

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

**AUDIT OF SELECTED CONTRACTORS
AT THE
UNIVERSITY OF THE
DISTRICT OF COLUMBIA**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



March 12, 2010

Joseph L. Askew, Jr.
Chairperson
Board of Trustees
University of the District of Columbia
Building 39, Suite 301-S
4200 Connecticut Avenue, N.W.
Washington, D.C. 20008

Allen L. Sessoms, Ph.D.
President
University of the District of Columbia
Building 39, Suite 301-A
4200 Connecticut Avenue, N.W.
Washington, D.C. 20008

Dear Mr. Askew and Dr. Sessoms:

Enclosed is the final report summarizing the results of the Office of the Inspector General's (OIG) Audit of Selected Contractors at the University of the District of Columbia (OIG No. 09-2-01GG). The audit was requested by the former Senior Vice President of Management and Chief of Staff of the University of the District of Columbia (UDC) and Chief Procurement Officer of the District of Columbia.

As a result of our audit, we directed one recommendation to the Chairperson of the UDC Board of Trustees and three recommendations to the President of UDC that we believe necessary to correct reported deficiencies. The recommendations focus on informing the Board of Trustees of its duties with regard to procurement as defined in 8 DCMR Chapters 30 – 35; issuing a memorandum to UDC employees to emphasize District procurement regulations regarding contracting authority in accordance with 27 DCMR § 1200.1; taking appropriate disciplinary action against UDC employees who made and any who subsequently make unauthorized procurements in accordance with D.C. Code § 2-301.05(d)(2); authorizing payment for 10 vendor claims valued at \$18,848 for goods delivered; and disallowing 36 vendor claims valued at \$54,877 for goods unless the vendor could provide proof of delivery.

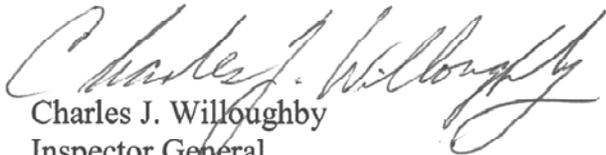
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The President of UDC provided a written response, dated January 12, 2010, to the draft of this report. We reviewed UDC's response and consider actions taken and planned to meet the intent of the recommendations. The full text of UDC's response is included at Exhibit D.

Additionally, a courtesy copy of the draft report was provided to DC Sports, as this non-governmental entity was discussed in the report. Although we did not direct recommendations to DC Sports, we received a written response dated January 21, 2010. The full text of DC Sports response is included at Exhibit E.

We appreciate the cooperation and courtesies extended to our staff by UDC personnel. If you have any questions, please contact me or Victoria Lucchesi, Acting Assistant Inspector General for Audit at 202-727-2540.

Sincerely,


Charles J. Willoughby
Inspector General

Enclosure

CJW/ws

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**AUDIT OF SELECTED CONTRACTORS AT THE
UNIVERSITY OF THE DISTRICT OF COLUMBIA**

ACRONYMS

CPO	Chief Procurement Officer
DCMR	District of Columbia Municipal Regulations
OIG	Office of the Inspector General
OCP	Office of Contracting and Procurement
PASS	Procurement Automated Support System
UDC	University of the District of Columbia

**AUDIT OF SELECTED CONTRACTORS AT THE
UNIVERSITY OF THE DISTRICT OF COLUMBIA**

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EXECUTIVE DIGEST

OVERVIEW

The Office of the Inspector General (OIG) has completed an Audit of Selected Contractors at the University of the District of Columbia (OIG 09-2-01GG). The audit was requested by the former Senior Vice President of Management and Chief of Staff of the University of the District of Columbia (UDC) and the Chief Procurement Officer of the District of Columbia (CPO). Our audit focused on determining the validity of 46 claims valued at \$73,725, which a vendor submitted for payment for potentially unauthorized procurements made by UDC.

UDC is a comprehensive public institution offering quality, affordable post-secondary education to District of Columbia residents at the certificate, associates, baccalaureate, and graduate levels. These programs will prepare students for immediate entry into the workforce, specialized employment opportunities, lifelong learning, and for the next level of education.

CONCLUSIONS

The UDC Board of Trustees (Board) and UDC employees may have made as many as 114 unauthorized procurements valued at \$958,291 between 2002 and 2007 by entering into oral agreements with various vendors for goods and services. Of 46 unauthorized procurements, which represented 46 claims valued at \$73,725, we only verified the delivery of goods for 10 claims valued at \$18,848. The unauthorized procurements occurred because the Board and UDC employees disregarded or were unaware of the procurement requirements contained in regulations. In addition, UDC senior management failed to take disciplinary action against employees in accordance with D.C. Code § 2-301.05(d)(2), which contributed to the unauthorized procurements. As a result, UDC cannot be assured of receiving best value for its expenditure of District funds or that all the goods and services were received.

