentation that could not be linked to specific invoices; consequently, we were not able to find documentation to fully support 38 invoices.

Within 6 months of the contract award date (August 2006), 70 percent of the base year contract value (of \$996,052) had been expended, with no evidence of deliverables provided. For example, OCT did not have architectural designs or drawings, which we eventually obtained from the contractor. On February 7, 2007, OCP issued a Stop Work Order on the project. Consequently, the District wasted over \$4 million, considering that the project was derailed and the equipment not used for its intended purpose.

**OCT Inventory Process.** Responsible OCT officials described the process for conducting inventories. The Office of Financial Operations and Systems (OFOS) uses a third party vendor to inventory OCT's fixed assets every 2 years. The third party vendor assigns property numbers to the equipment once the equipment has been counted. Fixed assets are reported through SOAR, which generates a report of agency purchases. Based on this SOAR report, the Office of Finance and Resource Management (OFRM) enters the items into the Fixed Assets System. The results of our initial inventory work are described below.

- We attempted to conduct a limited inventory count and observation of OCT's most valued assets (11 items), which represented 85 percent (or \$3.3 million) of the total value of OCT inventory. We noted that four antennas valued at \$50,000 each had been omitted from the inventory listing. OCT's Director of Operations agreed that the antennas should have been listed on the fixed assets schedule.
- OCT was not prepared to prove the existence of the items we pre-selected for observation. Most of the assets we selected to observe were shrink wrapped, lacked product identification numbers, and had no property number or serial number in the fixed asset system.

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## FINDINGS AND RECOMMENDATIONS

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- The contractor who conducts an inventory for OCT had not performed the task of assigning property numbers to the most recently purchased assets. However, we noted that serial numbers had also not been recorded for some of the older assets. We viewed this as a control weakness in the agency’s inventory management procedures and concluded that OCT does not have adequate procedures and processes in place to effectively manage and account for agency assets. OCT management has relied on other District agencies (OFOS and OFRM) and contractors to oversee the handling of OCT resources.

Later in the audit, we again attempted to confirm the existence of eight high-value items. In general, the items we selected were composed of several components that constituted one unit. Most of the equipment in the room was still in boxes and some of the boxes were still sealed. Accordingly, we requested OCT personnel to unpack eight items listed on the OCT equipment list so we could validate the existence of these assets. We verified the existence of these eight items which we believe had never been previously verified.

As shown in the following photographs, the vast majority of this equipment was still in boxes.



Figure 1. Unpacked inventory



Figure 2. Sealed boxes of inventory

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## FINDINGS AND RECOMMENDATIONS

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Figure 3. Sealed boxes of inventory



Figure 4. Unsealed inventory

Internal control should provide reasonable assurance that the objectives of the agency are being achieved in the following categories:

- Effectiveness and efficiency of operations including the use of the entity's resources.
- Reliability of financial reporting, including reports on budget execution, financial statements, and other reports for internal and external use.
- Compliance with applicable laws and regulations.<sup>6</sup>

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<sup>6</sup> GAO STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT, GAO/AIMD-00-21.3.1, Introduction at 4 (Nov. 1999).

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## FINDINGS AND RECOMMENDATIONS

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Good internal control ensures that “[t]ransactions and events are appropriately classified and promptly recorded so that they maintain their relevance, value, and usefulness to management in controlling operations and making decisions.”<sup>7</sup> Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Such assets should be periodically counted and compared to control records.<sup>8</sup> Further, we noted that OCT did not have operating procedures for managing and monitoring agency assets.

### RECOMMENDATIONS

We recommend that the Executive Director, Office of Cable Television:

2. Develop a plan to liquidate or utilize inventory items that were purchased in connection with the HDTV production studio project.

### OCT RESPONSE

OCT’s response indicated that it was to relocate to McKinley Technology High School (McKinley) in FY 2009. OCT then noted that the plans for relocation were halted. After legislation was passed authorizing the construction of a new OCT facility at McKinley, OCT indicated that the first phase of construction will be completed in FY 2010. OCT noted that equipment will be installed after the completion of OCT’s new headquarters and HDTV studio at the new McKinley location. OCT also iterated that it will continue to use the HDTV production studio for D.C. Council hearings and the Mayor’s press conferences, as well as providing a learning lab for public school students.

### OIG RESPONSE

We consider OCT’s response to be partially responsive to the recommendation. While OCT’s response provides a general plan for use of equipment that was purchased in 2006 for the HDTV production studio project, the response did not indicate that all of the \$3.5 million of equipment purchased will be utilized or provide a liquidation plan for the unused portion of equipment. Further, we noted in its response that the first phase of construction is slated for completion in FY 2010. As such, the \$3.5 million of equipment

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<sup>7</sup> GAO, INTERNAL CONTROL MANAGEMENT AND EVALUATION TOOL, (8/01), GAO-01-1008G, at 41 (Aug. 2001).

<sup>8</sup> GAO STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT, GAO/AIMD-00-21.3.1, at 14 (Nov. 1999).

## **FINDINGS AND RECOMMENDATIONS**

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purchased in connection with the project will be more than 4 years old, prior to the anticipated completion of the HDTV studio.

We believe OCT did not provide an adequate response to the recommendation because it is unclear whether all of the inventory of equipment will be used in the new facility and, if not, what will be done with the unused portion. Accordingly, we request the OCT provide us with an updated response to the recommendation within 30 days of the date of this report.

3. Develop specific procedures for managing and monitoring agency assets. The procedures to be developed should include designating the individual(s) responsible for managing agency assets, defining the roles and responsibilities of other District agencies and contractors involved in supporting OCT's asset management, inventorying agency assets, and identifying obsolete inventory in a timely manner.

### **OCT RESPONSE**

OCT agreed with the recommendation and stated that in FY 2008 standard operating procedures (SOP) were developed that are updated on a quarterly basis. The response also indicated that OCT will update the SOP to define roles and responsibilities related to the agency's inventory system process.

### **OIG RESPONSE**

We consider actions taken by OCT to be responsive to our recommendation. The full text of OCT's response is included at Exhibit C.

4. Conduct inventories annually, as opposed to every 2 years, given the substantial value of assets currently not being utilized, to minimize the risk of theft and obsolescence.

