

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

**REPORT ON EXERCISING  
INFORMATION TECHNOLOGY  
STAFF AUGMENTATION (ITSA)  
CONTRACT OPTION YEAR 4**



**CHARLES J. WILLOUGHBY  
INSPECTOR GENERAL**

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

Inspector General



September 27, 2012

James Staton  
Chief Procurement Officer  
Office of Contracting and Procurement  
One Judiciary Square  
441 4<sup>th</sup> Street N.W., Suite 700S  
Washington, D.C. 20001

Dear Mr. Staton:

Enclosed is our final report summarizing the results of the Office of the Inspector General's (OIG) Report on *Exercising Information Technology Staff Augmentation (ITSA) Contract Option Year 4* (OIG No. 10-1-19TO(c)). Pursuant to our authority under D.C. Code § 1-301.115a (f-3), we issued a Management Alert Report (MAR No. 12-A-01) on August 2, 2012, to recommend that OCP decline to exercise the remaining option year for the ITSA contract. The Office of Contracting and Procurement (OCP) responded by letter dated August 16, 2012, in which OCP disagreed with the report's finding and conclusions and did not concur with the recommendations and, therefore, these recommendations are unresolved.

The full text of OCP's response is included at Exhibit B. Audit recommendations should generally be resolved within 6 months of the date of the final report. Accordingly, we will continue to work with OCP to reach final agreement on the unresolved recommendations. Based on the response from OCP, we re-examined our facts and conclusions and adjusted the report where warranted.

We appreciate the cooperation and courtesies extended to our staff during this audit. If you have any questions, please contact me or Ronald W. King, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

  
Charles J. Willoughby  
Inspector General

Enclosure

CJW/fg

cc: See Distribution List

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**REPORT ON EXERCISING INFORMATION TECHNOLOGY  
STAFF AUGMENTATION (ITSA) CONTRACT OPTION YEAR 4**

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**ACRONYMS**

DCMR	District of Columbia Municipal Regulations
IT	Information Technology
ITSA	Information Technology Staff Augmentation
MAR	Management Alert Report
OCP	Office of Contracting and Procurement
OCTO	Office of the Chief Technology Officer
OIG	Office of the Inspector General
OST	Optimal Solutions and Technologies Incorporated
RFP	Request for Proposals

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**REPORT ON EXERCISING INFORMATION TECHNOLOGY  
STAFF AUGMENTATION (ITSA) CONTRACT OPTION YEAR 4**

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## EXECUTIVE DIGEST

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### OVERVIEW

This report summarizes the results of the Office of Inspector General's (OIG) Management Alert Report (MAR), Exercising Information Technology Staff Augmentation (ITSA) Contract Option Year 4. This is the second report in a series of audits related to the ITSA contract. The OIG issued the MAR to recommend that the Office of Contracting and Procurement (OCP) decline to exercise the remaining option year for the ITSA contract. We made this recommendation pursuant to our authority as stated in D.C. Code § 1-301.115a(f-3).

This statute provides, in pertinent part:

Failure on the part of any District government . . . contractor to cooperate with the Inspector General by not providing requested documents or testimony needed for the performance of his or her duties in conducting an audit . . . shall be cause for the Inspector General to recommend appropriate administrative actions to the . . . procurement authority, and shall be grounds for adverse actions as administered by the procurement authority, including . . . termination of an existing contractual relationship.

Based upon information obtained from the ITSA Executive Dashboard, for the period August 19, 2008 - February 6, 2012, the District has paid Optimal Solutions and Technologies Incorporated (OST) a total of \$108,546,921 under the ITSA contract.

### CONCLUSION

OST is not in compliance with D.C. Code § 2-354.18, which requires District contractors to allow the Inspector General full access to their books and records for the purposes of the OIG auditing District contracts. Specifically, OST has failed to fully cooperate with OIG auditors by providing complete documentation to support the cost and pricing data it submitted in its proposal for contract DCTO-2008-C-0135. This condition occurred because OST officials believe that OIG's request for such access is overbroad and that the documents requested for review included proprietary and sensitive information.

As of the date of this audit report, the OIG cannot determine whether OST managed the total contract payments of \$108,546,921 received from the District in a manner where internal controls were in place to safeguard against fraud, waste, and abuse.

Also, despite the OIG's notice to OCP about the financial implication of procuring IT services through the ITSA contract, OCP did not take timely corrective action to replace the current ITSA contract, which is used to procure District IT staff augmentation services. We attribute this to OCP officials' belief that the ITSA contract with OST positively contributes to the operational stability and financial health of the District. As a result, the potential negative financial consequences for the District continue to exist.

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## **EXECUTIVE DIGEST**

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### **SUMMARY OF RECOMMENDATIONS**

We directed two recommendations to OCP that focus on: (1) declining to exercise the remaining option year with OST and (2) complying with the DCMR requirements for future contract awards.

### **MANAGEMENT RESPONSES AND OIG COMMENTS**

We received OCP's written response to the MAR on August 16, 2012. OCP disagreed with the report's finding and conclusions and did not concur with our recommendations. The full text of OCP's response is included at Exhibit B.

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

## **INTRODUCTION**

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### **BACKGROUND**

The OIG is conducting an Audit of the Information Technology Staff Augmentation (ITSA) Contract No. DCTO-2008-C-0135. This contract was awarded to Optimal Solutions and Technologies Incorporated (OST) on August 19, 2008. The audit was included in our Fiscal Year 2011 Audit and Inspection Plan and is the second in a series of related audits.

On August 3, 2011, the OIG issued the first audit report from the series, which concluded that the use of District employees to manage IT services procurement process, rather than the use of OST, was substantially more economical. In total, we calculated that the District may lose as much as \$10.78 million over the period of the 5-year contract term if the District continued using OST to manage the IT services procurement process. The Office of Contracting and Procurement (OCP) agreed with the audit conclusion. However, as of the date of this report, OST remains under contract to OCP to manage IT services procurement processes.

Also on August 3, 2011, the OIG conducted an entrance conference with the Chief Technology Officer to announce the commencement of the second phase of the audit to determine whether the ITSA contract has been administered in an efficient, effective, and economical manner and conducted in a manner where internal controls were in place to safeguard against fraud, waste, and abuse.

