

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

**AUDIT OF CONTRACTING ACTIONS
AT THE OFFICE OF THE CHIEF
TECHNOLOGY OFFICER**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



September 15, 2010

David P. Gragan, CPPO
Chief Procurement Officer
Office of Contracting and Procurement
One Judiciary Square
441 4th Street, N.W., Suite 700-S
Washington, D.C. 20001

Bryan Sivak, CTO
Chief Technology Officer
Office of the Chief Technology Officer
One Judiciary Square
441 4th Street, N.W., Suite 800-S
Washington, D.C. 20001

Dear Mr. Gragan and Mr. Sivak:

Enclosed is our final report summarizing the results of the Office of the Inspector General's (OIG) Audit of Contracting Actions at the Office of the Chief Technology Officer (OIG No. 08-2-06TO(a)). This audit was initiated at the request of the Chief Procurement Officer (CPO), Office of Contracting and Procurement (OCP), and the former Chief Technology Officer (CTO), Office of the Chief Technology Officer (OCTO), and is the second of two audits performed in response to their request. The first audit addressed unnecessary costs and delays in the procurement of a Complete Proof of Concept for Credentialing System and the first of two allegations received by the OIG concerning improper contracting at OCP.

Our audit disclosed that OCP did not effectively manage the District of Columbia Supply Schedule (DCSS) program for Information Technology (IT) Services and addressed the second of the two allegations concerning improprieties at OCP. We directed 3 recommendations to OCTO and 11 recommendations to OCP for actions necessary to correct the described deficiencies.

On June 28, 2010, OCTO provided a response to a draft of this report. OCTO agreed with the report's finding and conclusions and concurred with all three recommendations. However, OCTO did not provide a planned completion date for Recommendation 13. Therefore, we request that OCTO provide us with a completion date for Recommendation 13 by October 1, 2010.

We also received a response from OCP to a draft of this report on July 7, 2010. OCP strongly disagreed with the report's finding and conclusions and did not concur with Recommendations 3, 4, 5, 6, and 10. We consider these recommendations unresolved.

We request that OCP reconsider the position taken on Recommendations 3, 4, 5, 6 and 10 and provide an additional response to us by September 21, 2010. OCP provided actions taken or planned on Recommendations 1, 2, 7, 8, 9, and 11. We consider the actions taken or planned to be responsive and meet the intent of the recommendations, with the exception of Recommendation 1. For this recommendation, we believe that OCP should consider establishing standards, targets, or goals for the DCSS program that are similar to those established for the Information Technology Staff Augmentation contract. We request that OCP provide us an updated response for Recommendation 1, also by September 21, 2010.

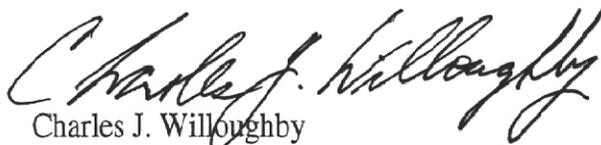
Our comments to OCP's response to the draft report are included at Exhibit F. The complete texts of the OCP's and OCTO's responses are included at Exhibits G and H, respectively. Audit recommendations should generally be resolved within 6 months of the date of the final report. Accordingly, we will continue to work with the OCP to reach final agreement on the unresolved recommendations.

Based on the response from the OCP, we re-examined our facts and conclusions and determined that the report is fairly presented. To present more clearly our position on the mandatory set-aside of contracts, we included an Attachment to Exhibit F to present additional information.

While we did not direct any recommendations to Delivering Business and Technology Solutions, Inc. or EastBanc Technologies LLC, we provided a courtesy copy of our draft report to these companies. We did not receive a response from either of the companies.

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/rw

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Mr. Gragan and Mr. Sivak
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and General Government (1 copy)

Delivering Business and Technology Solutions, Inc.

EastBanc Technologies LLC

AUDIT OF CONTRACTING ACTIONS AT THE OFFICE OF THE CHIEF TECHNOLOGY OFFICER

ACRONYMS

CBE	Certified Business Enterprise
CO	Contracting Officer
COTR	Contracting Officer's Technical Representative
CPO	Chief Procurement Officer
CTO	Chief Technology Officer
CY	Calendar Year
DBTS	Delivering Business & Technology Solutions, Inc.
DCMR	District of Columbia Municipal Regulations
DCSS	District of Columbia Supply Schedule
DOD	U.S. Department of Defense
DOES	Department of Employment Services
FY	Fiscal Year
GAO	U. S. Government Accountability Office
IT	Information Technology
ITSA	Information Technology Staff Augmentation
MIS	Management Information System
OCP	Office of Contracting and Procurement
OCTO	Office of the Chief Technology Officer
OFRM	Office of Finance and Resource Management

**AUDIT OF CONTRACTING ACTIONS AT THE
OFFICE OF THE CHIEF TECHNOLOGY OFFICER**

ACRONYMS (cont'd)

OIG	Office of the Inspector General
PASS	Procurement Automated Support System
POP	Period of Performance
RFQ	Request for Quotation
RFTOP	Request for Task Order Proposal
SOAR	System of Accounting and Reporting
SOW	Statement of Work

**AUDIT OF CONTRACTING ACTIONS AT THE
OFFICE OF THE CHIEF TECHNOLOGY OFFICER**

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EXECUTIVE DIGEST

OVERVIEW

The Office of the Inspector General (OIG) has completed its Audit of the Contracting Actions at the Office of the Chief Technology Officer (OCTO). The audit was initiated at the request of the Chief Procurement Officer (CPO) and former Chief Technology Officer (CTO) and is the second of two audits¹ in response to their request.