Also, the Board and UDC employees' use of unauthorized procurements caused the vendor to experience payment delays for more than 4 years, and created the appearance that the District was unwilling to pay for goods and services that may have been provided in good faith. Finally, the District policy change from ratification to litigation as a means of rectifying unauthorized procurements will increase the cost for both the vendor and the District in terms of legal fees, interest, and additional administrative costs.

EXECUTIVE DIGEST

SUMMARY OF RECOMMENDATIONS

We directed one recommendation to the Chairperson, Board of Trustees, UDC and three recommendations to the President of UDC that center on:

1. Informing the Board of Trustees of its duties with regard to procurement as defined in 8 DCMR Chapters 30 – 35.
2. Issuing a memorandum to UDC employees to emphasize District procurement regulations regarding contracting authority in accordance with 27 DCMR § 1200.1.
3. Taking appropriate disciplinary action against UDC employees who made and any who subsequently make unauthorized procurements in accordance with D.C. Code § 2-301.05(d)(2).
4. Authorizing payment for 10 vendor claims valued at \$18,848 for goods delivered, and disallowing 36 vendor claims valued at \$54,877 for goods unless the vendor can provide valid proof of delivery.

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

MANAGEMENT RESPONSE AND OIG COMMENTS

The President of UDC provided a written response, dated January 12, 2010, to the draft of this report. We reviewed UDC's response and consider actions taken and planned to meet the intent of the recommendations. The full text of UDC's response is included at Exhibit D.

INTRODUCTION

BACKGROUND

The Office of the Inspector General (OIG) has completed an Audit of Selected Contractors at the University of the District of Columbia. The audit was requested by the former UDC Senior Vice President of Management and Chief of Staff of the University of the District of Columbia (UDC) and Chief Procurement Officer of the District of Columbia (CPO). Our specific audit objective was to determine the validity of 46 claims valued at \$73,725 submitted for payment for unauthorized procurements made by UDC.

A vendor submitted 45 claims valued at \$61,978 to UDC for payment for unauthorized procurements of sporting goods delivered to UDC during fiscal years 2006 and 2007 (details concerning these invoices are shown at Exhibit B). One additional claim valued at \$11,747 (Invoice Number 84269) was subsequently submitted, bringing the total number of claims to 46 valued at \$73,725. The former UDC Senior Vice President of Management and Chief of Staff of UDC and the CPO requested the OIG to review these claims.

UDC is the only public institution of higher education in the District of Columbia. Chartered in 1974 and formed from three other institutions of higher learning, this historically black college/university maintains an open admissions policy, and is the only urban land-grant institution in the nation.

The Division of Student Affairs had administrative and organizational responsibilities over the Athletics Division for the acquisition of goods and services. The procurement process required the Athletic Director to identify the needs of the Athletics Department and submit procurement requests through the Division of Student Affairs for budget review. The request would then be submitted to the Office of Contracting and Procurement to complete the purchase.

UDC Office of Contracting and Procurement. The UDC Office of Contracting and Procurement is organized in a manner to better serve the University community. UDC's Acting Director of Contracting and Procurement reports to the Assistant Director of Procurements at the D.C. Office of Contracting and Procurement (OCP) organizationally.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our original audit objectives were to review UDC's procurement practices and determine whether: (1) UDC's activities complied with requirements of applicable laws, rules and regulations, and policies and procedures; (2) procurements were awarded and administered in an efficient, effective, and economical manner; and (3) internal controls were in place to safeguard against fraud, waste, and abuse.

INTRODUCTION

Based upon the request by the former UDC official and CPO, we refined our audit objectives to determine the validity of the 46 claims submitted for payment for unauthorized procurements valued at \$73,725. We requested that OCP provide a list of unauthorized procurements made by UDC from 2002 to 2007. Based upon this list, we expanded our review to include all UDC unauthorized procurements with a value of at least \$10,000.

To accomplish our objectives, we obtained an understanding of OCP's and UDC's procurement process by reviewing procurement documents, documented policies and procedures, as well as holding discussions with responsible staff at OCP and UDC. We conducted interviews with four current members and one former member of the UDC Board of Trustees. We also reviewed invoices, purchase orders, and the OCP Ratification Listing. In order to obtain certain delivery records, we issued a subpoena to a vendor who delivered goods to UDC.

We relied on computer-processed data from OCP to identify the universe of procurements and reviewed UDC's internal accounting system that tracks purchase orders. Although we did not test the reliance of OCP's and UDC's information systems, we noted that documents obtained from contract files agreed with the information obtained from those systems.