## **FINDINGS AND RECOMMENDATIONS**

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### **OCT RESPONSE**

OCT agreed with the recommendation and stated in its response that it maintains an internal inventory, which is not regulated by another government agency. The response indicates that OCT will continue to collaborate with the Office of the Chief Financial Officer, OCTO, and other stakeholders and will create better system controls (including those that utilize helpful software) in order to implement a more efficient annual inventory.

### **OIG RESPONSE**

OCT's actions are considered to be responsive and meet the intent of our recommendation.

## **EXHIBIT A: ALLEGATIONS AND AUDIT RESULTS**

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This audit, conducted at the request of the Executive Office of the Mayor, was initiated due to concerns expressed by a complainant regarding multiple improprieties at the Office of Cable Television. We categorized the complaints into five allegations. The results of our review follows.

### **Allegation No. 1**

Invoices were paid without supporting documentation totaling hundreds of thousands of dollars.

#### **Audit Results**

We reviewed both the Contracting Officer's and the COTR's contract file for the HDTV production studio contract. We also extracted the payment history from SOAR for this vendor. We reviewed 58 invoices from the vendor noting that 38 invoices lacked supporting documentation, 10 invoices had some information, and the remaining 10 invoices had adequate documentation. Most of these invoices were approved for payment by the former Executive Director of the agency. Based on our analysis, invoices totaling \$328,695.22 lacked adequate supporting documentation to justify payment.

### **Allegation No. 2**

There was improper use and accumulation of hundreds of hours of leave.<sup>9</sup>

#### **Audit Results**

In FY 2008, OCT conducted an internal audit of the agency's time and attendance records. The agency's Operations Division conducted this audit after the agency learned that a former OCT timekeeper had failed to record time and attendance information for some of the agency's Programming Staff members (during the period January 2006 to September 2007). OCT's Director of Operations reviewed the audit results, sent an explanatory memorandum to OCT's Director and submitted an explanatory note to the file.

The related information was then forwarded to the Office of Pay and Retirement so that the uncollected leave could be deducted from the subject employees' leave balances. OCT management's failure to provide oversight for the agency's timekeeper's performance was the primary reason this control breakdown occurred.

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<sup>9</sup> This allegation is not necessarily related to the contract with MPS.

## **EXHIBIT A: ALLEGATIONS AND AUDIT RESULTS**

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### **Allegation No. 3**

There was improper entry and approval of time, including overtime.<sup>10</sup>

### **Audit Results**

See response to allegation number 2.

### **Allegation No. 4**

A potential conflict of interest exists between the former and current directors of the agency and vendors that are holders of a sole source contract.

### **Audit Results**

Based on our previously cited issues relative to awarding this contract as a sole source procurement, while we are concerned that this contract was not an “arm’s length” transaction relative to the former director and the contractor, we found nothing to support the allegation.

### **Allegation No. 5**

There was improper use of District government employees for private interests.

### **Audit Results**

Nothing came to our attention during the audit that would support the allegation.

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<sup>10</sup> As in Allegation No. 2, this allegation is not necessarily related to the contract with MPS.

**EXHIBIT B: SUMMARY OF POTENTIAL BENEFITS  
RESULTING FROM AUDIT**

<b>Recommendations</b>	<b>Description of Benefit</b>	<b>Amount and Type of Benefit</b>	<b>Status<sup>11</sup></b>
1	<b>Compliance and Internal Control.</b> Ensures that employees responsible for contracting and procurement actions are appropriately trained to perform their duties in accordance with District policies and procedures.	Non-Monetary	Closed
2	<b>Economy and Efficiency.</b> Provides for use or liquidation of acquired assets associated with HDTV production studio project.	Monetary \$4 million	Open
3	<b>Internal Control.</b> Develops and issues procedures for properly managing agency assets to include roles and responsibilities.	Non-Monetary	Closed
4	<b>Internal Control.</b> Safeguards agency assets by conducting annual inventories.	Non-Monetary	Closed

<sup>11</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.

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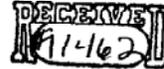
## EXHIBIT C: OCT AND OCP RESPONSE TO DRAFT REPORT

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GOVERNMENT OF THE DISTRICT OF COLUMBIA  
EXECUTIVE OFFICE OF THE MAYOR

2009 OCT -2 PM 3: 28



October 2, 2009

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

Dear Mr. Willoughby:

Attached is the Response to the September 4, 2009 Inspector General's (IG's) Draft Report regarding its 2009 "Audit of the Management Operations of the Office of Cable Television" (OCT). Although the focus of the IG's audit was on OCT's management operations, the IG's cover letter was addressed to both the Executive Director of OCT and the Chief Procurement Officer, Office of Contracting and Procurement (OCP). In light of that fact (and because OCP is referenced throughout the IG's Draft Report), this reply includes comments from OCP. The Attachments that are referenced in our Response are also attached.

Should have questions or need further information, please contact Eric E. Richardson at 202.671.0041 or David P. Gragan at 202.724.5262.

Sincerely,

Eric E. Richardson  
Executive Director

Attachments

cc: Mr. Neil O. Albert, City Administrator  
Mr. Andrew T. Richardson, III, General Counsel to the Mayor, Executive Office of the Mayor  
Mr. W. Todd Mason, Chief Executive Officer, Mason Production Services

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3007 Tilden Street, N.W., Pod-P, Washington, DC 20008 202.671.0066



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**EXHIBIT C: OCT AND OCP RESPONSE TO DRAFT REPORT**

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GOVERNMENT OF THE DISTRICT OF COLUMBIA  
EXECUTIVE OFFICE OF THE MAYOR

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**The Office of Cable Television & Office of Contracting and  
Procurement's**

**Response to the**

**Office of the Inspector General's  
Audit of the Management Operations of  
The Office of Cable Television  
(OIG No. 08-1-19CT)**

**Eric E. Richardson  
Director  
Office of Cable Television**

**David P. Gragan  
Director  
Office of Contracting and Procurement**

**October 2, 2009**

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3007 Tilden Street, N.W., Pod-P, Washington, DC 20008 202.671.0066



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## EXHIBIT C: OCT AND OCP RESPONSE TO DRAFT REPORT

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### I. INTRODUCTION.

By correspondence dated September 4, 2009, the District of Columbia's Inspector General (IG) delivered, to the Office of Cable Television (OCT), and the Office of Contracting and Procurement (OCP) a draft of a report (Draft Report) that summarized the results of the IG's "Audit of the Management Operations of the Office of Cable Television" (OIG No. 08-1-19CT).