OCTO augments its information technology staff by contracting for information technology (IT) services. In this regard, the Office of Contracting and Procurement (OCP) is responsible for the procurement and contract administration of IT services to satisfy OCTO requirements. An OCTO Contracting Officer's Technical Representative (COTR) is assigned to provide general administrative contract support to the OCP Contracting Officer (CO). In this capacity, the COTR is responsible for the day-to-day monitoring and supervision of the contract, including advising the CO as to the contractor's compliance or noncompliance with the contract.

During fieldwork, the OIG received two complaints of improper contracting activities at OCP, and we addressed the first complaint in our May 2009 report. This report addresses the second complaint (containing three allegations) of improper contracting with Delivering Business and Technology Solutions, Inc. (DBTS) and EastBanc Technology Solutions LLC (EastBanc) and includes our findings and recommendations related to those contracting activities. The results of our review of the specific allegations are contained in the Allegations and Audit Results section of this report.

Our original audit objectives were to determine whether contracting actions on behalf of OCTO were: 1) in compliance with requirements of applicable laws, rules and regulations, and policies and procedures; 2) awarded and administered in an efficient, effective, and economical manner; and 3) conducted in a manner where internal controls were in place to safeguard against fraud, waste, and abuse.

Based upon the allegations made, we revised our audit objectives to evaluate the effectiveness of internal controls for the award and administration of District of Columbia Supply Schedule (DCSS) contracts and task orders. Our specific objectives were to determine: 1) whether OCP effectively monitored contractor performance; 2) the reasonableness of the contractor cost and profit; and 3) the validity of the allegations.

Prior to the completion of this audit, IT staff augmentation procurements were transitioned from OCP's usage of contractors listed on the DCSS to an Information Technology Staff Augmentation (ITSA) contract. Under the ITSA contract, a prime contractor procures

¹ See *Audit of Selected Contracting Actions at the Office of the Chief Technology Officer*, dated May 7, 2009 (OIG No. 08-2-06TO).

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required IT services from subcontractors. We did not include the ITSA contract in this audit as it was outside the scope of our review.

This report is presented in four major sections. Section I details our findings concerning management of the DCSS program for IT services. The discussion centers on: 1) rotation of opportunities among certified business enterprises (CBEs); 2) increased utilization of CBEs; 3) award of the DBTS contract; 4) insufficient contract monitoring; and 5) maintenance of contract documentation. Section II details our findings related to the DBTS cost analysis: 1) direct costs; 2) indirect costs; 3) fringe expenses; 4) general overhead expenses; 5) facility overhead expenses; 6) general and administrative expenses; 7) employment agreement with former owner; and 8) excessive profit. Section III discusses our findings related to the three allegations. Section IV is a listing of recommendations that, if implemented by management, should result in improvement to OCP operations.

CONCLUSIONS

OCP did not effectively manage the DCSS program when contracting for IT services. Specifically, OCP did not: rotate opportunities among Certified Business Enterprises (CBEs); increase the utilization of CBEs; determine cost reasonableness; monitor and enforce contractor compliance with contract terms and conditions, including enforcement of sanctions and penalties for noncompliance; and maintain required contract documentation.

These conditions occurred because OCP did not: develop targets and standards for the rotation and utilization of CBEs; implement an automated management information system (MIS) to collect and report DCSS activity; set-aside opportunities for DCSS contractors and follow the priorities established by Title 27 of the DCMR for the use of supply sources; establish standard operating procedures; obtain certified cost or pricing data and comply with the DCMR requirement to perform a cost analysis; and adequately supervise and provide management oversight for the administration of the DCSS program.

In addition, OCTO did not provide adequate general contract administration for DCSS contracts. Specifically, COTRs did not monitor whether DBTS complied with the contract terms and conditions regarding the use of subcontractors and advise OCP COs accordingly.

As a result, 7 of 69 CBE IT service providers disproportionately received about 75 percent of \$94.1 million in contract payments over a 3-year period. Also, the District lost sales discount revenue that may total as much as \$501,677. Finally, the District lost about \$2.1 million to its local economy from the underemployment of District residents.

Cost Reasonableness. Our cost analysis reveals that the District paid unreasonable contract prices for IT services, which allowed DBTS to make \$602,411 in excessive profit over a

EXECUTIVE DIGEST

2-year period. Also, based on our sample results, we believe that DBTS was paid approximately \$2.5 million over a 2-year period for invoices that we considered unsupported.

Summary of Allegations. We were unable to substantiate the three allegations of improper contracting activities within OCP due to a lack of available procurement records and an accurate procurement MIS. However, we determined that seven DCSS IT services contractors received a disproportionate amount of contract payments over a 3-year period.

SUMMARY OF RECOMMENDATIONS

We directed 11 recommendations to the CPO and 3 recommendations to the CTO. The recommendations focus on:

- Developing and implementing an automated MIS to improve the administration and management of contracts with CBEs;
- Improving communication by defining the responsibilities of all parties involved in enforcing contractor compliance with contract terms and conditions;
- Establishing procedures to reinforce compliance with District laws and procurement regulations; and
- Improving the administration of contracts.

MANAGEMENT RESPONSES AND OIG COMMENTS

On June 28, 2010, OCTO provided a response to a draft of this report. OCTO agreed with the report's finding and conclusions and concurred with all three recommendations. However, OCTO did not provide a planned completion date for Recommendation 13. Therefore, we request that OCTO provide us with a completion date for Recommendation 13 by September 21, 2010.

We received a response from OCP to a draft of this report on July 7, 2010. OCP strongly disagreed with the report's finding and conclusions and did not concur with Recommendations 3, 4, 5, 6 and 10. We consider these recommendations unresolved. We request that OCP reconsider the position taken on Recommendations 3, 4, 5, 6 and 10 and provide an additional response to us by September 21, 2010.