We conducted 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 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.

FINDING AND RECOMMENDATIONS

FINDING: UNAUTHORIZED PROCUREMENTS

SYNOPSIS

The UDC Board of Trustees (Board) and employees did not always comply with procurement regulations generally contained in 8 DCMR Chapters 30 – 35 and 8 DCMR § 3103. Specifically, the Board and UDC employees may have made as many as 114 unauthorized procurements valued at \$958,291 between 2002 and 2007 by entering into oral agreements with various vendors for goods and services. Of the 46 claims submitted for payment, which represented 46 potentially unauthorized procurements, we were able to verify only 10. The unauthorized procurements occurred because the Board and UDC employees disregarded or were unaware of the procurement requirements contained in the regulations. In addition, UDC senior management failed to take disciplinary action against employees in accordance with D.C. Code § 2-301.05(d)(2), which contributed to the unauthorized procurements.

As a result, UDC cannot be assured of receiving best value for expenditure of District funds or that all the goods and services were received. Also, the Board and UDC employees' use of unauthorized procurements caused the vendor to experience payment delays for more than 4 years, and created the appearance that the District was unwilling to pay for goods and services that may have been provided in good faith. Finally, the District policy change from ratification to litigation as a means of rectifying unauthorized procurements will increase the cost for both the vendor and the District in terms of legal fees, interest, and additional administrative costs.

DISCUSSION

D.C. Code § 38-1202.01 states that UDC's contracting for the purchase or disposal of goods and services shall be carried out by the OCP on behalf of the Board. In accordance with 8 DCMR § 3000.1, UDC's procurement regulations adopt and incorporate by reference the D.C. Procurement Regulations set forth in Title 27 of the DCMR. Title 27 DCMR § 1200.1 states that only a contracting officer is authorized to enter into and sign a contract on behalf of the District.

The D.C. Code requires vendors to execute a written contract (e.g., purchase order, letter contract, blanket purchase agreement, etc.) prior to providing goods or services. Entering into oral contracts or contracting without appropriate authorization is prohibited by D.C. Code § 2-301.05(d)(1), which states that no District employee shall authorize payment for the value of supplies and services received without a valid written contract. This subsection does not apply to a payment required by court order, a final decision of the Contract Appeals Board, or an approval by the Chief Procurement Officer as set forth in D.C. Code §§ 2-301.05 (d)(4)-(5).

FINDING AND RECOMMENDATIONS

D.C. Code § 2-301.5(5)(d)(2) states that after April 12, 1997, no District employee shall enter into an oral agreement with a vendor to provide goods or services to the District government without a valid written contract.

Any violation of D.C. Code § 2-302(d)(2) shall be cause for termination of employment of the District employee. If the oral agreement was entered into by a District employee at the direction of a supervisor, the supervisor shall be terminated. The Mayor is required to submit a report to the Council at least four times a year on the number of persons cited or terminated under this D.C. Code provision.

Ratification of Unauthorized Procurements. The ratification process is a mechanism used to validate unauthorized procurements and to provide payment to vendors for goods and services received by the District without the issuance of a contract or purchase order. Approval for payment requires that a request be initiated by an agency, reviewed and approved by the Chief Procurement Officer (CPO) and if the dollar amount exceeds \$100,000, D.C. Council approval is required by act transmitted by the Mayor.

The CPO prepares a determination and findings certifying that: (1) the information in the ratification request is accurate and complete, (2) the price is fair and reasonable, and (3) if approved, payment should be made. A transmittal letter is prepared with the Mayor's signature and submitted to the D.C. Council for its review and approval. The CPO will notify the agency regarding the D.C. Council's decision.

Review of Unauthorized Procurements. The Board and UDC employees reportedly made 114 unauthorized procurements valued at \$958,291 between 2002 through 2007. Of the 114 reported unauthorized procurements, 37 procurements totaling \$396,228 were ratified, while 77 valued at \$562,063 were not. Of the 77 not ratified, the CPO requested that the OIG review 46 unauthorized procurements (claims) valued at \$73,725, due to concerns about the validity of the contractor's claims. We also reviewed 8 additional unauthorized procurements totaling \$804,956. Accordingly, we reviewed 54 of the 114 unauthorized procurements valued at \$878,681, which represents 92 per cent of the total unauthorized procurements reported on the ratification list.

We reviewed the 46 claims to determine if UDC received the goods and services. The claims were for 46 individual verbal orders made over a 24-month period to a vendor located in the state of New York for sporting goods (see Exhibit B). We attempted to support the claims by verifying delivery of goods for the orders through UDC records of delivery; however, UDC had no records to indicate that the goods were received. We also contacted the vendor to request proof that the merchandise was shipped to UDC. The vendor provided 14 tracking numbers to support the 46 claims. Based on the review of the 14 tracking numbers, we could only get proof of delivery for 10 claims valued at \$18,848. Details are shown at Table 1 which follows.