### **OBJECTIVES, SCOPE, AND METHODOLOGY**

The overall objectives of the audit are to determine whether: (1) the contract was awarded in compliance with requirements of applicable laws, rules, regulations, policies, and procedures; (2) the contract was administered in an efficient, effective, and economical manner; and (3) internal controls safeguarded against fraud, waste, and abuse.

We planned and are conducting this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence that provides 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 conclusions based on our audit objectives.

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## FINDINGS AND RECOMMENDATIONS

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<b>FINDING 1. NONCOMPLIANCE WITH PROCUREMENT PRACTICES ACT</b>
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### SYNOPSIS

D.C. Code § 2-354.18 requires District contractors to allow the Inspector General full access to their books and records for the purposes of the OIG auditing District contracts. OST has failed to fully cooperate with OIG auditors by providing complete documentation to support the cost and pricing data it submitted in its proposal for contract DCTO-2008-C-0135. This condition occurred because OST officials believe that OIG's request for such access is overbroad and that the documents requested include proprietary and sensitive information. As a result, OST is not in compliance with D.C. Code § 2-354.18; therefore, as of the date of this audit report, the OIG cannot determine whether OST managed the total contract payments of \$108,546,921 received from the District in a manner where internal controls were in place to safeguard against fraud, waste, and abuse.

### DISCUSSION

Since initiating the second audit in August 2011, we found that OST failed to comply with D.C. Code § 2-354.18(b) and provide OIG auditors full access to OST's books and records (and those of any subcontractors) that relate to performance of the ITSA contract. On November 4, 2011, after various attempts to obtain access to records and related supporting documentation that are necessary to conduct the audit, the OIG served OST with a subpoena for all documents that relate to direct and indirect costs OST incurred in providing IT services under contract DCTO-2008-C-0135 to the District of Columbia's Office of the Chief Technology Officer (OCTO).

According to D.C. Code § 2-354.18 (Right to audit records; right to inspect):

- (a) The District may, at reasonable times and places, audit the books and records of any person who has submitted data to substantiate offered prices pursuant to § 2-354.19 to the extent that the books and records relate to that data. A person who receives a contract, change order, or contract modification for which the data is required, shall maintain books and records that relate to the cost or pricing data for 3 years from the date of final payment under the contract, unless a shorter period is otherwise authorized in writing.
- (b) The Inspector General, District of Columbia Auditor, or District shall be entitled to audit the books and records of a contractor or any subcontractor

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## FINDINGS AND RECOMMENDATIONS

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under any negotiated contract or subcontract, other than a firm fixed-price contract, to the extent that the books and records relate to the performance of the contract or subcontract. Books and records shall be maintained by the contractor for a period of 3 years from the date of final payment under the prime contract and by the subcontractor for a period of 3 years from the date of final payment under the subcontract, unless a shorter period is otherwise authorized in writing.

In addition, Section 27 of the Government of the District of Columbia Standard Contract Provisions (SCP) (Mar. 2007) provides, in part:

- (a) The District may terminate without liability any contract and may deduct from the contract price or otherwise recover the full amount of any fee, commission, percentage, gift, or consideration paid in violation of this title if:

....

- (2) There has been any breach or violation of:
  - (A) Any provision of the Procurement Practices Act of 1985, as amended . . . .

To date, OST has not provided the OIG with all relevant and reliable records, along with supporting documentation, to enable the OIG to conduct the audit in accordance with generally accepted government auditing standards. While the D.C. Office of the Attorney General is in the process of enforcing our subpoena, the District is incurring unnecessary and additional administrative costs.

### **SERIES OF EVENTS**

On September 8, 2011, members of the OIG Audit Division accompanied by a representative of OCTO, met with OST senior officials for the purpose of initiating the second phase of the ITSA contract audit. At the meeting, OIG auditors requested that OST officials provide us with the necessary documents and data (including computations and projections related to negotiating, pricing, etc.) to support OST's May 27, 2008, cost/price disclosure certification. The disclosure certification was required by solicitation number DCTO-2008-R-0135 and was contained within OST's proposal, as required by District of Columbia Procurement Regulations (27 DCMR § 1624) and Section 25 of the SCP. An OST official signed the disclosure certification indicating that its cost and price data were accurate, complete, and current.

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## FINDINGS AND RECOMMENDATIONS

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OST agreed to provide the OIG with all of its documentation to support its cost and pricing certification, no later than September 30, 2011.<sup>1</sup> On September 14, 2011, the OIG received an email from OCTO, which included documents from OST, purportedly in response to our September 8, 2011, request. However, upon reviewing the documents provided, the OIG determined that the documents were not responsive.

As a result, OIG auditors provided further clarification to OST as to which supporting documents the OIG was requesting. On September 27, 2011, again through OCTO, OST indicated that it was on track to deliver the requested documents. On September 29, 2011, OST requested an extension of time to October 7, 2011, in which to provide the requested documents.

On October 7, 2011, OST requested to meet with OIG auditors on October 12, 2011, for a walk through of the documentation OST gathered in response to the OIG's request. On October 12, 2011, an OIG senior auditor met with OST officials to discuss and obtain the requested cost and pricing data. However, at the meeting, the OIG auditor determined that the documents provided were not responsive to the OIG's request and further determined that OST did not supply documentation to support its disclosure certification. At that time, OST officials voiced confidentiality concerns with respect to the requested information.

In response to OST's concerns, the OIG informed OST that as an alternative, the OIG would accept all financial information necessary to allow it to reconstruct a reasonable facsimile of OST's G&A, overhead pricing, and fee/profit information at the time the contract was awarded. To this end, on October 13, 2011, the OIG provided OST with a comprehensive and specific list of requested documents for the purpose of conducting an alternative audit procedure (e.g., a cost analysis).

On October 25, 2011, in response to our October 13 request, OST provided the OIG with a computer disk containing some financial information. However, upon review OIG auditors determined that a substantial amount of information requested had not been provided, and the OIG informed OST of the same on that date.

On November 4, 2011, having not received the documents in question, the OIG served OST with a subpoena in which the following was requested:

Any and all original documents (or microfilm copies where originals are not available) in the custody or control of OST, Inc., that in any way identify and/or relate to direct and indirect costs incurred by OST, Inc. in providing IT Services under contract DCTO-2008-C-0135 to the District of Columbia's Office of the Chief Technology Officer

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<sup>1</sup> Specifically, the OIG requested a breakdown of general and administrative costs/rates (G&A), overhead, and fee/profit as well as supporting documents.