OCP provided actions taken or planned on Recommendations 1, 2, 7, 8, 9 and 11. We consider the actions taken or planned to be responsive and meet the intent of the recommendations, with the exception of Recommendation 1. For this recommendation, we believe that OCP should consider establishing standards, targets, or goals for the DCSS

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program that are similar to those established for the ITSA contract. Therefore, we request that OCP provide us an updated response for Recommendation 1, also by September 21, 2010.

The OIG's comments to OCP's response to the draft report are included at Exhibit F. The complete texts of the OCP's and OCTO's responses are included at Exhibits G and H, respectively. Generally, audit recommendations should 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.

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

INTRODUCTION

BACKGROUND

The Office of the Chief Technology Officer (OCTO) is the central information technology (IT) and telecommunications agency for the District government. OCTO develops, implements, and maintains the District's IT and communications infrastructure; develops and implements major citywide applications; establishes and oversees IT enterprise architecture and website standards for the District; and advises District agencies on technology solutions to improve services to businesses, residents, and visitors in all areas of the District government.

OCTO augments its IT staff by contracting for IT services and submits its requirements for the services to the Office of Contracting and Procurement (OCP). In this capacity, OCTO develops Statements of Work and performs the technical evaluations used to assist OCP in selecting a contractor. OCTO also assigns the Contracting Officer's Technical Representative, who receives the IT services as well as reviews and approves contractor invoices.

OCP, under the direction of the Chief Procurement Officer (CPO), procures goods and services for selected agencies and offices within the District government. OCP is organized into four commodity buying groups: Services; Goods; Transportation and Specialty Equipment; and Information Technology. All other products and services are procured by OCP for specific agencies. Experienced procurement officials, led by senior managers, purchase goods and services to meet agency requirements. A senior staff supports the OCP procurement operation with legal, business operations, and IT expertise. OCP performs the procurement function for OCTO.

District of Columbia Supply Schedule. The District of Columbia Supply Schedule (DCSS) was established by OCP to effect the change in procurement law enacted by the D.C. Council to promote economic participation by District contractors and improve the local economy. The primary objectives of the DCSS program are to:

- Provide greater opportunities for Certified Business Enterprises (CBEs) to conduct business with the District;
- Provide a streamlined and cost-effective purchasing process; and
- Assist District agencies in meeting the CBE goal of directing spending to these DC-based businesses that support and contribute to job creation, expand the city tax base, and stimulate the local economy.

OCP administers the DCSS program. In fiscal year (FY) 2007, OCP issued noncompetitive DCSS contracts valued at up to \$10 million for IT services to CBEs. To receive a DCSS contract, contractors participated in an application process to become certified as a local, District-based, business enterprise qualified to perform and provide IT services to the District. In the application process, a contractor's capabilities, including past performance history, were assessed. Contractors that successfully completed the application process were awarded a

INTRODUCTION

DCSS contract with a maximum value up to \$10 million. By law and in accordance with the program's objectives mentioned above, the DCSS should be the first procurement source for OCP to use in procuring goods and services valued at \$100,000 or less.

CPO Responsibility. The CPO had the responsibility to develop and implement standards for the DCSS program to comply with the amended law. Accordingly, the CPO developed DCSS solicitations for products/services, an application process to award contracts to CBEs, and specific contract terms and conditions for DCSS contracts. Also, OCP holds an annual workshop for contractors on how to apply for DCSS contracts. As presented in the annual workshops, the CPO's management goals are to provide greater opportunities for CBEs to conduct business with the District, a streamlined and cost effective purchasing process, and assistance to District agencies in meeting their CBE goals via set-aside of procurement opportunities.

Similar to the federal program, the CPO also implemented a one percent sales discount on all sales, purchase orders, task orders, and purchase card transactions invoiced under the DCSS program. CBEs remit the sales discount to OCP on a quarterly basis.

DCSS Contract Requirements. Prior to FY 2007, OCP awarded contracts for IT services under \$1 million noncompetitively through the DCSS. In FY 2007, OCP raised the ceiling to \$10 million for IT services contracts.

D.C. Code § 2-218.45 (2006) (Mandatory set-asides of contracts in the DCSS for small business enterprises) mandates that District agencies set-aside contracts of \$100,000 or less for DCSS small business enterprises, except where the agency determines in writing that there are not at least two responsible CBEs on the DCSS that can provide the goods or services required.

Title 27 DCMR § 2100 sets the priorities for the use of District government supply sources. Pursuant to § 2103.1, OCP must make agencies aware of the availability of District term contracts and federal supply schedules for products and services, as well as the requirement to make purchases from each of the sources provided in § 2100.

OCP's DCSS Terms and Conditions, Section 4 (DCSS Ordering Clause (Procedures)), provides a methodology for contracting officers (COs) to use in order to promote competition and ensure the District's best interests are met (considering prices and other factors) when ordering supplies or services via the DCSS.² For procurements performed on OCTO's behalf, the CO is required to solicit requests for quotations (RFQs) or requests for task order proposals (RFTOPs) as follows:

- For procurements valued at \$25,000 or less, the CO may issue task orders under the DCSS without obtaining competitive quotations from other DCSS contractors.

² *Id.* § 4(I)(c)(iii).