FINDING AND RECOMMENDATIONS

Table 1. Verified Delivery of Goods and Services to UDC			
Claim Number	Invoice Number	Delivery Date	Amount
1	73139	19 Sep 2005	\$ 1,527
2	75153	08 Nov 2005	373
3	77339	27 Dec 2005	78
4	82664	25 Jul 2006	5,135
5	83298	21 Aug 2006	4,826
6	88382	03 Jan 2007	77
7	88383	11 Dec 2006	1,036
8	88385	12 Oct 2006	4,720
9	84172	20 Sep 2006	427
10	84282	16 Oct 2006	649
	TOTAL		\$ 18,848

Of the 46 claims submitted by the vendor for the unauthorized procurements, we conclude that UDC should authorize payment for 10 claims valued at \$18,848. UDC should also disallow the remaining 36 claims valued at \$54,877, unless the vendor can provide valid proof of delivery.

The 10 claims above showed delays in payments and created the appearance that the District would not pay for goods and services that were provided in good faith. Additionally, the District policy to obtain payment for unauthorized procurements has changed from ratification to litigation.¹ The legal process will increase the cost of the unauthorized procurements for both the District and the vendor in terms of attorneys' fees and other administrative costs to prepare and review the validity of the claims.

Action Taken to Prevent Unauthorized Procurements. Our review showed that UDC officials did not always take action to prevent or deter occurrences of unauthorized procurements. Senior management also did not take disciplinary action in accordance with D.C. Code § 2-301.05(d)(2), and did not re-emphasize policies on contracting authority to the Board and UDC employees.

¹ The CPO issued OCP Policy No. 2000-01 (eff. Mar. 10, 2009), which states that the District will not pay for supplies or services provided without a valid written contract, and prohibits the use of ratifications to approve unauthorized commitments.

FINDING AND RECOMMENDATIONS

We interviewed UDC contracting officials to determine what actions were taken to prevent employees from violating established procurement regulations. Based on these discussions, we determined that UDC officials did not issue any policy memorandums to re-emphasize procurement policy and procedures, and were in the process of updating a Standard Operating Procedures manual.

We obtained a ratification list² from OCP to determine whether UDC had taken any disciplinary action for unauthorized procurements made by UDC employees. The list covered a 5-year period (2002 – 2007) and showed disciplinary action was taken against employees in 19 instances, which represents 17 percent of the 114 reported unauthorized procurements. The 19 disciplinary actions involved 10 employees. However, the ratification listing did not identify the employee who made the unauthorized procurement nor did it provide supporting documentation confirming that disciplinary action had been taken. Therefore, we reviewed their personnel files and confirmed that disciplinary action was not taken.

Our review of the 46 unauthorized procurements showed that 8 employees of UDC's Athletic Department initiated the procurements. We identified, by name, the eight employees from our review of claims submitted by the vendor. Four of the eight employees we interviewed stated that disciplinary action was not taken against them, which we confirmed by reviewing their personnel files. A review of the personnel files for the remaining four employees who no longer work at UDC determined that disciplinary actions were also not taken against them. Additionally, two senior officials were not disciplined relative to the unauthorized procurements. In all cases, we found that no disciplinary action was taken against any employee.

Further, we reviewed eight additional unauthorized procurements totaling \$804,956 to determine whether any disciplinary action was taken against the employees who initiated those procurements. We found that the UDC Board made four of the eight unauthorized procurements between September 2003 and November 2007 for legal services from outside firms. The ratification listing identified the general counsel as the agency representative. However, UDC Board members stated that they were unaware of how the services of the law firms were obtained. Details are shown at Table 2 which follows.

² The ratification listing was maintained by OCP and represented all unauthorized procurements within the District.

FINDING AND RECOMMENDATIONS

Table 2. Additional Unauthorized Procurements			
Type of Services	UDC Department	Amount	Ratified
Rental Services	Athletics	\$ 298,825	No
Sports Services	Athletics	36,000	Yes
Books	Athletics	23,568	No
Legal	Board of Trustees/ General Counsel	206,579	Yes
		75,204	Yes
		47,934	No
		22,470	Yes
Printing	Administration	94,376	No
TOTAL		\$ 804,956	

We conclude that the Chairman of the Board should inform members of the Board of their duties with regard to procurement as defined in 8 DCMR Chapters 30 – 35.