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## FINDINGS AND RECOMMENDATIONS

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(OCTO), including information specified in Attachment A to this subpoena.

The subpoena required OST to produce the requested documentation by November 21, 2011. As of the date of this report, OST has not provided all relevant and reliable records, along with supporting documentation, as requested via subpoena.

### SUMMARY

In conclusion, the lack of full access to OST's financial books and records has prohibited the OIG from performing its duties to conduct an audit in accordance with generally accepted government auditing standards and provide reasonable assurance that the total contract spending of \$108,546,921 was managed in a manner where internal controls were in place to safeguard against fraud, waste, and abuse.

### RECOMMENDATIONS

Pursuant to D.C. Code § 1-301.115a (f-3), we recommend that the Chief Procurement Officer, Office of Contracting and Procurement:

1. Decline to exercise the remaining option year with OST for contract no. DCTO-2008-C-0135.

### OCP RESPONSE

OCP indicated in its response that it is in the best interest of the District to exercise the final option year as an abrupt end of services through this contract would severely affect District government operations.

### OIG COMMENT

The OIG disagrees with OCP's response primarily because OCP has had more than adequate time to properly plan and replace the current ITSA contract used to procure the District's IT staff augmentation services, without adverse impact to District operations. OCP has been aware of the financial disadvantage of this contract to the District for more than a year and half. OCP's failure to take timely corrective actions regarding this contract causes the District to continue to incur unnecessary IT procurement costs of about \$2 million a year, as explained in the OIG's audit report *Audit of the Information Technology Staff Augmentation (ITSA) Contract* (OIG No. 10-1-19TO), issued August 3, 2011.

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## FINDINGS AND RECOMMENDATIONS

<b>FINDING 2. FAILURE TO ADDRESS IDENTIFIED DEFICIENCIES WITH THE ITSA CONTRACT</b>
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Despite the OIG's notice to OCP about the financial implication of procuring IT services through the ITSA contract, OCP did not take timely corrective action to replace the current ITSA contract used to procure the District's IT staff augmentation services. This condition occurred because OCP officials believe that the ITSA contract with OST positively contributes to the operational stability and financial health of the District. As a result, the potential negative financial consequences for the District continue to exist.

### DISCUSSION

On August 3, 2011, the OIG issued *Audit of the Information Technology Staff Augmentation (ITSA) Contract* (OIG No. 10-1-19TO), the first audit report from the series, which concluded that OCP failed to determine, in writing, that the use of a contract for services - rather than the use of District employees - to manage the IT services procurement process, was substantially more economical. In total, we calculated that the District may lose as much as \$10.78 million over the period of the 5-year contract term if the District continues using a contractor to manage the IT services procurement process.

In response to the report, OCP officials indicated that the ITSA contract with OST positively contributes to the operational stability and financial health of the District. However, the OIG disagrees with OCP's assertion primarily because, to date, OCP officials have been unable to provide the OIG with the supporting documentation (cost-benefit analysis) that upholds their assertion. Instead, in the report, the OIG noted that the District's decision to cap the hourly rates for IT staff augmentation requirements contributed to the operational stability and financial health. Therefore, the OIG in its report determined that the decision to manage the IT augmentation services under a contract, instead of in-house, costs the District about \$10.78 million more over the 5-year ITSA contract period.

As a result of our first audit, we directed a recommendation that OCP determine in writing that the use of a contract for IT services - rather than the use of District employees - is fully justified before exercising options. As part of the OIG's follow-up effort, on April 3, 2012, the OIG issued a letter to remind OCP officials to implement corrective action to address the recommendation in a timely manner. Accordingly on April 18, 2012, OCP advised the OIG via email that it agreed with the audit recommendation and indicated that the timeline required for its action was already in effect. However, OCP did not provide the OIG with documentation to support its response.

In the absence of this supporting documentation, on July 10, 2012, OIG auditors conducted a teleconference with OCP and OCTO officials to determine what corrective action OCP had taken to implement the recommendation. During the conference, OCP officials indicated that

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## FINDINGS AND RECOMMENDATIONS

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OIG auditors had not provided OCP with specific action items upon which OCP needed to act. At that time, we requested that OCP officials decline to exercise the remaining option year for the ITSA contract and manage the contract in-house. In a July 12, 2012, email, OCP provided us with OCP's position related to this matter. Specifically, OCP stated:

After the discussion with your staff and Director Mancini on Tuesday, July 10, 2012, I reviewed the impact of OIG's recommendation not to renew the ITSA contract for the final option year (Option Year 4). I convened a meeting with OST Inc. on Wednesday, where I expressed clearly the expectation for full cooperation with your Office. In consultation with Director Mancini, OCP concludes that an abrupt end of services through this contract would severely affect District government operations. ITSA services 24 agencies (including OCTO) and deploys 336 mission critical resources to positions that cannot be filled by District employees.

Taking into account all the information presented, OCP has decided that it is in the best interest of the District to exercise the final option year. In addition OCP has already begun the process of developing a new RFP for comparable services based on lessons learned from OIG's recent audits and our experiences with contract administration.

We disagree with OCP's decision to renew the final option year of the ITSA contract primarily because OCP has had more than adequate time to properly plan and replace the current ITSA contract used to procure the District's IT staff augmentation services, without adverse impact to District.

### SUMMARY

We conclude that retaining the capped hourly rates features of the current ITSA contract and managing the process in-house will save the District more than \$2 million per year.

### RECOMMENDATIONS

We recommend that the Director, OCP:

2. Determine in writing that use of a contract to procure District IT services is more economical than using OCP personnel, before issuing a new request for proposal.

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## FINDINGS AND RECOMMENDATIONS

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### OCP RESPONSE

OCP indicated that OCP and OCTO have already begun the process of developing a new RFP for comparable services based on lessons learned from the OIG's recent audits and OCP's experiences with contract administration.

### OIG COMMENT

The OIG consider OCP's comments to be nonresponsive to this recommendation. OCP did not provide the OIG with supporting documentation for its decision to develop a new RFP for using a contractor to procure IT staff augmentation services rather than use District employees.

Given the current economic climate, which has resulted in the District taking severe cost cutting measures, we believe it is incumbent upon District management to conduct a comprehensive cost-benefit analysis when procuring expensive IT services. Therefore, any process to develop a new RFP should first be preceded by a comprehensive cost-benefit analysis to support the conclusion to continue outsourcing the management of IT staff augmentation services.