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- For procurement greater than \$25,000, the CO must obtain three written quotations from other DCSS contractors.
- The CO must award the task order (TO) to the contractor providing the lowest priced quotation in response to a RFQ or RFTOP, except where the award considers factors other than price or price-related criteria. If price or price-related factors are not the sole basis for an award, the RFQ or RFTOP must specify this information.³

D.C. Code § 2-303.08(a) (2006) (Cost or pricing data) provides that for procurements over \$100,000, the offeror or contractor must submit cost or pricing data and certify that “to the best of the contractor's or offeror's knowledge and belief, the cost or pricing data submitted was accurate, complete, and current as of a mutually determined specified date....” The cost or pricing data must be submitted before a CO may enter into a contract awarded via competitive, sealed proposals or the sole source process, as well as prior to executing a change order or contract modification.⁴

Title 27 DCMR § 1626.1 requires COs to perform a cost analysis for contract awards or modifications in excess of \$500,000. However, D.C. Code § 2-303.08(a) need not apply to “contracts for which the price negotiated is based on established catalog or market prices of commercial items sold in substantial quantities to the general public, or prices set by law or regulations[,]” such as contracts let via the DCSS.⁵

The DCSS IT contracts issued by OCP included a requirement that the contractor comply with the District’s First Source Employment Contract Act of 1978 and employ District residents for 51 percent of its workforce on contracts valued over \$100,000.

Finally, the DCSS application, Section 6.7, states the following:

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

³ *Id.*

⁴ *Id.*

⁵ *Id.* § 2-303.08(c).

INTRODUCTION

It is understood and agreed that the COTR shall not have authority to make any changes in the specifications/scope of work or terms and conditions of the contract.

The Contractor may be held fully responsible for any changes not authorized in advance, in writing, by the Contracting Officer, may be denied compensation or other relief for any additional work performed that is not so authorized, and may also be required, at no additional cost to the District, to take all corrective action necessitated by reason of the unauthorized changes.

OCP Procurement Procedures. In February 2009, OCP issued an updated procedures manual for the administration of contracts, including contracts awarded in the DCSS program. Key elements of the DCSS guidance are included at:

- Chapter 2, Section 3, Paragraph 2.3.11, which states that when reviewing a DCSS application, the contract specialist will determine price reasonableness and the applicant's cost of doing business, including indirect costs and profit;
- Chapter 2, Section 6, Paragraph 2.6.8, which states that when items are procured through the DCSS, a minimum of two quotes is required, and that "Buyers are encouraged to expand opportunities among DCSS contractors consistent with the number of awarded contracts for each service or supply[;]" and
- Chapter 2, Section 1, Paragraph 2.1.26, which states that the contracting specialist should not apply preference points when competing among DCSS contracts.⁶

Finally, 27 DCMR § 1203.2 requires that contract files include documentation "sufficient to constitute a complete history of the transaction for the following purposes: a) [p]roviding a complete background as a basis for informed decisions at each step of the procurement process; b) [s]upporting actions taken; c) [p]roviding information for reviews and investigations; and d) [f]urnishing essential facts in the event of litigation."

OBJECTIVES, SCOPE, AND METHODOLOGY

Our original audit objectives were to determine whether OCTO contracting actions were: 1) in compliance with requirements of applicable laws, rules and regulations, and policies and procedures; 2) awarded and administered in an efficient, effective, and economical manner; and 3) conducted in a manner where internal controls were in place to safeguard against fraud, waste, and abuse.

⁶ These provisions were not applicable to the period of our review. We attempted to obtain the procedures manual for the period applicable to our review, but OCP did not provide us with a final document.

INTRODUCTION

Based upon the allegations made in the complaint regarding DBTS and EastBanc Technologies, we revised our audit objectives to evaluate the effectiveness of internal controls for the award and administration of DCSS contracts and task orders. Our specific objectives were to determine: 1) whether OCP effectively monitored contractor performance; 2) the reasonableness of the contractor cost and profit; and 3) the validity of the allegations.

To accomplish our objectives, we conducted interviews with responsible officials of OCP, OCTO, and the Office of Finance and Resource Management (OFRM) and obtained a general understanding of their processes for administrating, awarding, and paying contracts under the DCSS. We reviewed employee records for persons identified in the allegation and employees involved in the technical evaluation of proposals for a selected sample of procurement actions.

We reviewed procurement and payment records for FYs 2006 through 2009 and, to some extent, records of prior years. Our review included procurement documents maintained by OCP, payment records maintained by OFRM, and DBTS financial records obtained via a subpoena. We also interviewed and held discussions with DBTS, representatives from other CBEs, OCTO Contracting Officer Technical Representatives (COTRs), and an official with the Department of Employment Services (DOES). In addition, we initiated a survey in order to obtain and evaluate financial information from 44 CBEs.

To test invoice support, we performed an independent cost analysis of a judgmentally selected sample of DCSS invoices valued at \$569,929 from a total universe of \$3,831,510, submitted by DBTS and paid by the District in FY 2007. We also statistically sampled DCSS payments made to DBTS by the District in FY 2008 and randomly selected DCSS invoices valued at \$668,512 from a total universe we determined of \$3,883,054. Our statistical sample was based on a 95 percent confidence level, materiality level of 5 percent, and a tolerable error level of 1 percent.

We relied on computer-processed data from the System of Accounting and Reporting (SOAR) to obtain summary information on the total amount paid to the contractors from FYs 2006 through mid-2009. We did not perform a formal reliability assessment of the computer-processed data because the SOAR system reliability tests were performed previously as part of the audit of the Comprehensive Annual Financial Report.

We also obtained accounting data from the Deltek Accounting System used by the contractor. While we did not perform a reliability assessment, we compared the data to the information obtained from SOAR and noted that the data generally agreed between both systems.

INTRODUCTION

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

AUDIT RESULTS

SECTION I: MANAGEMENT OF THE DC SUPPLY SCHEDULE PROGRAM FOR INFORMATION TECHNOLOGY SERVICES
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SYNOPSIS

OCP did not effectively manage the DCSS program when contracting for IT services. Specifically, OCP did not: rotate opportunities among CBEs; increase the utilization of CBEs; determine cost reasonableness; monitor and enforce the contractor's compliance with contract terms and conditions, including enforcement of sanctions and penalties for noncompliance; and maintain required contract documentation.