Assurance of Best Value. Our review of the unauthorized procurements in the Department of Athletics also showed that UDC may not be assured of receiving best value for expenditure of District funds or that the goods and services were received. To the greatest extent practicable, procurements made by UDC’s Office of Contracting and Procurement for general department purchases should maximize competition and strive to obtain the best value for the expenditure of District funds. There was no indication that an attempt was made to obtain three bids, which is required when the purchase amount is in excess of \$10,000. For example, on or about October 5, 2006, the Assistant Athletic Director initiated a purchase of men’s basketball gear on a rush order basis, without competition, in the amount of \$19,924. In another example, a vendor submitted a previously omitted claim in the amount of \$11,747, which also did not show evidence of competition.

When sole sourcing occurs, local businesses are not afforded the opportunity to compete for business with the District government. For example, the New York vendor was not the only available source capable of providing the goods to UDC. The District has several Certified Business Enterprise vendors capable of supplying goods and services to the UDC Athletics Department. These vendors include the following companies:

1. Modells, 1518 Benning Road, NE, Washington, DC 20002;
2. Capitol Hill Sporting Goods and Apparel, 727 8th Street, South, SE, Washington, 20003; and

FINDING AND RECOMMENDATIONS

3. G-Land Uniforms, Inc., 1516 Wisconsin Avenue, NW, Washington, DC 20007.

CONCLUSION

UDC's execution of unauthorized procurements caused the vendor to experience payment delays and increased cost. Specifically, for more than 4 years, the vendor was not paid for goods and services that were provided to UDC. Also, the District has changed its policy for resolving unauthorized procurements from ratification to litigation against the District. This policy change brings added costs associated with lawsuits. Without an effort to re-emphasize the regulations on contracting authority or action to hold UDC employees accountable through appropriate disciplinary procedures, there is no deterrent to prevent UDC employees from executing unauthorized procurements in the future.

RECOMMENDATIONS, MANagements RESPONSES, AND OIG COMMENTS

We recommend that the Chairperson, UDC Board of Trustees:

1. Inform the Board of Trustees of its duties with regard to procurement as defined in 8 DCMR Chapters 30 – 35.

UDC RESPONSE (Recommendation #1)

The UDC Board of Trustees Chairman plans to inform the Board of Trustees of its duties with regard to procurement as defined in 8 DCMR Chapter 30 – 35 by March 1, 2010.

OIG COMMENTS

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

We recommend that the President, UDC:

2. Issue a memorandum to UDC employees to emphasize District procurement regulations regarding contracting authority in accordance with 27 DCMR § 1200.1.

UDC RESPONSE (Recommendation #2)

The President issued a memorandum to all employees, as well as existing and potential contractors, to emphasize UDC's procurement regulations and policies and added the following notice:

Notice: UDC and [t]he District government require all vendors to have an approved procurement instrument (i.e., purchase order, term contract, blanket

FINDING AND RECOMMENDATIONS

purchase agreement or the like) in place prior to providing goods or services. Entering into contracts orally or without appropriate authorization is prohibited. Any vendor who delivers goods or services to UDC or the District without a proper contract does so at their own risk. UDC and [t]he District do not pay for goods or services provided without the existence of a properly executed procurement instrument.

OIG COMMENTS

Actions taken by the President of UDC meet the intent of the recommendation.

We recommend that the President, UDC:

3. Take appropriate disciplinary action against UDC employees who made and any who subsequently make unauthorized procurements in accordance with D.C. Code § 2-301.05(d)(2).

UDC RESPONSE (Recommendation #3)

The President of UDC plans to take appropriate disciplinary action beginning March 1, 2010, against employees who make unauthorized procurements. The response also indicated that the employees who violated the procurement process either no longer work at the University or have been transferred to other responsibilities.

OIG COMMENTS

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

We recommend that the President, UDC:

4. Authorize the payment for 10 vendor claims valued at \$18,848 for goods delivered and disallow the 36 vendor claims valued at \$54,877 for goods unless the vendor could provide proof of delivery.

UDC RESPONSE (Recommendation #4)

The President of UDC plans to authorize payment of \$18,848 on March 1, 2010. The response also indicated that UDC will pay the vendor's claims of \$54,877 upon the vendor providing valid proof of delivery of goods or services.

FINDING AND RECOMMENDATIONS

OIG COMMENTS

Actions taken by the President of UDC meet the intent of the recommendation.

DC SPORTS RESPONSE

DC Sports disagreed with our conclusion and contends that OIG was provided with 40 or more tracking numbers and decided to only verify 10.

OIG COMMENTS

This is not correct. DC Sports provided the OIG with 14 tracking numbers as proof of delivery for the 46 claims valued at \$73,725 that were submitted for payment. Of the 14 tracking numbers, 10 claims were verified by the delivery company that sporting goods valued at \$18,848 were delivered to UDC.