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

<b>RECOMMENDATIONS</b>	<b>Description of Benefit</b>	<b>Amount and Type of Benefit</b>	<b>Status<sup>2</sup></b>
1	<b>Compliance, Economy, and Efficiency.</b> Requires OCP to decline to exercise the remaining option year with OST for contract no. DCTO-2008-C-0135.	Monetary \$2 million <sup>3</sup>	Open
2	<b>Compliance and Internal Controls.</b> Ensures OCP determines in writing that use of a contract to procure District IT services is more economical than using OCP personnel, before issuing a new request for proposal.	Monetary \$10.78 million <sup>4</sup>	Open

<sup>2</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.

<sup>3</sup> We found that OCP’s failure to take timely corrective actions regarding this contract caused the District to continue to incur unnecessary IT procurement costs of about \$2 million a year, as explained in the OIG’s audit report, *Audit of the Information Technology Staff Augmentation (ITSA) Contract* (OIG No. 10-1-19TO), issued August 3, 2011.

<sup>4</sup> We estimated that OCP’s decision to continue to manage the IT augmentation services under contract, instead of in-house, cost the District about \$10.78 million over a 5-year period.

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## EXHIBIT B. OCP'S RESPONSE TO THE MAR

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GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF CONTRACTING AND PROCUREMENT



**OFFICE OF THE DIRECTOR**

August 16, 2012

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

Dear Mr. Willoughby:

The Management Alert Report (MAR 12-A-01) dated August 2, 2012, has been reviewed by my Office. There are some clarifying points which have bearing on the recommendations and conclusions reached in this report.

At issue are certain representations which may lead a reader to conclude that;

- (1) OCP agreed with the conclusion in the August 3, 2011, ITSA audit report (OIG Nos. 10-19-19TO) suggesting that over the period of performance, the District could lose millions of dollars by awarding the ITSA contract to OST Inc.;
- (2) That OCP has generally not been timely or responsive to the concerns communicated by OIG audit officials; and
- (3) By exercising the final option year, OCP contradicted its position detailed in responses to past OIG recommendations, specifically, that my Office would determine in writing that the use of the contract for IT services is justified before exercising options.

**I. Points of Clarification**

a. Background (MAR 12-A-01; pg. 2)

“...In total, we calculated that the District may lose as much as \$10.78 million over the period of the 5-year contract term if the District continues using OST to manage the IT services procurement processes. **The Office of Contracting and Procurement (OCP) agreed with the audit conclusion.** However, as of the date

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## EXHIBIT B. OCP'S RESPONSE TO THE MAR

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of this report, OST remains under contract to OCP to manage IT services procurement processes.”

An excerpt from OCP's response to the applicable recommendation in the ITSA audit report (OIG Nos. 10-19-19TO) is detailed below:

**“1. Determine in writing that the use of a contract for IT services rather than the use of District employees is fully justified before exercising options to renew the contract for services as required by 27 DCMR 1902.6.”**

“... On another note OCP and its partner, OCTO, must comment on the position that the ITSA contract will cost District taxpayers in excess of seven million (\$7 million) over the life of the contract. An analysis of actual work completed under the ITSA contract shows that a great deal of additional work is being completed compared to tasks outlined in the Decision Paper... **For these reasons, the ITSA contract positively contributes to the operational stability and financial health of the District.**”

My Office did not agree with the conclusion that the District will lose money. To the contrary, OCP provided additional details in the full response to support the position that efficiency gains had in fact been realized.

b. Discussions with District Officials (MAR 12-A-01; pgs. 4-5)

### March 1, 2012 Meeting

Within days of this meeting, OCP's Office of Procurement Integrity and Compliance (OPIC) initiated a Contract Administration Audit to assess the state of monitoring and oversight provided by the Contracting Officer (OCP) and the Contract Administrator (OCTO). A number of issues were discovered and promptly addressed to strengthen controls. Also, during the course of this audit, payment issues of interest to our OCFO partners were identified by the Contract Administrator and communicated through the audit report to our financial process partners (Reference Attachment A1, A2, and A3).

To date, OCP has not been privy to customer agency complaints or internal audit deficiencies rising to the level of the issuance of a Cure Notice or some other penalty as a result of unsatisfactory performance. Please note that OCP's audit was deemed to be the most appropriate response to the concerns shared by OIG audit officials. At the March meeting, we were advised that the OIG was still working with its attorneys to enforce the subpoena. Accordingly, as this action was initiated by the OIG and was still in progress, my Office focused its efforts on contract administration matters.

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## EXHIBIT B. OCP'S RESPONSE TO THE MAR

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### July 3, 2012 Teleconference

At this meeting, my staff reiterated the actions taken by my Office since the March meeting, and also noted that specific action items had not been directed by OIG audit officials to OCP. An OIG official on the call concurred that in fact, specific actions had not been directed to OCP.

My Office submits that the necessary and appropriate actions for matters within our purview were promptly and thoroughly handled. Going forward, to facilitate greater cohesion, OCP-OPIC will keep OIG audit officials informed of the results of reviews initiated following meetings between OIG and OCP officials.

### OCP to determine in writing the justification for exercising option years on the ITSA contract

An excerpt from OCP's response to the applicable recommendation in the ITSA audit report (OIG Nos. 10-19-19TO) is detailed below:

**"1. Determine in writing that the use of a contract for IT services rather than the use of District employees is fully justified before exercising options to renew the contract for services as required by 27 DCMR 1902.6."**

"In principle, the Office of Contracting and Procurement (OCP) agrees with this recommendation. It is important to note, however, that before a contract is awarded, typically at the *requirements gathering* and *acquisition planning phases*, a Contracting Officer is required to exercise her/his professional judgment in making a determination as to the appropriateness of the procurement method. **While OCP recognizes that it is good practice to re-evaluate the needs of the business... we submit that a robust and forward looking assessment is required before any contract is awarded.** Further, OCP submits that the requirements under 27 DCMR 1902.6 do not apply because ITSA is not a personal services contract."

OCP agreed with this recommendation 'in principle' because it is good practice to make such determinations prior to award and conceivably before the exercise of option years. After all, the exercise of an option is by no means guaranteed and is subject to program considerations i.e. the availability of funds and other factors which are beyond the purview of my Office.