These conditions occurred because OCP did not: develop targets and standards for the utilization of CBEs; implement an automated MIS to collect and report DCSS activity; set-aside opportunities for DCSS contractors and follow the priorities established by the DCMR for the use of supply sources; establish standard operating procedures; obtain certified cost or pricing data and comply with the DCMR requirement to perform a cost analysis; and adequately supervise and provide management oversight for the administration of the DCSS program.

In addition, OCTO did not provide adequate contract administration for DCSS contracts. For example, COTRs did not determine whether DBTS used subcontractors to perform work under the DCSS contract and advise OCP COs accordingly.

As a result, 7 of 69 CBE IT service providers disproportionately received about 75 percent of \$94.1 million in contract payments over a 3-year period. Also, the District lost sales discount revenue that may total as much as \$501,677. Further, the District paid unreasonable contract prices for IT services, which allowed DBTS to make \$602,411 in excessive profit over a 2-year period.

Additionally, the District lost about \$2.1 million to its local economy from the underemployment of District residents. Finally, based on our sample results, we believe that DBTS was paid approximately \$2.5 million over a 2-year period for invoices certified by COTRs that we considered unsupported.

DISCUSSION

The District of Columbia Procurement Practices Act of 1985 was amended by D.C. Law 14-83, The Procurement Practices Negotiated Pricing Amendment Act of 2001, effective March 19, 2002, to enable the CPO to award procurement contracts through noncompetitive negotiations when the CPO (or designee) determines in writing that the "contract is with a vendor who agrees to adopt the same pricing schedule for the same services or goods as that of a vendor

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who maintains a price agreement or schedule with any federal agency, [so long as no contract executed under this provision] authorizes a price higher than is contained in the contract between the federal agency and the vendor....”⁷

D.C. Law 14-83 initiated the establishment of the District’s socio-economic contracting program, the DCSS Program, in 2002. According to the legislative history, the amendment provided for increased utilization of local, small, and disadvantaged business enterprises (LSDBEs)⁸ in District contracting that otherwise would not be able to contract with the District.⁹

Rotation of Opportunities among CBEs. OCP did not rotate opportunities among DCSS IT contractors in accordance with the goal of the program to expand opportunities for CBEs. Specifically, OCP did not:

- 1) establish standards or targets for the use of CBEs;
- 2) always use the DCSS to make purchases of \$100,000 or less from CBEs;
- 3) always seek competition for task orders over \$25,000;
- 4) establish standard operating procedures; and
- 5) develop and implement an automated MIS to collect and report DCSS contract information.

As part of our audit, we analyzed \$94.1 million in IT payments made to contractors participating in the DCSS program for FYs 2006 to 2008. Our analysis of the payment data showed that 7 of 69 eligible contractors received about \$70 million of the \$94.1 million paid during this period (see Figure 1 for details). Twenty-five of the 69 eligible contractors received no payments for contracts or task orders.

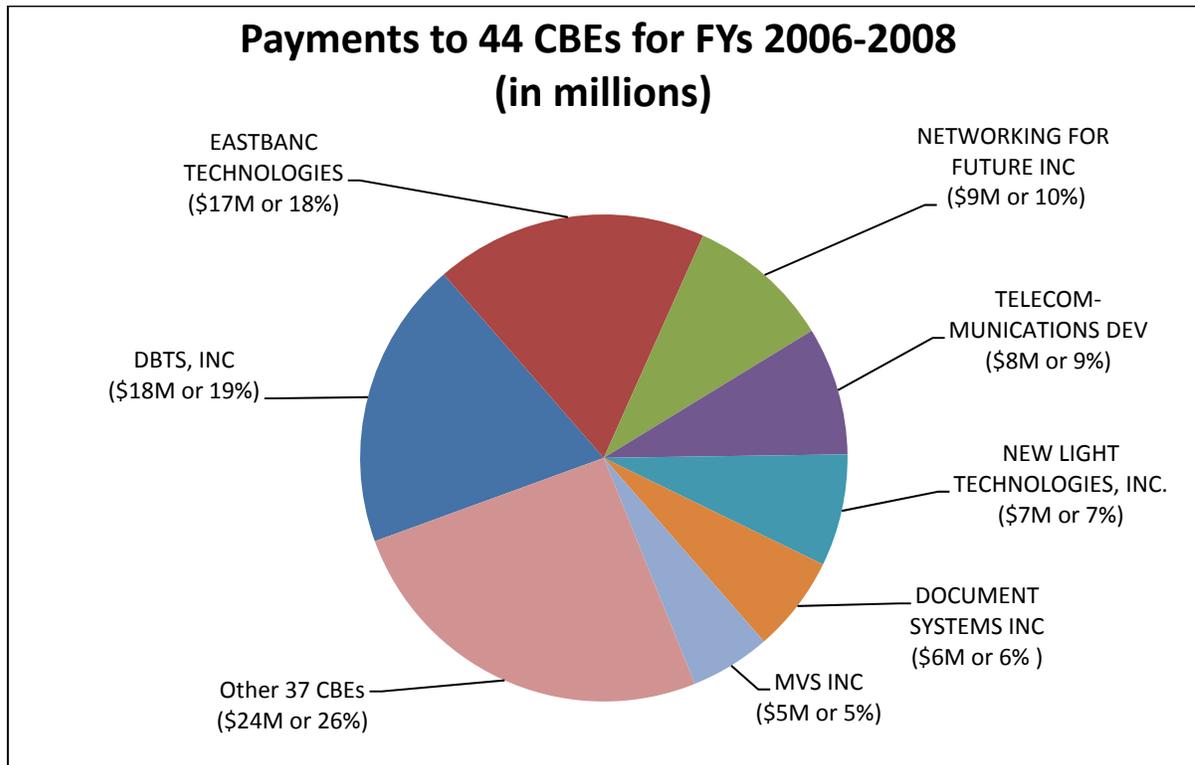
⁷ D.C. Code § 2-303.05(a)(3A) (Supp. 2009).

