

TESTIMONY OF CHARLES J. WILLOUGHBY, INSPECTOR GENERAL

BEFORE THE COUNCIL OF THE DISTRICT OF COLUMBIA

**JOINT PUBLIC OVERSIGHT ROUNDTABLE ON
THE CONTRACTING PROCESS RELATED TO PARKS AND
RECREATION PROJECTS**

OCTOBER 30, 2009

GOOD AFTERNOON CHAIRPERSONS BROWN, CHEH, THOMAS, AND BARRY. I WELCOME THE OPPORTUNITY TO TESTIFY ABOUT THE LESSONS LEARNED FROM OUR AUDIT OF THE DEPARTMENT OF PARKS AND RECREATION'S OVERSIGHT OF CAPITAL PROJECTS. I WILL ALSO PROVIDE A PERSPECTIVE OF SOME OF THE SYSTEMIC PROBLEMS OUR AUDITS HAVE IDENTIFIED (SEE ATTACHMENT), AND BEST PRACTICES FOR IMPROVING THE DISTRICT'S PROCUREMENT PROCESS. ACCOMPANYING ME TODAY ARE WILLIAM J. DIVELLO, ASSISTANT INSPECTOR GENERAL FOR AUDIT, SALVATORE D. GULI, AUDIT TECHNICAL ADVISOR AND RON HODGES, GROUP DIRECTOR FOR PROCUREMENT AUDITS.

OUR AUDIT OVERSIGHT OF THE DISTRICT'S PROCUREMENT FUNCTION HAS BEEN INTENSIVE. SINCE 2002, WE HAVE ISSUED ABOUT 55 PROCUREMENT OR PROCUREMENT-RELATED AUDITS THAT HAVE IDENTIFIED CONSISTENT AND PERVASIVE PROBLEMS IN THE DISTRICT'S PROCUREMENT PROGRAM. AS YOU KNOW, SYSTEMIC PROBLEMS IN THE DISTRICT'S PROCUREMENT AND CONTRACTING PROGRAMS ARE UNACCEPTABLE BECAUSE THEY DRAIN SCARCE RESOURCES, AND OFTEN DO NOT RESULT IN BEST VALUE FOR THE DISTRICT.

REPEAT DEFICIENCIES HAVE INCLUDED: INEFFECTIVE COMPETITION; MISSING CONTRACT FILE DOCUMENTATION; FAULTY SOLE-SOURCE JUSTIFICATIONS; LACK OF PROCUREMENT TRAINING; NON-COMPLIANCE WITH LAWS AND REGULATIONS; LITTLE OR NO EFFECTIVE CONTRACT ADMINISTRATION; FAILURE TO OBTAIN LEGAL REVIEW AND COUNCIL APPROVAL; UNAUTHORIZED COMMITMENTS AND PURCHASES; EXCESSIVE PAYMENTS MADE TO CONTRACTORS; AND OTHER CONTRACTING ISSUES. MANY OF THESE DEFICIENCIES WERE EVIDENT IN OUR AUDIT OF CAPITAL PROJECTS AT THE DEPARTMENT OF PARKS AND RECREATION (DPR).

REGARDING THE OVERALL MANAGEMENT OF THE CAPITAL IMPROVEMENT PROGRAM (CIP), DPR FAILED TO PROVIDE CONSISTENT AND EFFECTIVE LEADERSHIP AND MANAGEMENT CONTROLS FOR MONITORING THE PROGRESS OF THE CIP. CONSEQUENTLY, START AND COMPLETION DELAYS PLAGUED MANY PROJECTS, POOR WORKMANSHIP WENT UNDETECTED, AND FUNDS WERE NOT EFFECTIVELY USED TO BUILD SAFE ENVIRONMENTS IN SOME RECREATION CENTERS. WHEN WE VISITED DPR RECREATION FACILITIES THAT WERE NEWLY BUILT OR HAD SIGNIFICANT RENOVATIONS, WE OBSERVED NUMEROUS LESS THAN OPTIMAL CONDITIONS, INCLUDING POTENTIAL BUILDING AND SAFETY CODE VIOLATIONS, POOR PROJECT PLANNING, INFERIOR BUILDING MATERIAL AND EQUIPMENT QUALITY, AND INADEQUATE MAINTENANCE OF EQUIPMENT AND FACILITIES. WE FOUND THAT THESE CONDITIONS OCCURRED BECAUSE DPR DID NOT: HOLD CONTRACTORS ACCOUNTABLE FOR WORK PERFORMANCE;