<sup>1</sup> The IG advised OCT and OCP that its audit was conducted at the request of the Executive Office of the Mayor (EOM) and made after EOM had received allegations of improprieties regarding OCT's "management operations". In the cover letter to OCT that accompanied the Draft Report, the IG requested that responding agencies review the Draft Report and provide to the IG its written responses to the findings, recommendations and conclusions set forth in the Draft Report. In its cover letter, the IG additionally indicated that OCT may "propose alternative solutions to the recommendations that will effectively or efficiently correct noted deficiencies."<sup>2</sup> The purpose of this reply is to communicate to the IG OCT and OCP's responses to the above-referenced findings, recommendations and conclusions.

Generally, OCT and OCP do not take exception to the IG's conclusions that: (1) OCT's sole source justification for its previous HDTV Infrastructure contract was less than adequate; (2) the subject contract violated OCT's internal operations policy regarding facilities usage; and (3) OCT did not effectively monitor the performance of the contractor used for design and installation of the agency's HDTV studio. For the purposes of: (1) providing a fuller context in which to consider these conclusions; and (2) correcting several misstatements made in the Draft Report, OCT and OCP state as follows:

### II. OCT RESPONSES TO STATEMENTS MADE THE DRAFT REPORT'S "INTRODUCTION".

The Introduction section of the IG's Draft Report begins by setting forth background information regarding: (1) OCT's mission and operations; and (2) the 2006 service contract between Mason Production Services (MPS) and the Office of Contracting and Procurement (OCP) (on behalf of OCT) that serves as the focal point of the IG's audit.

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<sup>1</sup> At the time at which this agency entered into its HDTV contract, its name was the "Office of Cable Television and Telecommunications". Pursuant to the mandates of a subsequent Mayor's Order, the name of this agency was changed to the "Office of Cable Television" (the words "and Telecommunications" were dropped from the agency's name.). Throughout the course of this document, this agency will be referred to as either the "Office of Cable Television" or "OCT".

<sup>2</sup> Although the focus of the IG's audit was on OCT's management operations, the IG's cover letter was addressed to both the Director of OCT and the Director of the Office of Contracting and Procurement (OCP). In light of that fact (and because OCP is referenced throughout the IG's Draft Report), this reply includes comments from OCP.

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## EXHIBIT C: OCT AND OCP RESPONSE TO DRAFT REPORT

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Todd Mason, President and CEO of Mason Media Group, LLC (i.e., the owner of Mason Production Services, LLC (MPS)), initially met at OCT with the agency's then-Executive Director, James D. Brown (former Director), in late January – early February 2006. Former Director Brown advised agency staff that the parties were meeting because MPS and Mr. Brown wanted to discuss the possibility of producing, at OCT, several of MPS's clients' cable television shows. Former Director Brown advised staff that the list of these shows included ESPN's "Pardon the Interruption" and "Around the Horn." Mr. Brown further advised staff that these were shows that Mr. Mason brought to Washington, DC and launched during his tenure as President of Atlantic Video, Inc. None of OCT's staff knew Mr. Mason prior to Mr. Brown's introduction of him to the agency.

Mr. Brown advised OCT's staff that his goal was to make OCT's studios and technical facilities available to the local market. In accord with that goal, Mr. Brown worked with the District Council to pass legislation (the 2004 Television Production Act) that authorized the agency to lease its facilities to private sector entities. Mr. Brown advised OCT's staff that he was motivated to make OCT's facilities commercially available for the following two reasons: (1) he wanted OCT to be able to create additional public value by leveraging its assets to create television industry jobs, content and educational opportunities for its citizens; and (2) he wanted to ensure that the agency had additional revenue streams beyond the cable television franchise fees that it collects (which he felt were threatened by proposed congressional legislation designed to change the existing cable television franchising paradigm - which potentially, in turn, could have significantly reduced the amount of franchisee fees that the agency received).

For the purpose of gauging the commercial industry interest in the contemplated private sector availability of OCT's facilities, Mr. Brown had MPS arrange to bring potential clients to OCT to look at the facility. Mr. Mason subsequently made arrangements for executives from ESPN to tour OCT's facilities on or around February 20, 2006. After the tour, Mr. Mason advised OCT that ESPN's response to OCT was very positive, and that that company was considering using OCT's facilities, contingent on the facilities being timely upgraded as proposed.

As Mr. Brown contemplated the execution of this facilities upgrade plan, he advised his staff that the District Government would need to create an alliance with a private sector partner that had the following strengths:

- The company's personnel was significantly experienced at designing and building facilities that Mr. Brown's target clients (e.g., ESPN) would be attracted to;
- The company had established relationships with the target clients; and
- The company was capable of working, in efficient and creative ways, with private sector clients to produce OCT's desired results.

Mr. Brown met with former City Administrator Robert Bobb in March of 2006 to discuss the above-referenced HDTV upgrade proposal.<sup>3</sup> Mr. Brown advised OCT staff that Mr. Bobb and

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<sup>3</sup> The chronology regarding the dates of meetings involving Mr. Brown, Mr. Bobb and/or Mr. Mason is based upon representations made to OCT staff by Mr. Brown.

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## EXHIBIT C: OCT AND OCP RESPONSE TO DRAFT REPORT

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former Mayor Anthony Williams approved OCT's HDTV upgrade proposal. According to Mr. Brown, Mr. Bobb assigned then-Deputy Mayor Stan Jackson to review the proposed initiative and to work with the Office of Contracting and Procurement (OCP) to move the project forward in a thorough and timely manner (with the original goal of having the OCT facilities upgrade completed by the late summer or early fall of 2006 so that OCT could take advantage of potential business opportunities that would be available during that time period). It is our understanding (from Mr. Brown's representation) that Mr. Brown and Mr. Mason again met with then-Deputy Mayor Jackson on or about April 6, 2006.

On or about April 9, 2006, Mr. Mason, OCT and OCP began to work on the structure of the document that would become the OCP / MPS HDTV Facilities Upgrade Contract (OCP Contract No. DCCT-2006-C-0150).<sup>4</sup> This contract was a one-year contract with four (4) option years (the exercise of which were at the District's sole discretion). OCP Contract No. DCCT-2006-C-0150 was comprised of the following four (4) service components:

**Project Management:** Mason Productions was required to function as the general contractor for OCT regarding the upgrade project's management, design and integration. MPS was charged with the task of ensuring the completion of the upgrade by November 15, 2006, subject to any developments beyond MPS' control.