⁸ The LSDBE reference has since been changed to certified business enterprise (CBE).

⁹ See Memorandum from Natwar M. Gandhi, Chief Financial Officer, to the Honorable Linda W. Cropp Chairman, Council of the District of Columbia (Nov. 30, 2000).

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Figure 1: District Payments to CBEs for IT Services



As Figure 1 indicates, of the 44 DCSS contractors that received payments, 37 contractors received payments of about \$24 million with the balance of about \$70 million going to the remaining 7 contractors during the period. Of the group of 37 DCSS contractors receiving payments, the disparity in the rotation of contracts and task orders was even more unfavorable for the bottom 25 contractors, each of whom received payments equaling less than 1 percent of the total. In total, these 25 contractors received payments of only \$5.4 million or about 5.7 percent of the \$94.1 million paid by the District during the 3-year period and the average annual total payment to each of these 25 contractors during the period was about \$72,000 per year.

In comparison, DBTS, the largest recipient of contract payments, was paid an average of almost \$6.1 million/year or 85 times the average amount paid to the bottom 25 contractors. EastBanc Technologies, the second largest recipient of contract payments, received an average of almost \$5.5 million/year or about 76 times the average of the bottom 25 companies. See Exhibit C for complete listing of CBEs and payments received.

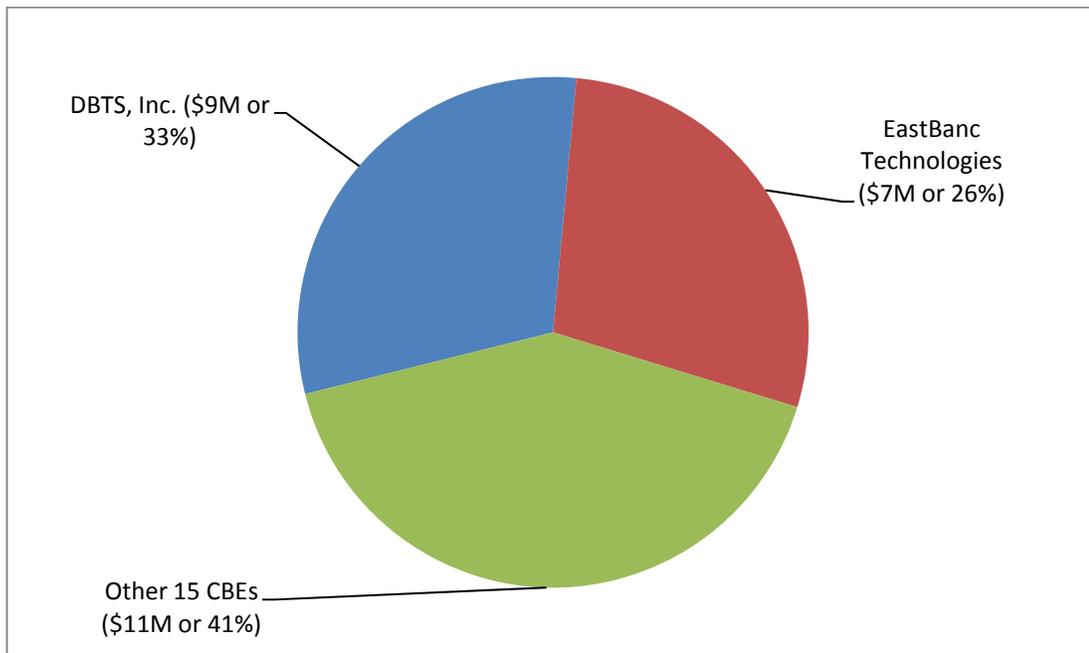
We also reviewed nine task orders issued to the two largest recipients of payments to ascertain the reasons for the disparity in the rotation of task orders and found that contracting specialists

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did not always obtain competition as required when awarding task orders. Our review disclosed that four of the nine task orders, each with a value greater than \$25,000, were awarded on a sole-source basis. However, the ordering clause in the DCSS Terms and Conditions states that at least three written quotations are required when the task order value exceeds \$25,000.

We also analyzed revenues reported by 17 CBEs responding to our survey to determine their sources of revenue for calendar years (CYs) 2006 to 2008. Again, the results indicated that DCSS business opportunities were limited to a few companies. Of the \$27 million in DCSS revenue reported by these 17 contractors, DBTS and EastBanc reported combined DCSS revenue of about \$16 million or about 60 percent of the total. The remaining \$11 million was spread among the other 15 contractors (see Figure 2 below).