SEEK RECOURSE FROM CONTRACTORS FOR POOR WORKMANSHIP; MAINTAIN EQUIPMENT FOR ITS LIFECYCLE; AND SUFFICIENTLY COORDINATE ACTIONS BETWEEN THE DISTRICT GOVERNMENT AND ITS CONTRACTORS. WE ALSO BELIEVE THAT SOME RECREATION FACILITIES WERE POORLY DESIGNED OR PLANNED. SOME POOR DESIGN FEATURES INCLUDED THE INSTALLATION OF IMPROPER CONTROL VALVES IN AN AQUATIC CENTER; INSTALLATION OF LIGHTING DIRECTLY OVER AN ELEVATED SECTION OF AN AQUATIC CENTER POOL, RESULTING IN COSTLY BULB REPLACEMENT; FAILURE TO PROPERLY VENT AN AQUATIC CENTER CHLORINE STORAGE AREA; AND MANY OTHER EXAMPLES THAT WERE CITED IN THE REPORT. OVERALL, WE IDENTIFIED SEVERAL CRITICAL MANAGEMENT ISSUES, INCLUDING THE LACK OF RUDIMENTARY INTERNAL CONTROL MEASURES OVER ALL ASPECTS OF THE CIP; PERSONNEL SHORTAGES IN KEY FUNCTIONAL AREAS; USE OF ILLEGAL COST PLUS A PERCENTAGE OF COST CONTRACTS AWARDED TO THE MANAGEMENT COMPANIES, RESULTING IN EXCESSIVE FEES PAID; FAILURE TO FULLY FUND PROJECTS, RESULTING IN COSTLY DELAYS; AND PAYMENT OF \$16 MILLION IN INVOICES THAT WERE EITHER NOT APPROVED BY AN AUTHORIZED OFFICIAL OR NOT SUFFICIENTLY VERIFIED FOR PAYMENT. WE ALSO FOUND THAT DPR COULD IMPROVE THE CIP FOR RECREATION AND AQUATIC CENTERS BY STANDARDIZING CENTER DESIGNS AND EQUIPMENT AND BY EMPLOYING LIFE-CYCLE MANAGEMENT TECHNIQUES TO CONTROL COSTS. OUR REPORT CONTAINED 32 RECOMMENDATIONS WITH ACTIONS NEEDED TO CORRECT THE REPORTED DEFICIENCIES.

IT BECAME EVIDENT FROM OUR REVIEW OF CAPITAL PROJECTS AT DPR THAT ABUSIVE AND INEFFICIENT PROCUREMENT PRACTICES OCCUR WHEN INDIVIDUALS ENTRUSTED WITH CONTRACTING AUTHORITY FAIL TO ADHERE TO THE BASIC GUIDELINES. THAT SAID, WE BELIEVE THERE ARE SEVERAL AREAS WHERE AGGRESSIVE ACTION IS NEEDED TO IMPROVE DISTRICT PROCUREMENT, EMPLOY BEST PRACTICES, AND CONSISTENTLY OBTAIN BEST VALUE. THESE INCLUDE: INCREASING ACCOUNTABILITY AND TRANSPARENCY IN PROCUREMENT TRANSACTIONS BY ESTABLISHING A CENTRALIZED RECORDS MANAGEMENT REPOSITORY FOR ALL MAJOR CONTRACTING ACTIONS AND DOCUMENTATION, AND CREATING AN AUTOMATED DATA MANAGEMENT AND REPORTING SYSTEM FOR ALL MAJOR CONTRACTS; CREATING A CADRE OF KNOWLEDGEABLE AND ADEQUATELY TRAINED CONTRACTING OFFICIALS AND SUPPORT STAFF; INCREASING THE USE OF ADEQUATE AND FAIR COMPETITION IN ALL MAJOR CONTRACT AWARDS; AND CLARIFYING THE CONTRACT APPROVAL PROCESS TO INCLUDE PENALTIES FOR FAILURE TO OBTAIN PROPER APPROVALS FROM AUTHORIZED INDIVIDUALS, INCLUDING HEADS OF AGENCIES AND THE CITY COUNCIL.

THANK YOU FOR PROVIDING ME THE OPPORTUNITY TO SHARE WITH YOU MY THOUGHTS ON THE DISTRICT'S PROCUREMENT AND CONTRACTING PROGRAM. AT THIS TIME, MY COLLEAGUES AND I WILL BE HAPPY TO ANSWER YOUR QUESTIONS.

Overarching Procurement Findings

- **Planning:** Poor procurement planning
- **Sole Source:** Overuse and misuse of sole-source procurements
- **Pricing:** Failure to establish a fair and reasonable price basis for awarded contracts
- **Competition:** Little or no use of competition, even when available
- **Compliance:** Repetitive failure to adhere to existing procurement laws and rules
- **Staffing:** Insufficient number of experienced staff
- **Training:** Lack of an effective procurement training program
- **Accountability:** Lack of an effective mechanism to establish accountability for procurement actions
- **Contract Admin:** Ineffective means for establishing contract deliverables and performing basic contract administration

Systemic Causes and Effects