DC Sports also provided a list of critical efforts that the OIG should perform to expedite payment of the entire claim. The OIG disagrees with these efforts and believes that, based on best practices, the way to expedite payment for the remainder of the claim would be for DC Sports to provide valid “proof of delivery” of goods shipped by a vendor that DC Sports had a contractual relationship with.

EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT

Recommendations	Board of Trustees, UDC	President, UDC	Description of Benefit	Amount and Type of Benefit	Agency Reported Estimated Completion Date ³	Status
1	X		Internal Controls and Compliance. Ensures that the Board of Trustees understands its duties with regard to procurement activities.	Non-Monetary	3/1/2010	Closed
2		X	Internal Controls and Compliance. Requires UDC employees adhere to District procurement regulations with regard to contracting authority.	Non-Monetary	Completed	Closed
3		X	Internal Controls and Compliance. Ensures that appropriate disciplinary action is taken against UDC employees who make unauthorized procurements.	Non-Monetary	3/1/2010	Closed
4		X	Financial. Ensures payment for goods delivered valued at \$18,848 and disallows 36 claims valued at \$54,877.	Monetary \$54,877	3/1/2010	Closed

³This column provides the status of a recommendation as of the report date. For final reports, “Open” means management and the OIG are in agreement on the action to be taken, but action is not complete. “Closed” means management has advised that the action necessary to correct the condition is complete. If a completion date was not provided, the date of management’s response is used. “Unresolved” means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

EXHIBIT B: LISTING OF 46 UNPAID INVOICES

UNAUTHORIZED PROCUREMENTS	EMPLOYEE MAKING UNAUTHORIZED PROCUREMENT	PROCUREMENT VERIFIED	PROCUREMENT NOT VERIFIED	DATE
73083	Employee #1		\$1,502	01 OCT 2005
72591	Employee #4		134	01 OCT 2005
73084	Employee #4		4,027	01 OCT 2005
73085	Employee #4		145	01 OCT 2005
73139	Employee #6	\$1,527		05 OCT 2005
74038	Employee #6		2,880	06 OCT 2005
74031	Employee #7		1,568	08 OCT 2005
74032	Employee #7		1,156	10 OCT 2005
74033	Employee #7		73	10 OCT 2005
74464	Employee #6		311	26 OCT 2005
74465	Employee #6		1,319	26 OCT 2005
74466	Employee #7		526	26 OCT 2005
74468	Employee #7		74	26 OCT 2005
74470	Employee #7		549	26 OCT 2005
74471	Employee #7		449	26 OCT 2005
74545	Employee #6		438	27 OCT 2005
74546	Employee #6		525	27 OCT 2005
74980	Employee #7		405	05 NOV 2005
75153	Employee #6	373		08 NOV 2005
75214	Employee #7		349	09 NOV 2005
75899	Employee #4		138	25 NOV 2005
77339	Employee #7	78		23 DEC 2005
78320	Employee #6		1,056	29 JAN 2006
79339	Employee #2		6,860	10 MAR 2006
79340	Employee #6		1,043	10 MAR 2006
79773	Employee #5		282	04 APR 2006
82664	Employee #3	5,135		27 JUL 2006
83296	Employee #8		1,833	13 SEP 2006
83297	Employee #8		2,896	13 SEP 2006
83298	Employee #4	4,826		13 SEP 2006
83520	Employee #6		101	22 SEP 2006
84172	Employee #7	427		13 OCT 2006
84175	Employee #7		775	13 OCT 2006

EXHIBIT B: LISTING OF 46 UNPAID INVOICES

UNAUTHORIZED PROCUREMENTS	EMPLOYEE MAKING UNAUTHORIZED PROCUREMENTS	VERIFIED PROCURE- MENT	UNVERIFIED PROCURE- MENT	DATE
84282	Employee #7	\$649		18 OCT 2006
84304	Employee #6		\$142	18 OCT 2006
84305	Employee #7		1,976	18 OCT 2006
84306	Employee #6		766	18 OCT 2006
85498	Employee #6		407	21 NOV 2006
85555	Employee #6		501	22 NOV 2006
88382	Employee #6	77		31 DEC 2006
88383	Employee #6	1,036		31 DEC 2006
88384	Employee #6		77	31 DEC 2006
88385	Employee #6	4,720		31 DEC 2006
88396	Employee #6		380	19 FEB 2007
92066	Employee #3		7,467	06 OCT 2006
84269	Employee #6		11,747 ⁴	NO DATE
TOTALS 46 Orders	8 Employees	\$18,848	\$54,877	24 Months

⁴ Added to unpaid claims submitted by vendor.