**Figure 2: CYs 2006 – 2008 DCSS Revenue Reported by 17 CBEs
(in millions)**



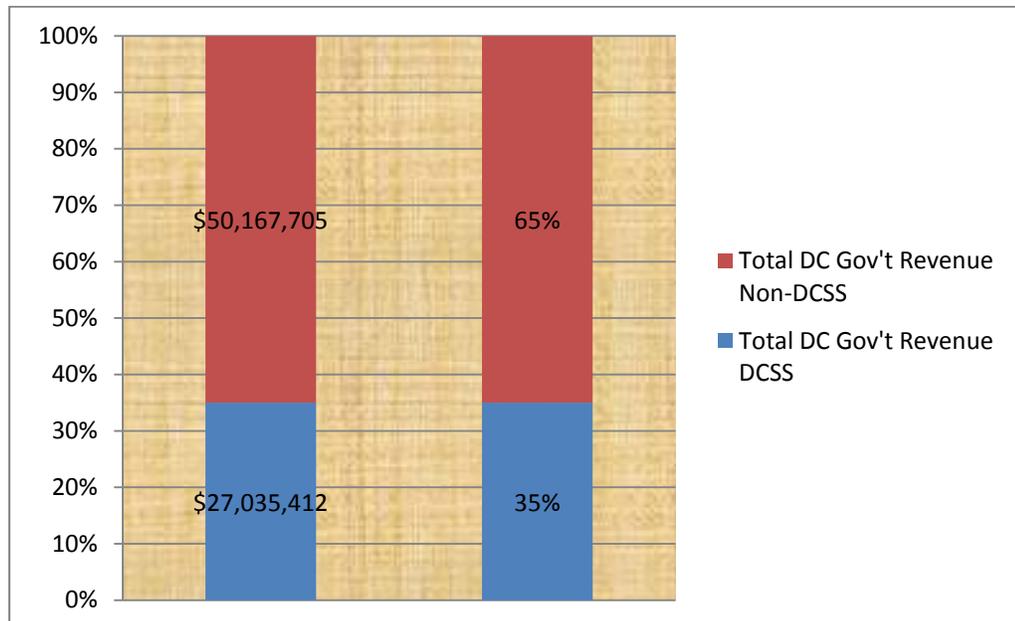
Additionally, we analyzed reports obtained from OCP to evaluate information collected by the Procurement Automated Support System (PASS) on the award of task orders under the DCSS. However, OCP produced several reports from the PASS system that did not allow us to readily identify all of the task orders issued to a contractor, the type of award, or the total value of the task order (including modifications). For example, we noted that when a purchase order was issued to reduce the task order funds, the value shown in the report was positive and not negative. The report also did not provide information on the task order award type, e.g., sole source or competitive award.

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This occurred because OCP did not set standards or targets for utilization of CBEs, implement an automated MIS to collect and report DCSS activity, and issue formal guidance for the implementation and administration of the DCSS program. With the lack of standards, clear guidance and targets, management did not have a defined method to measure performance, even if information on DCSS activity was available. Furthermore, without an adequate automated MIS on DCSS contracting activity, OCP contracting specialists and officers did not have the information necessary to assist them in complying with the requirement to expand opportunities among DCSS contractors, monitoring performance, and meeting objectives for the program.

Utilization of CBEs. OCP did not maximize the utilization of CBEs in accordance with the objectives of D.C. Law 14-83 and as identified by one of the OCP management goals for the DCSS program. The 17 CBEs that participated in our survey reported \$77 million in total revenues from the District over a 3-year (calendar) period. Roughly \$50 million (or about 65 percent) of the total revenue was reported as generated from contract types other than the DCSS (see Figure 3).

Figure 3: Total District Revenue Reported by 17 CBEs for CYs 2006-2008



Maximum utilization of CBEs through existing DCSS contracts did not occur because OCP did not follow the priorities set forth in 27 DCMR § 2100 and 2103 and procure services using existing term contracts. An adequate automated MIS would have provided management with: 1) tracking data necessary for managing contracting activity; and 2) oversight to ensure District supply sources such as the DCSS were utilized to the maximum extent possible.

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As a result, the District lost sales discount revenue that may total as much as \$501,677 because the one percent sales discount could not be applied to about \$50.2 million in purchases made from the CBEs that were not made via the DCSS.

Cost Reasonableness. OCP did not obtain certified cost or pricing data as required by D.C. Code § 2-303.08(a) prior to the award of DBTS Contract Number PODS-2004-C-920-60 valued at \$999,999. OCP also did not determine reasonableness of cost and profit in accordance with 27 DCMR § 1626.1, which requires a cost analysis where a contract award or modification exceeds \$500,000.

D.C. Code § 2-303.08(c) states that the requirement to obtain certified cost or pricing data “need not apply to contracts for which the price negotiated is based on established catalog or market prices of commercial items sold in substantial quantities to the general public, or prices set by law or regulations.”

OCP did not determine in writing that the pricing schedule adopted by DBTS was negotiated based on established catalog or market prices of commercial items sold in substantial quantities to the general public. We did not find a copy of the referenced GSA Schedule adopted by DBTS in the contract file and we could not retrieve it from the GSA website. In addition, based on the response to our survey, DBTS had not established the proposed prices based on sales to the general public. DBTS reported that 100 percent of its revenue was generated from contracts with the District government in 2003 and at the time of the award of the DCSS contract in 2004.

As a result, OCP did not determine the reasonableness of DBTS’ proposed prices, including cost and profit, for the DCSS contract. We believe the contract file for the DBTS contract should have contained evidence that cost reasonableness was determined and in the absence thereof, OCP should have requested and obtained certified cost or pricing data from DBTS and performed a cost analysis to ensure that the cost or pricing data DBTS submitted was accurate, complete, and current to avoid any potential overpricing of the District contract.

In the absence of a cost analysis, we interviewed the DCSS CO to ascertain why cost reasonableness was not determined. We were told that the DCSS contracting staff had the necessary experience to perform a price analysis, but were unaware of the requirement to perform a cost analysis. Further, the DCSS CO told us that she had not received formal training on either a cost or price analysis; rather, she received on-the-job training on the price analysis from the former DCSS CO. We discussed the cost analysis with the CPO and other OCP officials and were informed that the DCSS was a multiple-award and not a term contract and, as such, a cost analysis was not required.

Although the contracts under the DCSS program were noncompetitively awarded, it is our opinion that pursuant to 27 DCMR § 1626.1, the reasonableness of the contract pricing must be determined and negotiated prior to the award. Also, it is especially critical that the District

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determine price reasonableness when small contractors are permitted to adopt federal schedules of large companies whose business and cost structures are totally unrelated to their companies. Furthermore, as DBTS had no client other than the District government, prices contained in the adopted schedule had not been established commercially by DBTS.