Although the requirement, 27 DCMR 1902.6, does not apply to the ITSA contract, my Office did determine in writing the justifications for making the award. Firstly, as previously mentioned, OCP-OPIC conducted a contract administration audit of the ITSA

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## EXHIBIT B. OCP'S RESPONSE TO THE MAR

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contract, published on May 10, 2012. As noted, deficiencies were promptly corrected during this audit.

Also, on May 30, 2012, my Office's General Counsel provided guidance on the feasibility of charging a 1% fee for the ITSA contract. Guidance was sought consistent with our position communicated via email on April 18, 2012, in which we agreed with the audit recommendation and indicated that the timeline required for its implementation was already in effect. The relevant excerpt is provided below (Also reference Attachment B):

"...This is in response to your request for information about charging a 1% fee for the ITSA contract. OCP can only charge fees to contractors when there is statutory authority for charging a fee. Under section 1103 of the PPRA, DC Official Code section 2-361.03, the CPO is only authorized to charge and collect a fee for orders placed under DCSS contracts or training conducted by the procurement training institute.

Under section 104(29) of the PPRA, DC Official Code section 2-351.04(29), "DCSS" means "the District of Columbia's multiple award schedule or other procurement program under which contracts may be awarded to certified business enterprises, as defined in sec. 2-218.02(1B), providing goods, services, or construction to District government agencies." Currently, OCP only considers the DCSS to be the multiple award program limited to CBEs. OCP has not identified any other procurement program as part of the DCSS.

The ITSA contract was not awarded as a DCSS contract. It was originally solicited in the open market. Even though a CBE contractor, OST, won the award, that does not make the contract a DCSS contract. Since the ITSA contract is not a DCSS contract, there is no statutory authority for charging a 1% fee..."

When viewed together, these actions, which occurred prior to the decision to exercise the option year, constitute timely and thoughtful considerations of risk and contractor performance.

### II. Additional Context

As previously communicated, on July 11, 2012, I convened a meeting with OST's management team. My Office was advised that attorneys from the OAG, OIG and OST would meet the following day, July 12, 2012, to resolve outstanding disputes pertaining to the subpoena.

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## EXHIBIT B. OCP'S RESPONSE TO THE MAR

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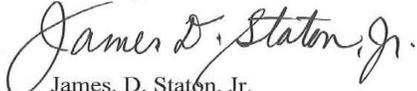
My Office was not aware of this meeting and was not briefed on the status before or after these deliberations. Again, while my Office is not positioned to address these legal matters, we have taken all necessary and appropriate steps to timely and thoroughly address concerns brought to our attention.

As communicated in my email dated July 12, 2012, OCP and OCTO have decided that it is in the best interest of the District to exercise the final option year as an abrupt end of services through this contract would severely affect District government operations.

OCP and OCTO have already begun the process of developing a new RFP for comparable services based on lessons learned from OIG's recent audits and our experiences with contract administration.

Let me know if I can be of further assistance. Also, you may contact [REDACTED] at [REDACTED]@dc.gov, with questions about this response.

Sincerely,



James D. Staton, Jr.  
Director and Chief Procurement Officer  
Office of Contracting and Procurement

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## EXHIBIT B. OCP'S RESPONSE TO THE MAR

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Attachment A1

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**OFFICE OF CONTRACTING AND PROCUREMENT (OCP)**  
**Office of Procurement Integrity and Compliance (OPIC)**

**TO:** James D. Staton,  
Chief Procurement Officer, District of Columbia Government and  
Director, Office of Contracting and Procurement (OCP)

**CC:** [REDACTED], Contracting Officer, (CO), OCP  
[REDACTED], Office of the Chief Technology Officer (OCTO)  
[REDACTED], Contract Administrator, (CA), OCTO

**ATTN:** [REDACTED], **Commodity Manager (OCP)**  
Anthony F. Pompa,  
Deputy Chief Financial Officer,  
Office of Financial Operations and Systems (OFOS),  
Office of the Chief Financial Officer (OCFO)  
[REDACTED],  
Executive Director,  
Office of Integrity and Oversight (OIO),  
Office of the Chief Financial Officer (OCFO)  
[REDACTED]  
Director, Policy and Procedures (OFOS-OCFO)  
[REDACTED]  
Deputy Director, Accounting Operations (OCFO)

**FROM:** [REDACTED],  
Procurement Integrity and Compliance Officer, District of Columbia Government  
Office of Procurement Integrity and Compliance (OPIC)

**DATE:** May 10, 2012

**SUBJECT:** Compliance Review of Contract Administration Activities for DCTO-2008-C-0135  
at the Office of the Chief Technology Officer

### Introduction and Background

In accordance with the Office of Procurement Integrity & Compliance's (OPIC) FY 2012 risk based audit plan and schedule of reviews, the office conducted a surprise compliance review of the Contract Administration activities for one of the contracts (DCTO-2008-C-0135) executed on behalf of the Office of the Chief Technology Officer (OCTO). This contract was entered into with Optimal Solutions & Technologies, Inc. (OST), to manage IT staff augmentation needs for the District by assembling a network of subcontracting vendors to perform technology services where full-time employees are not available to meet the needs of District agencies.

## EXHIBIT B. OCP'S RESPONSE TO THE MAR

### GOVERNMENT OF THE DISTRICT OF COLUMBIA OFFICE OF CONTRACTING AND PROCUREMENT (OCP) Office of Procurement Integrity and Compliance (OPIC)

The type of contract awarded is (a) an Indefinite Delivery Indefinite Quantity (IDIQ) contract with not-to-exceed rates, and (b) an economic price adjustment component for the not-to-exceed rates and (c) a fixed fee for hourly services based on the total number of hours billed. The most recent modification to this contract was made on December 16, 2011.

The initial Contract Administrator (CA) for Contract No. DCTO-2008-C-0135 was [REDACTED]; however, since January 9, 2009, [REDACTED] has assumed CA duties for this contract.

The contract effective date was August 19, 2008, with a base term of one year from date of award, with four one-year option periods. The maximum dollar amount of services for each contract year is up to \$75,000,000, and the minimum amount of services for each contract year is \$100,000. The contract is currently in Option-Year 3, with funding as follows:

Base Year-To-Date Contract Amount	Base Year	Option Year1	Option Year2	Option Year3	Option Year4
\$ 125,311,737	\$22,118,455	\$37,508,107	\$42,948,565	\$22,736,610	\$0

This post award review was performed as partial fulfillment of the revised Contract Administration compliance and training programs implemented in FY 2012.