**Design and Integration:** MPS was responsible for overseeing the design aspect of OCT's upgrade.

**Provide Engineering Support:** MPS was charged with the task of providing engineering support for OCT's Tilden Street broadcast center, OCT's truck and the Mayor's Press Room.

**Marketing and Business Development:** MPS was required to provide marketing support for OCT's facilities and to market the availability of OCT's enhanced facilities.

The OCP / Mason Productions contracting process included the following steps / occurrences:

- OCT initially desired to have the parties' contract structured in such as way as to require MPS to provide a total turn-key solution. OCP advised that such a structure would take more time than the parties wanted. Accordingly, the HDTV equipment purchase responsibilities were not made part of OCP Contract No. DCCT-2006-C-0150. MPS was required to manage the acquisition of equipment but not actually purchase the same.
- Sole source justification for MPS: OCP engaged in a significant amount of research to ensure that MPS' sole source request was, in fact, justified. OCP, OCT and the Office of the Attorney General all participated in the process. Ultimately, the District concluded that the sole source justification was authorized.

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<sup>4</sup> Although OCT is not a formal party to OCP Contract No. DCCT-2006-C-0150, that contract was entered into (by OCP) on OCT's behalf.

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## EXHIBIT C: OCT AND OCP RESPONSE TO DRAFT REPORT

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- OCP conducted significant additional research regarding MPS regarding such issues as its local, small and disadvantaged business entity (LSDBE) status, its tax compliance and its numerous references.
- OCP worked with numerous agencies to review various parts of the contract.
- OCP worked with MPS and with OCT to establish deliverable dates (as well as with regard to other provisions of the contract).
- OCP Contract No. DCCT-2006-C-0150 was reviewed and approved by OCP's legal counsel and by the Office of the Attorney General.
- The requisite funding programming was conducted by OCT and the Office of Finances and Resource Management.
- The District Council approved the funding proposal regarding the HDTV equipment and leasehold capital expenditure.

Former Director Brown advised OCT's staff that, because the contracting process took longer than anticipated, OCT and MPS were no longer able to accommodate ESPN and its above-referenced cable television shows in 2006. Former Director Brown additionally advised OCT's staff that: (1) ESPN renewed its production contract with Atlantic Video for one year; and (2) ESPN remained interested in utilizing OCT's facilities, once the HDTV upgrade had been completed.

Prior to the conclusion of its HDTV contract's base year, OCT (in consultation with EOM) determined that it would move its offices, facilities and equipment to a new location on the grounds of the District's McKinley Technical High School.<sup>5</sup>

### III. OCT RESPONSES TO THE DRAFT REPORT'S "FINDINGS AND RECOMMENDATIONS" SECTION.

OCT's comments regarding the various statements made in the Draft Report's "Finding 1" section are as follows:

1. OCT Comments Regarding Finding No. 1 of Draft Report (Questionable Procurement Practices).

*Synopsis:* The IG begins the "Synopsis" section of the Draft Report (on page 4), by making several general statements regarding the nature of OCT's HDTV contract. This section of the Draft Report ends with the statement "[w]e estimate that OCT wasted over \$ 4 million in District funds." Respectfully, OCT contends that the purchases made in connection its HDTV upgrade has not been wasted.. OCT is currently using some of the editing, intercom, monitoring, and computer software equipment that was purchased pursuant to the terms of the contract, with intent to build out a new master control room and use the remaining studio production equipment in its new headquarters facility. OCT determined that it would be most cost-effective to

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<sup>5</sup> OCT currently leases space in a building that is privately-owned by Intelsat Global Service Corporation (3007 Tilden Street, NW; Washington, DC 20008). The term of OCT's current lease expires in 2014.

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## EXHIBIT C: OCT AND OCP RESPONSE TO DRAFT REPORT

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complete the full equipment integration process only once (rather than completing it once here at OCT's current location and then later doing the same integration again at OCT's new location.). Many of the pieces of equipment mentioned in the Draft Report are individual components of larger units of equipment and were received sporadically from various vendors and manufacturers. The equipment was received over a span of two fiscal years, due to the fact that some of the components were on back order and continued to arrive beyond the base year of the contract. Those delayed deliveries provided additional obstacles to completing the HDTV build out in the originally proposed timeframe (the assembly of various single units of equipment was virtually impossible, in light of the fact that not all of the individual components of the larger equipment units had been received by OCT).

This equipment will ultimately enhance OCT's ability to promote originally-produced programming (with consistent technical standards) on local and national broadcast channels. Featured programs such as "Washington Full Circle", "Straight to the Point" and other programming geared towards promoting Washington, DC will garner expanded external attention. OCT additionally notes that the equipment procured for its facilities upgrade is compatible to equipment currently being used and is not exclusive to HDTV technology (i.e., the equipment can be used to produce both Standard Definition programming (currently used by OCT) and HDTV programming.).

*MPS Contract:* In its discussion of OCT's HDTV contract (on page 4 of the Draft Report), the IG notes that: (1) "the contract with MPS was not renewed after the completion of the base year and the studio was not built or installed"; and (2) that, "[a]s a result, OCT was left with over \$ 3 million of relatively new and unused equipment." With regard to these statements, OCT notes the follow:

As mentioned above, OCT determined that it would (in consultation with EOM) move its offices, facilities and equipment to a new location on the grounds of the District's McKinley Technical High School. The location of OCT's new home is wholly-owned by the District. OCT's move to its new, District-owned location (and the shedding of its existing lease obligations) will enable the agency to save at least \$1 million annually by eliminating the need to incur costs related to private property rent and other operating expenses. As an additional benefit to the District and its residents, OCT's installation of its new HDTV equipment at its new McKinley Tech location will bring the agency into more-direct contact with the District's public school students and will enable the agency to: (1) more-efficiently utilize current technologies to produce and deliver to District residents outstanding public, government and educational (PEG) cable programming on TV-13, TV-16 and the District Knowledge Network; (2) streamline the agency's production operations (transitioning from multiple production and transmission points to one centralized location).

OCT additionally respectfully disagrees with the statement made by the IG (in the last paragraph on page 4 of the Draft Report) that "the agency had no definitive alternatives for the use of this equipment. As discussed above, OCT has already begun to use some of this equipment in the production of its current programming.