EXHIBIT C: OTHER MATTER OF INTEREST

Warehouse Operations. UDC warehouse officials do not receive copies of purchase orders in advance to prepare for incoming shipments. Shipments can be received from international, U.S. land-based, and air freight vendors. The receiving process begins with annotating on the shipping label or bill of lading the purchase order number. If the shipping label or bill of lading contains the purchase order number, the warehouse will receive the shipment.

Conversely, if no purchase order number is noted on the shipment, the shipment is forwarded to the mailroom. The mailroom does not open shipments. Therefore, the shipment could sit in the mailroom unopened until picked up or returned to the vendor. The risk of theft or waste increases when a shipment is allowed to sit for an extraordinary period of time.

Warehouse staff verifies the contents of shipments that have purchase orders recorded in the Procurement Automated Support System (PASS). Differences are noted and the vendor is notified. Once the contents of the shipment have been verified, the shipment is delivered to the requestor for acceptance and signature. After obtaining a signature from the requestor, the PASS system is updated and receipt of the goods verified.

UDC must conduct a review of the current warehouse operations to uncover inefficiencies that could lead to waste, fraud, and abuse, and correct any noted inefficiencies. At the current time, there are no policies and procedures in place regarding the UDC warehouse operation that will ensure receipt of all goods and services. The establishment and implementation of a standard operating procedure and adherence to the District procurement regulations will help to prevent unauthorized procurements through enforced internal controls that do not allow employees to expose the District and UDC to unauthorized procurements.

EXHIBIT D: UDC'S RESPONSE TO DRAFT REPORT



2010 JAN 29 PM 3: 41

Allen L. Sessoms
President

January 12, 2010

Mr. Charles J. Willoughby
Inspector General
DC Office of the Inspector General
717 14th Street, NW
Washington, DC 20005

Dear Mr. Willoughby:

The University has received and reviewed the draft of the OIG Audit of Selected Contractors report, OIG No. 09-2-01GG, dated December 23, 2009. Thank you for undertaking this Audit in response to a request from the former Senior Vice President of Management at the University and covering the FY 2002 through FY 2007 period.

As requested in the correspondence forwarding the audit report, the University provides the following response: (i) a single modification in the findings; and (ii) acceptance of OIG recommendations with proposed dates for completion.

I. Modification of the Findings

Part III. of the Audit of Selected Contractors ("Audit") provides a statement on the University's ability to be assured of receiving the best value for the expenditure of District funds. The section entitled, "Assurance of Best Value" focuses primarily, if not solely, on certain unauthorized procurements in the University's Department of Athletics. To that end the University suggests the following language for the first paragraph of that section:

Our review of the unauthorized procurements *in the Department of Athletics* also showed that UDC may not be assured of receiving best value for expenditure of District funds or that the goods and services were received. To the greatest extent practicable, procurements for *general department purchases* should

EXHIBIT D: UDC'S RESPONSE TO DRAFT REPORT

OIG Audit of Selected Contractors Report – UDC Response
OIG No. 09-2-01GG
December 23, 2009
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maximize competition and strive to obtain the best value for the expenditure of District funds. In some instances, there was no indication that an attempt was made to obtain three bids, which is required when the purchase amount is in excess of \$10,000.

II. *Recommendations*

The University accepts the recommended corrective action proposed by the Office of the Inspector General and provides the following target dates for completion:

- The University Board of Trustees Chairman should inform the Board of Trustees of its duties with regard to procurement as defined in current procurement rules and regulations and University policy. **Timeline: March 1, 2010**
- President should issue a memorandum to UDC employees to emphasize University procurement regulations regarding contracting authority. Please note that the University is adding the following statement to all electronic communications sent by its Office of Contracting and Procurement to University employees as well as existing and potential contractors:

*Notice: UDC and The District government require all vendors to have an approved procurement instrument (i.e., purchase order, term contract, blanket purchase agreement or the like) in place prior to providing goods or services. Entering into contracts orally or without appropriate authorization is prohibited. Any vendor who delivers goods or services to UDC or The District without a proper contract does so at their own risk. UDC and The District do not pay for goods or services provided without the existence of a properly executed procurement instrument. **Timeline: Completed***

- President should take appropriate disciplinary action against UDC employees who made and any who subsequently make unauthorized procurements in accordance with DC Code § 2-301.05(d)(2). Please note that the employees who violated the procurement process either no longer work at the University or have been transferred to other responsibilities. **Timeline: March 1, 2010**
- President should authorize payment for 10 vendor claims valued at \$18,848 for goods delivered and disallow the 36 vendor claims valued at \$54,877 for goods not delivered. To the extent a vendor provides valid proof of delivery of goods or services provided under this latter amount, these amounts will be paid. **Timeline: March 1, 2010**

EXHIBIT D: UDC'S RESPONSE TO DRAFT REPORT

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Thank you for the opportunity to review and comment on the draft report. As noted, the University has already taken certain action and remains committed to effectively and efficiently correcting the deficiencies as noted in the report.