#### Objectives, Scope & Methodology

The overall objective of this compliance review was to obtain an independent assessment of the agency's Contract Administration activities. Specifically, the review was performed to verify whether the District's designated Contract Administrator (CA) completed the required training; to determine whether the District's designated CA was properly carrying out her responsibilities as specified in the appointment letter; to evaluate the completeness of the Contract Administration files; and to identify potential areas for improvement in accordance with established District procurement laws and regulations.

We selected this contract for review, conducted a field visit and reviewed the contract administration files maintained at the agency.<sup>1</sup> We also interviewed the assigned CA to verify whether she had completed the required training.

OPIC conducted this compliance review in accordance with Generally Accepted Government Auditing Standards (GAGAS). These 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 to support the conclusions reached.

<sup>1</sup> This contract was selected for review as a follow-up to the District's Office of Inspector General second phase audit on the contract award and administration activities for DCTO-2008-C-0135. Testing was performed to evaluate the status of the agency's contract administration activities after the implementation of the revised Contract Administration Compliance Review Program.

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## EXHIBIT B. OCP'S RESPONSE TO THE MAR

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**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**OFFICE OF CONTRACTING AND PROCUREMENT (OCP)**  
**Office of Procurement Integrity and Compliance (OPIC)**

### Summary of Findings and Observations

1. The CA had not completed the required on-line training webinar. The CA stated that she was not informed about the requirements for the class; however, all agency directors were informed of the revised training policy through a memorandum dated November 15, 2011.
2. Presently, the CA is not submitting QCM letters. In compliance with OCP Contract Administration requirements, the CA is required to submit to the Contracting Officer (CO) a signed Quarterly Certification of Management (QCM) letter every 90 days (from the date of award) for the duration of the contract, attesting that all applicable contract monitoring and oversight responsibilities were followed in the preceding period.

The CA was also notified via e-mail on November 21, 2011, in addition to the global e-mail sent to all agency directors on November 15, 2011, requiring the submission of QCMs.

3. The CA has not provided evidence that the contractor's performance has been monitored and documented as required by Section C.3.4.1 through Section C.3.4.3., and Section C.3.4.5., which are Service Level Agreements (SLAs) of the contract. These SLAs of the contract establish 17 Service Level Metrics and 3 Critical Service Level Metrics. The success of the contractor is to be measured and documented in a monthly report to the District, for 16 of the 17 Service Level Metrics and in a quarterly report for 1 of the Service Level Metrics. The 3 Critical Service Level Metrics are to be measured and reported to the District monthly. Some of the monthly SLAs have not been documented and reported since June 2011.

Furthermore, Section C.3.4.4 and Section C.3.4.6., requires the application of a percentage reduction to the contractor's Hourly Service Fee for failure to meet the measurements of the above metrics. Failure of the CA to ensure delivery of the required monthly and quarterly performance measurement reports places the District at risk of continued deficient performance, and restricts the District from assessing applicable penalties, which in the long run will reduce costs to the District.

4. The Contracting Officer (CO) has not provided copies of all contract modifications and documentation supporting modifications to the CA as required under Chapter 4-Section 5 of OCP's Procurement Procedures Manual. Consequently, the CA is not in a position to effectively monitor the performance of the contract pursuant to the latest terms and conditions of the contract.

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## EXHIBIT B. OCP'S RESPONSE TO THE MAR

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### GOVERNMENT OF THE DISTRICT OF COLUMBIA OFFICE OF CONTRACTING AND PROCUREMENT (OCP) Office of Procurement Integrity and Compliance (OPIC)

5. The CA has not maintained within the contract file, documentation that reflects all contract payments (i.e. invoices, timesheets), as required in Section G.6.1.1 of the contract.
6. All the relevant documentation pertinent to the subject contract was not maintained in OCP's Official system of contract record, i.e. PASS. In addition, the CO did not maintain proper custody of and access to the hard copy contract file. As a result, OPIC was unable to locate the contract file during the contract administration review process.
7. The CA has not completed periodic evaluations through E-Val. E-Val is an OCP database used for performing electronic evaluations of contractor performance.

#### **Response to the Summary of Findings and Observations by the Contract Administrator (CA)**

██████████ (CA) provided a written response addressing the findings outlined above on April 26, 2012. The response is attached to this report (Reference Appendix A).

#### **Audit Closeout Meeting**

On Monday, April 30, 2012, OPIC met with the CA and ██████████ (CO) to discuss preliminary findings relative to Contract No. DCTO-2008-C-0135. During this discussion, OPIC further elaborated on the preliminary findings and observations and provided an opportunity for the CA to provide any additional information to support the assertions in the written response. The CA presented information which resulted in the following amendments to the preliminary findings and observations in this compliance review:

1. Finding #1 – Upon completion of our compliance review and submission of our draft report, the CA completed the on-line training webinar on April 26, 2012.
2. Finding #2 – OPIC clarified the difference between the QCM and E-Val. Consequently, the CA agreed to complete and submit the QCM letters every ninety (90) days as specified in the CPO's memorandum dated November 15, 2011.
3. Finding #3 – The CA provided the required evidence (proof) that the contract had been properly monitored for compliance with contract terms relative to the SLAs. To this end, all the remaining SLAs were presented and clarified by the CA. In addition, following our meeting, the CA has re-organized the contract administration files in accordance with the 14 SLAs and the 3 Critical SLAs. Going forward, this will improve the review and verification of contractor compliance with contract terms and conditions.

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## EXHIBIT B. OCP'S RESPONSE TO THE MAR

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**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**OFFICE OF CONTRACTING AND PROCUREMENT (OCP)**  
**Office of Procurement Integrity and Compliance (OPIC)**

4. Finding #4 – This finding was revised and the issue has been incorporated into Finding #6. To date, this issue remains unresolved.
5. Finding #5 – This finding has been resolved based upon supplemental information provided by the CA during the April 30, 2012 meeting.
6. Finding #6 – This finding remains unchanged and is outstanding.
7. Finding #7 – The CA stated that no system notification requiring automated evaluations was received since the first two at the start of the contract; however, there was no documentation evidencing the completion of the required evaluations for the two previously received notifications. The CA agreed to complete the delinquent E-Vals as soon as possible. As agreed, OPIC has notified OCP-IT of the required action in PASS to ensure that CAs receive timely notifications to complete evaluations in accordance with contract administration guidelines.