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## EXHIBIT C: OCT AND OCP RESPONSE TO DRAFT REPORT

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OCP Response to the OIG finding "Justification for Sole Source Procurement" (p. 5): The Office of Contracting and Procurement (OCP) agrees with the audit finding indicating that the Determination and Finding (D&F) justifying OCT's use of sole source procurement for the referenced procurement was flawed. OCP policy specifically forbids the approval of Sole Source procurements when more than one vendor is capable of providing a service. Furthermore, a justification that uses a lack of timing as its main rationale should be deemed inadequate. Our office intends to publish new guidance on the use of D&Fs reaffirming that sole source procurements are *only justified* when there is *only one* vendor who can provide the good or service.

OCP Response to the OIG finding "Business Development/Marketing (p. 6): Viewed with the wisdom of hindsight and numerous other activities surrounding this procurement, it is easy to criticize the decision to bundle services. However, OCP feels it is also prudent to acknowledge that the decision to bundle, or not bundle, disparate services are dependent on sometimes unknowable situational variables. For instance, potential savings derived from increased competition can be outweighed by factors such as added administrative costs or personnel hours spent preparing a new solicitation. While OCP does acknowledge that bundling "Design and Installation" of the production studio and "Business/Development Marketing" services may have limited competition for this procurement, OCP respectfully notes that there was no way to know this was the best way to approach the procurement when staff approved this decision.

Approval of HDTV Project: On page 7 of the Draft Report, the IG noted that, "in 1997, the Federal Communications Commission (FCC) mandated that all United States television stations operate digital signals and become fully digital by 2009."<sup>6</sup> The IG additionally noted that: (1) OCT made, in the D&F offered in support of its sole source procurement request, a reference to the federal digital television mandate as a justification for OCT's HDTV project; and (2) that that OCT representation was inaccurate. Unfortunately, the digital television mandate reference that OCT made in its D&F was inaccurate. However, OCT did not make that reference with the knowledge that it was inaccurate. Rather, at the time that it made this reference, OCT mistakenly believed that the federal digital television (DTV) mandate applied to cable television providers (including municipal cable stations like OCT) in addition to over-the-air television broadcasters (like affiliates of CBS, NBC, ABC and Fox).

During the initial stages of this HDTV matter (including the point by which the D&F was scheduled to be completed), OCT's regulatory staff was heavily engaged in various other vital agency matters<sup>7</sup> and, accordingly, was not as actively involved with the agency's HDTV project

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<sup>6</sup> The switch from the use of analog to digital broadcast television signals is referred to as the digital TV (DTV) transition. In 1996, the U.S. Congress authorized the distribution of an additional broadcast channel to each broadcast TV station so that each affected station could establish a digital broadcast channel while simultaneously continuing their use of their analog broadcast channel. Later, Congress set June 12, 2009 as the final date on which full power television stations could broadcast analog signals. See <http://www.dtv.gov/whatisdtv.html>

<sup>7</sup> See, for examples, Attachments 1 and 2 (which regard the 2006 Council-mandated negotiations with Comcast regarding the broadcasts of the Washington Nationals baseball games (OCT's General Counsel lead those negotiations)); Attachment 3 (which regards OCT's implementation of its then-newly-negotiated agreement with Comcast, the terms of which required Comcast to provide to the District new optical fiber); and Attachment 4

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## EXHIBIT C: OCT AND OCP RESPONSE TO DRAFT REPORT

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as it later would become. An OCT staff attorney was assigned to work on the HDTV D&F and, during the course of that work, mistakenly interpreted the above-referenced federal digital television mandate to be applicable to OCT's municipal cable operations.<sup>8</sup> That mistaken interpretation of the federal DTV mandate was subsequently communicated to OCT's former Director (Mr. Brown) who, in turn, made the inaccurate DTV reference that is discussed in the IG's Finding No. 1. The inaccuracy of that legal interpretation was subsequently realized and, from that point forward, the incorrect interpretation was never again communicated. Again, this DTV law interpretation and reference was mistakenly (and not intentionally) made by the agency.

On page 7 of the Draft Report, the IG additionally notes that its research indicated "other governmental jurisdictions (Montgomery County, MD; Baltimore, MD; and Boston, MA) currently do not use HDTV broadcast equipment and technology." OCT does not take exception to this claim by the IG. It does, however, note that jurisdictions other than the ones referenced by the IG do currently use HDTV broadcast equipment and technology. The list of those jurisdictions includes Seattle, WA; Arlington County, VA; and Henrico County, VA.

*Review of Mason Contract by OCP and OAG:* On page 8 of the Draft Report, the IG stated that "OAG found that MPS' contract did not detail any sort of partnership agreement as was mentioned in OCT and MPS' August 15, 2006 press release." OCT does not take exception to this statement. OCT does, however, note that the agency never contemplated a "partnership" with MPS in the formal / technical sense of that word. Rather, the agency contemplated a contractor / service vendor relationship with MPS, the terms of which were set forth in the body of the above-referenced OCP / MPS contract (entered into on behalf of OCT). Because a formal partnership with MPS was not actually contemplated by OCT, it was a mistake for the agency to use the term "partnership" in the referenced press release (or in any other reference to its relationship with MPS).

OCT additionally notes that, although OCP expressed its concerns about the initially-proposed format of the prospective HDTV project and contract, that agency ultimately approved the HDTV contract (OCP actually entered into the contract on behalf of OCT).

On page 9 of the Draft Report, the IG contends that OCT made a misrepresentation when it stated that it had vetted the proposed terms of the agreement with the Deputy Attorney General for OAG's Commercial Division. More specifically, the IG states that the Deputy Attorney General for OAG's Commercial Division denied the above-referenced OCT claim. Those statements notwithstanding, OCT's statement is completely true. OCT did, in fact, vet its HDTV proposal with the *then*-Deputy Attorney General, Commercial Division (the person who served, at the relevant time, as the head of OAG's Commercial Division has since retired from OAG and a new person serves in that capacity). Proof of OCT's claim is found in the body of an email note that is dated May 2, 2006 and that was sent by the *then*-Deputy Attorney General, Commercial Division, Mr. Charles Barbera, to: (1) OCT's former Executive Director (James

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(which regards the contentious issue of the prospective imposition of new public rights-of-way fees on cable franchisees).

<sup>8</sup> See OCT email, dated June 28, 2006. A copy of that email is attached to this document as Attachment 5.