Sincerely,



Allen L. Sessoms

EXHIBIT E: DC SPORTS' RESPONSE TO DRAFT REPORT



18 Hudson Street
Mechanicville, NY 12118
518-665-0370 / Fax: 518-665-0378
www.dc-sports.com

January 21, 2010

Charles J. Willoughby
Inspector General
Office of the Inspector General
717 14th Street N.W., 5th Floor
Washington, D.C. 20005

Report OIG No. 09-2-01GG Audit of Selected Contractors at UDC

Dear Mr. Willoughby,

I reviewed the WORKING DRAFT of your report, focusing on the portions that deal with our outstanding invoices. On page 2, you state, "Our specific objective was to determine the validity of \$73,725 claim for payment that a vendor (DC Sports) submitted..." Toward that goal, I provided the Office of the Inspector General for the Government of the District of Columbia ("the District") with the tracking numbers for the merchandise that make up the \$73,725 claim.

However, at the bottom of page 5 of your report, it erroneously states "the vendor could only provide proof of delivery for 10 claims valued at \$18,848." The fact that I provided tracking numbers for the shipments is not in dispute.

Your organization decided to take a sampling of 10 of the 40+ tracking numbers we provided (those 10 are listed in Table 1 of your report) and verified with UPS that ALL 10 orders were received as DC Sports claimed. The decision to only validate 10 of the claims was your choice since we provided you with all the tracking numbers and you could have easily validated the remainder of the claims. And as your investigation disclosed, 100% of the shipments/invoices you investigated were valid.

However, on page 6 of the report, the conclusion reached is that "UDC should only authorize payment for 10 claims valued at \$18,848. UDC should also disallow the remaining 36 claims valued at \$54,877 unless the vendor can provide valid proof of delivery." This conclusion is not reasonable based on the facts.

EXHIBIT E: DC SPORTS' RESPONSE TO DRAFT REPORT

It appears that this conclusion is based on the erroneous statement from page 5 stating that DC Sports was only able to provide proof of delivery for 10 claims, a statement we know to be false. If that statement accurately stated "the vendor provided tracking numbers for all the claims and we chose to validate a random sample of only 10 claims", I suspect your conclusion would have been to pay the entire claim. DC Sports provided goods in the amount of \$73,725 and should be paid the entire amount and I need your help to make this happen.

The following is a list of the critical facts that will hopefully allow you to expedite payment of the entire claim:

- 1) Nobody at UDC has ever suggested they did not receive the items that were invoiced by DC Sports.
- 2) DC Sports has provided 40+ tracking numbers.
- 3) The District chose to verify only 10 of the claims submitted by DC Sports by subpoenaing UPS/FedEx for tracking information on 10 of the tracking numbers. All 10 came back as valid. Since it was serving UPS/FedEx with a subpoena, the District easily could have asked for the tracking information on all the claims. The District chose not to. That is not the fault of DC Sports.
- 4) DC Sports, unless it files a lawsuit and subpoenas UPS/FedEx to get the detailed tracking information, cannot obtain that information, since these claims are many years old. If UDC or the District had questioned these claims earlier, all the information would have been readily available. DC Sports cannot be blamed for the District's failure to address this issue in a timely manner.
- 5) DC Sports is NOT at fault because UDC employees failed to follow guidelines. DC Sports has been very patient and understanding while the District has looked into this issue. DC Sports has shown good faith and hopes the District will do the same. Over the past four years, we've been told three different times that everything was all set and that payment was being processed.

Based on the above, I think any reasonable person will conclude that DC Sports is owed the entire claim of \$73,725.

I hope you will quickly correct the mistakes in the WORKING DRAFT that I have highlighted and that based on those corrections, your conclusion will be to promptly pay DC Sports the entire claim of \$73,725. I am hoping that with your assistance, we can get this resolved quickly and without the use of litigation. Please help us.

EXHIBIT E: DC SPORTS' RESPONSE TO DRAFT REPORT

For the past four years, DC Sports has done everything possible to help get this claim resolved without litigation. We ask that the District does the right thing and promptly pays the claim. DC Sports is a small company that needs to be paid for the items it provided. Please assist me in making that happen promptly. I can be reached at 518-588-6827 should you have any additional questions.

Sincerely,



Bob Brown
President – DC Sports

cc [REDACTED]

cc [REDACTED]