### **OPIC's Recommendations**

1. The CA should immediately comply with the CPO's memorandum dated November 15, 2011 to all agency directors requiring the signing and submission of the QCM Letter to the CO.
2. The CO should always ensure that all pertinent documentation supporting contract actions are uploaded to OCP's official system of record consistent with the CPO's memorandum dated November 8, 2011. Furthermore, to ensure that contract files are accessible to all authorized individuals in a timely manner, the CO should collaborate with the OCP's Records Management Department and adhere to the department's most recent procedures communicated via global e-mail on April 4, 2012.
3. In compliance with OCP's memorandum dated December 21, 2011, and the CA Appointment Letter, the CA should timely complete all evaluations within the E-Val system. The database maintains the contractor's performance evaluations and provides historical information to be used in the decision process to award new District contracts or to exercise options on existing contracts.

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## EXHIBIT B. OCP'S RESPONSE TO THE MAR

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**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**OFFICE OF CONTRACTING AND PROCUREMENT (OCP)**  
**Office of Procurement Integrity and Compliance (OPIC)**

**Other Matters of Significant Interest:**  
**Irregular Purchase Order/Invoice Payments**

During this compliance review, the CA informed OPIC of irregular payments made in connection with a purchase order (PO378415) authorized for the period of October 1, 2011 through September 30, 2012. As reported by the CA, the prime contractor, OST Inc., submitted invoices for services rendered to the Department of Employment Services (DOES) and received payments in excess of the funds authorized for payment against the referenced purchase order. This irregularity has payment implications as this pertains to timely reconciliation and disbursement of funds by the prime contractor. OPIC has determined that this payment irregularity is outside its scope.

Accordingly, and consistent with the CFO's Quick Payment memo dated August 5, 2011, calling for *'...partnership between District agencies and the OCFO... for continuous awareness of requirements and potential noncompliance issues as they arise...'* we are referring this matter to the appropriate District agency, i.e., the Office of the Chief Financial Officer's Office of Integrity and Oversight (OIO) and the Office of Financial Operations and Systems (OFOS) for further review.

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**EXHIBIT B. OCP'S RESPONSE TO THE MAR**

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**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF CONTRACTING AND PROCUREMENT (OCP)  
Office of Procurement Integrity and Compliance (OPIC)**

**APPENDIX A**

**RESPONSE**

**[REDACTED], CA, OCTO**

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## EXHIBIT B. OCP'S RESPONSE TO THE MAR

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Attachment AZ

April 26, 2012

Response to OPIC's Draft Findings for DCTO-2008-C-0135 dated April 24, 2012

I have been the CA of for the ITSA Contract as of January 9, 2009. All referrals below to CA are my responsibility.

1. As of April 26, 2012 I have viewed the CA online webinar. I registered at the beginning of the viewing and was unable to take a screen shot before the video started over again. This item should be removed.
2. I am awaiting access to the QCM system – I received two e-Vals at the beginning of the contract and they stopped after the second one. This would also apply to issue 7. I have requested access to this system and as soon as access is granted I will be submitting the one delinquent e-val and will comply with the 90 day policy going forward. I request this finding be removed.
3. I am disputing that not all SLAs were identified by the OPIC auditor. I am providing a screenshot of the SLA thumb drive which clearly shows that all SLAs have been collected. There were no metrics that would indicate a reduction in payment to the Prime Contractor. The SLA's are not in date sequence so they may have been overlooked by auditor. I have put them in chronological order for easy viewing if you would like to look at my files again. I am requesting this be removed from the findings. Screen shot on 2<sup>nd</sup> page. This item should be removed.
4. CO Issue
5. I do not recall being asked for the invoices or timesheets for this contract. I do have all invoices on my laptop and I am providing a screen shot of these files to this document. (See screenshot page 3) As stated in the contract, all timesheets are entered and approved electronically therefore there is NO paper file or timesheet file collected. All timesheets reside in PASS. Payments are done through ITSA similar to the Verizon contract where all documentation is kept electronically. Invoices are verified and submitted to AP for three-way match for payment. This item should be removed.
6. CO Issue
7. This issue was addressed in Item 2. Please remove.

## EXHIBIT B. OCP'S RESPONSE TO THE MAR

ITSA SLA 2009	Today, 4:31 PM	--	Folder
Aug 2009 SLAs	Aug 11, 2011 2:39 PM	--	Folder
Dec 2009 SLAs	Aug 11, 2011 3:17 PM	--	Folder
July 2009 SLAs	Aug 11, 2011 2:58 PM	--	Folder
June 2009 SLAs	Aug 11, 2011 3:01 PM	--	Folder
Nov 2009 SLAs	Aug 11, 2011 3:05 PM	--	Folder
Oct 2009 SLAs	Aug 11, 2011 3:09 PM	--	Folder
Sep 2009 SLAs	Aug 11, 2011 3:12 PM	--	Folder
ITSA SLA 2010	Today, 4:31 PM	--	Folder
August 2010 SLAs	Aug 11, 2011 3:16 PM	--	Folder
December 2010 SLAs	Aug 11, 2011 3:19 PM	--	Folder
Feb-2010 SLAs	Aug 11, 2011 3:20 PM	--	Folder
ITSA_SLA_April_2010	Aug 11, 2011 3:22 PM	--	Folder
Jan-2010-SLAs	Aug 11, 2011 2:56 PM	--	Folder
July 2010 SLAs	Aug 11, 2011 3:00 PM	--	Folder
June 2010 SLAs	Aug 11, 2011 3:03 PM	--	Folder
March 2010 SLAs	Aug 11, 2011 3:04 PM	--	Folder
May 2010 SLAs	Aug 11, 2011 3:04 PM	--	Folder
November 2010 SLA	Aug 11, 2011 3:07 PM	--	Folder
October 2010 SLAs	Mar 12, 2012 5:10 PM	--	Folder
September 2010 SLAs	Aug 11, 2011 3:14 PM	--	Folder