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Brown); and (2) former Deputy Mayor Stanley Jackson (among others). In that email, the *then*-former Deputy Attorney General, Commercial Division states, in part, “[t]hus, I believe you have authority for the program you described today.” A copy of that email note is attached to this document (as Attachment 6). OCT’s proposed HDTV project was discussed with various OAG senior attorneys, in addition to the *then*-Directors of OCP and the Office of Property Maintenance (OPM).

Office of Cable Television Policy: On page 9 of the Draft Report, the IG states that OCT’s HDTV project violated its programming policy (set forth on OCT’s web site) which prohibits the use of agency equipment for personal or commercial use. OCT does not take exception to this conclusion by the IG. With the hope that it might be seen as a mitigating factor, OCT notes as follows. Although the agency’s stated policy (on its web site) prohibits the use of OCT facilities for commercial use, the D.C. Cable Act imposes no such “commercial use” restriction on OCT. In fact, D.C. Code § 34-1252.02 (8A) (2008 Supp.) empowers OCT to enter into use / licensing agreements regarding its space and equipment, without restrictions regarding the commercial nature of such use. It is our understanding (from representations made by former Director Brown) that OCT initially worked to have the above-referenced statute enacted so that it could enter into both commercial and non-commercial use agreements (if it determined that it was in the best interest of the District to do so). On a relatively-limited basis, OCT has offered limited production services to non- government entities. OCT is not now engaged in private sector marketing and business development.

Although it acknowledges the conflict that exists between the referenced policy statement and its previous HDTV plans, OCT notes that it moved forward with its HDTV plans with the thought that they were in accord with the D.C. Cable Act. OCT will harmonize its stated agency policies with the District’s cable television statutes (the D.C. Cable Act) to ensure that no such conflict ever again occurs. OCT also will work diligently to ensure that it never again acts contrary to its stated policies.

Recommendations:

Regarding the Draft Report’s “Finding 1”, the IG recommended that the Executive Director of OCT “[c]oordinate with OCP to train OCT staff in District procurement and contract administration procedures to include standards of conduct and ethics relative to government contracting and management responsibilities.” In response to this recommendation, OCT states the following:

Training in District procurement and contract administration procedures, to include standards of conduct and ethics relative to government contracting and management responsibilities, has begun and will continue until exhausted.

Beginning Fiscal Year 2008, OCT made professional and personal development a key component of agency employees’ internal performance goals, in an effort to increase the agency’s overall effectiveness and efficiency. OCT has collaborated with the Center for Workforce Administration and the Office of Personnel, as well as the D.C. Chamber of Commerce, to develop a rigorous and well-rounded professional development curriculum for all

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OCT employees. The curriculum includes the following classes: “Critical Thinking”; “Thinking Outside of the Box”; “Overview of District of Columbia GIS Services and Applications (Overview of District of Columbia GIS Services and Applications)”; “People-Soft Time and Labor”; “JP Morgan (PCard/TCard) Program”; “Procurement 1”; and “Administrative Services and Modernization Program – Buyer and Invoice Training as well as System of Accounting and Reporting (SOAR)”. OCT employees will continue to take classes in an effort to keep up with ever-changing technology and in order to keep abreast of new District policies and procedures. To date, OCT management employees have taken the following classes:

Personnel	People-Soft Time and Labor	JP Morgan (PCard/TCard) Program	Procurement 1	Administrative Services and Modernization Program– Buyer and Invoice Training	System of Accounting and Reporting (SOAR)
Director	X	X	X	X	
Director of Operations	X	X	X		n/a (current Dir.) x (former Dir.)
Director of Programming	X	X	X		
Supervisory Videographer	X		X		
Supervisory Producer	X		X		
Supervisory Audiovisual Specialist – (OCT)	X		X		
Supervisory Audiovisual Specialist (DKN)	X				
Supervisory Videographer	X				
Supervisory Editor	X				
Executive Assistant	X	X			
Staff Assistant	X	X		X	X
Program Analyst				X	

*OCP Response to “Finding 1” Recommendations:*

Regarding the Draft Report’s “Finding 1”, the IG recommended that the Executive Director of OCT “[c]oordinate with OCP to train OCT staff in District procurement and contract administration procedures to include standards of conduct and ethics relative to government contracting and management responsibilities.” In response to this recommendation, OCP states the following:

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The Office of Contracting and Procurement (OCP) enthusiastically concurs with the above-stated recommendation. Since 2007, when the current administration assumed control of OCP, the agency has implemented a series of initiatives that have bolstered education and oversight. Focused educational efforts have given OCP-serviced agencies a better understanding of their roles and responsibilities, and internal training programs have better equipped our staff to help guide our customers through the procurement process. Simultaneously, OCP has renewed its emphasis on internal oversight, which will help ensure that communicated best practices are implemented in day-to-day operations.

*Educational Efforts:*

Procurement stakeholders are made aware of the pre- and -post-solicitation procedures and responsibilities through OCP's newly implemented and revamped, "Procurement 101" class, "COTR Training" and the "Statement of Work" training class (to be released in October). In addition, all District employees have access to OCP's extensive DCPedia Procurement Wiki Page. Similarly, OCP is expanding the knowledge base and fortifying a sense of professionalism among its contracting staff through increased enrollment in the Universal Public Purchasing Certification Council's CPPB and CPPO Certification classes. More than a dozen members of the contracting staff have already earned CPPB and CPPO certification, with that number set to potentially double in the approaching year. These focused educational efforts will provide procurement and programmatic stakeholders with the tools to make informed and ethical procurement decisions at all stages of the procurement process.

*Oversight Initiatives:*

OCP efforts to increase awareness of procurement principles and practices are coupled with a new focus on internal accountability. As part of its recent restructuring, the OCP Office of Procurement Integrity and Compliance (OPIC) was retooled with a new Assistant Director, and an ambitious new oversight strategy. The OPIC will initiate and conduct independent operational performance audits, inspections, and investigations of the District's procurement operations that will promote compliance with procurement processes and procedures throughout the District.

2. OCT Comments Regarding Finding No. 2 of Draft Report (Deficient Contract Monitoring).

*Synopsis:* On page 11 of its Draft Report, the IG concludes that "the failure to build the production studio resulted in the potential obsolescence of over \$ 3.3 million of idle HDTV equipment." In response to the above-referenced speculation regarding potential obsolescence of HDTV equipment, OCT respectfully notes that the equipment that OCT currently utilized to capture, produce, and distribute its video programming is significantly older than the equipment acquired for the HDTV upgrade. Additionally, manufacturers' internal recommendations led to the upgrade of some of the equipment that was on "back-order" for extended periods.