ITSA SLA 2011	Today, 4:31 PM
ITSA SLA December 2011	Jan 25, 2012 12:45 PM
ITSA SLA November 2011	Jan 10, 2012 3:56 PM
ITSA SLA October 2011	Nov 15, 2011 1:02 PM
ITSA SLA September 2011	Today, 4:41 PM
ITSA_SLA_April_2011	Aug 11, 2011 3:23 PM
ITSA_SLA_August_2011	Yesterday, 2:34 PM
ITSA_SLA_February_2011	Aug 11, 2011 2:42 PM
ITSA_SLA_January_2011	Aug 11, 2011 2:44 PM
ITSA_SLA_July_2011	Today, 4:32 PM
ITSA_SLA_June_2011	Aug 11, 2011 2:45 PM
ITSA_SLA_March_2011	Aug 11, 2011 2:50 PM
ITSA_SLA_May_2011	Aug 11, 2011 2:51 PM
ITSA SLA 2012	Today, 4:31 PM
ITSA SLA February 2012	Mar 8, 2012 1:59 PM
ITSA SLA January 2012	Mar 8, 2012 1:59 PM

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## EXHIBIT B. OCP'S RESPONSE TO THE MAR

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Invoice file from my laptop

-  FY09 ITSA Invoice Details 2008-11-09 to 2009-09-30
-  FY09 ITSA Invoice Details 2008-11-09 to 2009-09-30 2
-  FY09 ITSA Invoice Details 2008-11-09 to 2009-09-30.zip
-  FY10 ITSA Invoice Details 2009-10-01 to 2010-09-30.zip
-  FY11 ITSA Invoice Details 2010-10-01 to 2011-08-06
-  FY11 ITSA Invoice Details 2010-10-01 to 2011-08-06 2
-  FY11 ITSA Invoice Details 2010-10-01 to 2011-08-06 3
-  FY11 ITSA Invoice Details 2010-10-01 to 2011-09-30.zip
-  FY12 ITSA Invoice Details 2011-10-01 to 2012-04-14

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## EXHIBIT B. OCP'S RESPONSE TO THE MAR

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Attachment A3

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

★ ★ ★

**Natwar M. Gandhi**  
Chief Financial Officer

**MEMORANDUM**

**TO: Agency Directors  
Associate Chief Financial Officers  
Agency Fiscal Officers  
Agency Controllers  
Agency Financial Managers**

**FROM: Natwar M. Gandhi**  
Chief Financial Officer

**Allen Y. Lew**  
City Administrator

**DATE: August 5, 2011**

**SUBJECT: Quick Payment Act**

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Consistent with the District of Columbia Government Quick Payment Act of 1984, D.C. Law 5-164, effective March 15, 1985 (the Act), unless a contract specifies the date on which a payment is due, payments for all goods and/or services must be made by "the thirtieth (30<sup>th</sup>) day after the receipt of a proper invoice by the designated payment officer".

During the course of the audit of the District's FY 2010 Comprehensive Annual Report (CAFR), the independent auditors identified instances in which the District did not comply with the provisions of the Act. In the Yellow Book report issued after the conclusion of the FY 2010 CAFR audit, the independent auditors included a finding that "seventy (70) of 683 non-DCPS payments selected for testing were not paid timely in accordance with the Quick Payment Act".

We have determined that some of the most prevalent causes for late vendor payments include the following:

- Vendor names and addresses on invoices differ from the names and addresses on corresponding purchase orders.
- Purchase orders are not modified prior to the receipt of goods and/or services.

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1350 Pennsylvania Avenue, N.W., Suite 203, Washington, DC 20004 (202) 727-2476  
www.cfo.dc.gov

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## EXHIBIT B. OCP'S RESPONSE TO THE MAR

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Quick Payment Act  
Page 2  
August 5, 2011

- Vendor invoices are not centrally received in the OCFO payment office.
- Incorrect or *defective* invoices are not promptly returned to the vendor.
- District certifying and/or approving personnel lack knowledge about the requirements of the Act.
- The receipt of goods and/or services is not promptly recorded in the Procurement Automated Support System (PASS).
- Certifying and/or approving Agency FTE vacancies create a void in the PASS processes – PASS purchase order modifications, PASS approvals and PASS receiving.

The purpose of this memorandum is to obtain your support in addressing the Yellow Book finding reported by the independent auditors. A partnership between District agencies and the OCFO will provide for continuous awareness of requirements and potential noncompliance issues as they arise, thereby preventing future payment processing delays. We ask that you and your staff adhere to the District's procurement, receiving and payment processing procedures and be mindful of the specific causes of payment delays as mentioned above, so that we (agency personnel and OCFO staff) may work collaboratively to eliminate this "Yellow Book" finding.

If you have any questions or need additional information please contact [REDACTED] via email at [REDACTED]@dc.gov or by telephone at 442-[REDACTED].

Thank you in advance for your assistance and support in this important matter.

cc: [REDACTED], OCFO Chief of Staff  
Anthony F. Pompa, Deputy CFO,  
Financial Operations and Systems

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## EXHIBIT B. OCP'S RESPONSE TO THE MAR

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Attachment B

██████████ (OCP)

**Subject:** FW: ITSA and 1% fee

**From:** ██████████ (OCP)

**Sent:** Thursday, May 31, 2012 7:12 PM

**To:** Staton, James (OCP)

**Subject:** ITSA and 1% fee

James,

This is in response to your request for information about charging a 1% fee for the ITSA contract. OCP can only charge fees to contractors when there is statutory authority for charging a fee. Under section 1103 of the PPRA, DC Official Code section 2-361.03, the CPO is only authorized to charge and collect a fee for orders placed under DCSS contracts or training conducted by the procurement training institute.

Under section 104(29) of the PPRA, DC Official Code section 2-351.04(29), "DCSS" means "the District of Columbia's multiple award schedule or other procurement program under which contracts may be awarded to certified business enterprises, as defined in sec. 2-218.02(1B), providing goods, services, or construction to District government agencies." Currently, OCP only considers the DCSS to be the multiple award program limited to CBEs. OCP has not identified any other procurement program as part of the DCSS.

The ITSA contract was not awarded as a DCSS contract. It was originally solicited in the open market. Even though a CBE contractor, OST, won the award, that does not make the contract a DCSS contract. Since the ITSA contract is not a DCSS contract, there is no statutory authority for charging a 1% fee.

Please let me know if you need anything else.

██████████  
*General Counsel for the  
Office of Contracting and Procurement  
Suite 700 S  
441 4th Street, NW  
Washington, DC 20001  
202-724-██████████ (Tel)  
202-727-3229 (Fax)*

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