As indicated in the IG's draft report, OCP issued a stop work order in connection with the project on February 2, 2007 (prior to the conclusion of the contract's base year) in light of a lack of evidence of deliverables. As previously indicated, delays in the procurement process and

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equipment availability contributed to minimal deliverables and, in turn, a lack of demonstrated project management and integration.

*OCT Inventory Process:* Beginning on page 12 of the Draft Report, the IG: (1) provides a general description of the process used by the Office of Financial Operations and Systems (OFOS) to inventory OCT's equipment; and (2) discusses the IG's limited inventory of OCT's equipment. In response to those statements made in this section of the Draft Report, OCT notes that it identified the eight (8) pre-selected items for observation. Using the packing slips as a reference, three items were located in OCT's master control room, and the remaining 5 were located in its 4<sup>th</sup> floor studio.

The IG additionally notes that "four antennas valued at \$ 50,000 each had been omitted from the inventory listing" and that "OCT's Director of Operations agreed that the antennas should have been listed on the fixed assets schedule." In response to these statements, OCT notes that the referenced antennas were added to the agency's fixed assets schedule on April 3, 2009.

*Recommendation 1:* In the Draft Report, the IG makes three recommendations regarding its "Finding 2". The first of those recommendations is that the Executive Director of OCT "[d]evelop a plan to liquidate or utilize inventory items that were purchased in connection with the HDTV production studio project." In response to that first recommendation, OCT states the following:

OCT, which is presently located at 3007 Tilden Street, NW, is slated to relocate to a new location on the grounds of McKinley Technology High School, 151 T Street, NE (in Fiscal Year 2009). OCT's relocation to McKinley Tech is a collaborative effort between several different agencies and offices, including the Office of the City Administrator, the Council of the District of Columbia, District Public Schools (DCPS), the Office of the Attorney General (OAG) and the Office of Public Education Facilities Modernization (OPEFM). Earlier this calendar year, the Council enacted legislation that affected both OCT's procurement efforts related to the project and OPEFM's management of the project. The Council put forth and approved legislation that changed the scope of OPEFM's authority and the scope of non-school related projects that OPEFM would contract for. As a result, OCT's relocation to McKinley Tech was temporarily halted. However, in January 2009, Mayor Adrian M. Fenty signed legislation which became law in March 2009 and which confirmed OPEFM authority to manage the construction of the OCT new facility at McKinley Technology High School.

With the first phase of OCT's construction slated for completion in Fiscal Year 2010, the remaining HDTV equipment (presently located in a secured studio at OCT's Tilden Street location) will be installed after the construction of OCT's new headquarters and HDTV studio at the McKinley Tech location. The Washington, D.C. firm, OTJ Architects, has been awarded the construction project contract, and it is working with all of the stakeholders during the implantation of the move project's design phase. OCT's new 66,000 square foot production facility and offices will include a full spectrum of production, post-production and related infrastructure, including one (1) standard production studio, one (1) high definition studio,

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editing facilities, master control rooms, control rooms, conference/meeting rooms and administrative offices.

As it relates to OCT's mission, the use of the HDTV equipment will help to facilitate the fulfillment of the goal to "[p]roduce and cablecast live and recorded video and other programming by way of the District's public, educational and government (PEG) cable channels." The use of the HDTV production equipment will also help to fulfill OCT's Fiscal Year 2009 Performance Plan Objective 2, which is to "protect and advance the interest of District resident in cable television", as well as Initiative 2.2. of that same plan, which regards the training of D.C. Public Schools (DCPS) students in television production.

In addition to providing gavel-to-gavel coverage of the Council's hearings and conferences as well as the Mayor's press briefings, community and other special events, OCT also produces and cablecasts educational programming on the District Knowledge Network (DKN) (formerly District Schools Television (DSTV)). DKN operates a television production studio at the McKinley Tech campus. DKN broadcasts school board meetings, education-related community meetings and public service programming. Video production at DKN provides a learning lab for public school students who desire to study broadcast journalism and telecommunications.

Currently, five teachers at McKinley Tech use the OCT / DKN studio and lab to train over 100 students during the school year. McKinley Tech is revamping its Mass Media Department's curriculum, and OCT will continue to partner with the school in order to enhance and support its objectives. Additionally, each summer, OCT participates in several summer internship programs, including the District Government's Summer Youth Employment Program (SYEP) program, the Emerging Leaders High School Intern Program and the Kellie Williams Programs (KWP Summer Program). Students have produced television shows that have aired on TV-13, TV-16 and DKN, as well as via Comcast Cable's local on-demand library. The seasonal work program at OCT is seen as an effective tool for creating pathways into the job market for young District residents who have an interest in television production.

OCT will continue to work with DCPS students and train them to use the agency's equipment. Through this partnership, students will benefit from learning from television industry professionals within a real world setting. These students will be immersed in hands-on classes, developing skills as producers and directors. These students will learn to operate television cameras, edit and create broadcast news and entertainment features. Students will have access to a high-technology studio and field production equipment, a multi-camera studio, tapeless acquisition, HDTV cameras and non-linear editing on "Final Cut Pro". These students will learn in a professional, state-of-the-art facility and will develop the knowledge, skills and abilities needed to take advantage of the job opportunities that will become available in the expanding broadcast and cable television industry.

*Recommendation 2:* In the second of his "Finding 2" recommendations, the IG recommends that the Executive Director of OCT "[d]evelop specific procedures for managing and monitoring agency assets. The procedure to be developed should include designating individual(s) responsible for managing agency assets, defining the roles and responsibilities of other District

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## EXHIBIT C: OCT AND OCP RESPONSE TO DRAFT REPORT

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agencies and contractors involved in supporting OCT's asset management, inventory agency assets, and identifying obsolete inventory in a timely manner." In response to this second IG recommendation, OCT states the following:

In Fiscal Year 2008, OCT created standard operating procedures (SOPs) which are updated on a quarterly basis. OCT will further update its SOPs to define roles and responsibilities related to the agency's inventory system process. While OCT maintains an internal inventory of equipment, it realizes that there is room for improvement in the agency's overall inventory system process - specifically, identifying obsolete items and updating the inventory. Moving forward, OCT will implement more-stringent procedures for managing and monitoring agency assets and enforcing the SOPs. OCT will continue to collaborate with the Office of the Chief Financial Officer (OCFO) and with the Office of the Chief Technology Officer (OCTO) to identify sources of potential miscommunication, identify best practices and provide recommendations for better system controls. This system will be in place prior to the next District-wide inventory (scheduled to take place in 2010).

*Recommendation 3:* In the third of his "Finding 2" recommendations, the IG recommends that the Executive Director of OCT "[c]onduct inventories annually, as opposed to every 2 years, given the substantial value of assets currently not being utilized, to minimize the risk of theft and obsolescence." In response to this third recommendation, OCT states the following:

OCT maintains an internal inventory that is not regulated by another government agency. Additionally, it participates in the standard bi-annual DC government inventory. Due to the complicated nature of the technical equipment used by OCT, the lack of proper item descriptions, vague location descriptions and missing serial numbers, the government-wide inventory system presently in place does not adequately reflect the equipment in OCT's inventory. OCT will continue to collaborate with OCFO, OCTO and other stakeholders to identify sources of miscommunication and recommendations, and it will create better system controls (including those that utilize helpful software) in order to implement a more-efficient annual inventory.

#### IV. OCT RESPONSES TO THE DRAFT REPORT'S EXHIBITS.

##### The IG's Exhibit A (Allegations and Audit Results).

*Allegation No. 1:* Invoices were paid without supporting documentation totaling hundreds of thousands of dollars.

*OCT's Response:* Beginning Fiscal Year 2007, OCT has accounted for all necessary documentation for invoices. OCT's then-Interim Director and its Director of Operations also implemented an internal authorization policy and a "checks and balance" system in which packing slips, invoices, purchase orders and other supporting documentation are signed by the receiving agent, OCT's Director of Operations and/or its Director of Programming, as well as the

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## EXHIBIT C: OCT AND OCP RESPONSE TO DRAFT REPORT

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Agency Director. Current payment authorization requires two signatures on all work orders, invoices and packing slips.

*Allegation No. 2:* There was improper use and accumulation of hundreds of hours of leave.

*OCT's Response:* Based on the findings of OCT's internal audit, the agency's time and attendance records have been rectified. OCT also implemented a daily time and attendance log in which employees sign in and out. In Fiscal Year 2008, the D.C. Department of Human Resources (DCHR) implemented the new PeopleSoft time and attendance system that is currently being used by OCT. All OCT managers, as well as its time and attendance keeper, have been trained to use this PeopleSoft system. To date, there have been no further time and attendance discrepancies. Current time and attendance procedures require a two-tier review and appropriate supporting documentation (i.e., leave slips, jury notices, and medical notes).

*Allegation No. 3:* There was improper entry and approval of time, including overtime.

*OCT's Response:* Based on the findings of OCT's internal audit, the agency's time and attendance records have been rectified. OCT also implemented a daily time and attendance log in which employees sign in and out. In Fiscal Year 2008, the D.C. Department of Human Resources (DCHR) implemented the new PeopleSoft time and attendance system that is currently being used by OCT. All OCT managers, as well as its time and attendance keeper, have been trained to use this PeopleSoft system. To date, there have been no further time and attendance discrepancies. Current time and attendance procedures require a two-tier review and appropriate supporting documentation (i.e., leave slips, jury notices, and medical notes).

*Allegation No. 4:* A potential conflict of interest between the former and current directors of the agency and vendors that are holders of a sole source contract.

*OCT's Response:* No such conflict involving OCT's current Executive Director exists.

*Allegation No. 5:* There was improper use of District government employees for private interests.

*OCT's Response:* OCT supports the IG's conclusion that there exists no evidence that supports such a conclusion.

### V. CONCLUSION.

The HDTV project that is at the heart of this IG investigation was one that was conceived, orchestrated and primarily executed by OCT's previous Director. OCT's current leadership had no substantive involvement in the conception of the agency's agreement with Mason Production Services. None of OCT's employees (other than its former Director) knew either MPS's

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## EXHIBIT C: OCT AND OCP RESPONSE TO DRAFT REPORT

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principal or any of MPS' employees prior to the time at which OCT's former Director introduced MPS to the agency. To the extent that any current OCT employee participated in the execution of the HDTV agreement with MPS, that participation was limited and was in accord with approvals and instructions from EOM, OCP, OAG and/or OCT's former Director. The OCT's employees who worked on various aspects of the HDTV project did so with the good faith belief and understanding that the project was founded upon an ethical and lawful agreement that was fully vetted and approved by EOM, OAG, OCP and OCT's former Director. No conflict of interests exist between any current OCT employee and any sole source (or other) vendor.

OCT strongly suggests that the IG interview OCT's former Director Brown to determine if further investigation should be conducted in reference to Contract No. DCCT-2006-C-0150. Such an interview may help to resolve outstanding issues that exist regarding the justification for the HDTV project's sole source designation, the nature of the former Director's initial discussions with MPS, inadequate invoice documentation, conflict of interest, and internal OCT administrative controls that existed (or did not exist) during the former Director's OCT tenure.

In January 2007, OCT made significant changes in its internal administrative controls. More specifically, OCT: (1) created Standard Operating Procedures for the agency; (2) updated its procurement, purchasing, and payment policies; (3) engaged in more-rigorous employee training; (4) and made employee accountability an even greater priority. The agency will continue to review its policies and procedures on a quarterly basis, and it will make appropriate changes to those policies and procedures when the need arises. Regarding the equipment that was purchased pursuant to the terms of the HDTV agreement, OCT notes that much of this HDTV equipment has been incorporated into OCT's current production operations. The remaining HDTV equipment at issue will be installed in OCT's new McKinley Tech facility.

OCT's current Director ordered an internal audit of the time and attendance records of agency employees after noticing irregularities in the leave balances of various agency employees. After that audit (and with regard to its findings and conclusions), OCT's Director disciplined the former timekeeper and revamped the agency's timekeeping procedures to create a more-centralized process that involved personnel with previous payroll and timekeeping experience.

OCT has acknowledged various mistakes made by the agency (discussed above), and it has taken decisive action to correct those mistakes and to create policies and procedures that will prevent similar mistakes from happening in the future. Over the years, OCT has consistently served the District well by vigorously working to protect and advance the cable-related interest of the District and its residents. The improvements that OCT has incorporated into its administrative processes have enhanced the agency's ability to advance those District interests. OCT is determined to remain a valuable asset to the District and its residents.

## EXHIBIT D: MPS RESPONSE TO DRAFT REPORT