We performed an independent cost analysis of District payments to DBTS for FYs 2007 to 2008 and concluded that the District paid unreasonable prices to DBTS, which, in effect, allowed the contractor to receive approximately \$602,411 in excess profit. We also found that the District paid about \$2.5 million to DBTS for invoices that the contractor did not support. Details of the cost analysis and unsupported payments are discussed in Section II of this report.

Insufficient Contract Monitoring. OCP did not monitor and enforce DBTS' compliance with all of the contract terms and conditions, including enforcement of sanctions and penalties for noncompliance. The First Source Agreement in DBTS' DCSS contract required that 51 percent of the contractor's new workforce be residents of the District. Equally important, the DCSS Contract Terms and Conditions, Paragraph 21, required that the contractor obtain prior written consent from the OCP CO for the use of subcontractors. Our review indicated that DBTS did not comply with the First Source Agreement or obtain prior written consent to utilize subcontractors, and OCP did not take any action to enforce sanctions or penalties for noncompliance.¹⁰ As the awarding agency, OCP is responsible to determine the penalty and enforces sanctions for noncompliance.

From our samples, we calculated that DBTS employed District residents for only 30.94 and 16.87 percent of its workforce for services performed during FYs 2007 to 2008, respectively. As shown in Exhibit D, we calculated and summarized payments made to DBTS for services provided by non-District employees and subcontractors under the DCSS contract. We included in our calculations, the impact of DBTS' extensive reliance on subcontractors and found DBTS, without the written consent of the OCP CO, used subcontractors for 50 and 62 percent of the work in our sample for FYs 2007 and 2008, respectively. As shown in Exhibit E, we calculated and summarized payments made to DBTS for services provided by unauthorized usage of subcontractors. Furthermore, we found that only 4 of 14 and 3 of 22 subcontractors used by DBTS in the 2-year period were located in the District. Some of the DBTS subcontractors were located in California, Arizona, Georgia, Tennessee, Indiana, and New Jersey.

We concluded that DBTS' failure to employ District residents for 51 percent of its new workforce and obtain prior written consent to utilize subcontractors occurred because OCP did not perform compliance reviews and effectively supervise and provide management oversight for the administration of DCSS contracts. We also believe that OCTO COTRs contributed

¹⁰ Paragraph 20(h) of the DCSS Terms and Conditions provides that willful breach of the agreement may result in monetary fines of 5% of the total amount of labor costs under the contract.

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significantly to this condition by not fulfilling their responsibilities in administering DCSS contract terms and conditions for the use of subcontractors.

We also concluded that the lack of specific guidance to the parties responsible for monitoring and reporting the contractor's noncompliance with contract terms and conditions to the CO contributed to these conditions. Therefore, we held discussions on the First Source Agreement with a DOES representative, the DCSS CO, and several OCTO COTRs.

None of the parties acknowledged responsibility for reporting the contractor's noncompliance. The DCSS CO agreed that the process was not working and needed to be fixed. All of the COTRs we interviewed were unaware of the DCSS contract requirements for hiring District residents and using subcontractors. The DOES representative stated that with only three employees, she did not have sufficient staff to test approximately 3,000 contracts for compliance with the First Source Agreement. As a result, the District's economy lost about \$2.1 million because the contractor did not hire District residents for at least 51 percent of its workforce. Also, the District paid DBTS about \$4.3 million for unauthorized usage of subcontractors. Furthermore, other DCSS contractors lost the opportunity to participate in the program because a contractor was allowed to exceed its capacity and rely extensively on subcontractors to perform a majority of the work.

Maintenance of Contract Documentation. We randomly selected 44 records for procurements awarded to 2 contractors in order to review the supporting documentation. OCP did not provide supporting documentation for 35 of 44 or about 75 percent of the procurement actions we requested for review. Also, OCP did not provide a complete executed copy of the DBTS DCSS Contract Number PODS-2004-C-920-60 awarded in FY 2004, including modifications and the subsequently awarded task orders.

This condition occurred because OCP did not comply with the 27 DCMR § 1203 requirement to retain contract documentation. Also, inadequate supervision contributed to this condition. As a result, procurement actions could not be supported by documentation and management did not have the oversight capability to review required documentation for propriety and compliance with procurement laws and regulations of the District.

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SECTION II: COST REASONABLENESS
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Objective. In conducting the cost analysis, we sought to determine the reasonableness of DBTS' cost and profit for payments received from the District during FYs 2006 through 2008. We obtained via a subpoena, most of the contractor's financial records for the period 2002 through 2008. Initially, DBTS refused to allow access to their records. However, after receiving the subpoena, DBTS agreed to cooperate and, except for documents related to legal expenses and financial records for 2006, provided access to its records.

Below is a discussion concerning DBTS' direct and indirect costs including general overhead, facilities overhead, and general and administrative expenses. We also briefly discuss DBTS' employment agreement with the former owner of the company.

Direct Costs. We compared data from DBTS invoices to internal time sheets, payrolls, general ledger records, subcontractor agreements, subcontractor invoices, and DBTS payment records. Some of the deficiencies and/or discrepancies are discussed below:

- The District paid invoices that we considered improper. For example, DBTS internal records showed that employee paid-time-off hours were charged to District contracts, project ID numbers did not match the project indicated on invoices, hours worked or recorded in the period of performance by DBTS did not agree with the invoiced hours, and unpaid overtime hours were charged to District projects.
- Also, DBTS did not support subcontractor invoiced hours for which it had been paid. For example, DBTS did not always provide a copy of the subcontractor invoices, including supporting documentation such as time sheets, and did not provide copies of checks or electronic funds transfers to substantiate payments made to the subcontractors.

Indirect Costs. For the purpose of developing indirect cost rates, we made no adjustments to direct costs and calculated indirect cost rates for CYs 2007 and 2008 based on the direct costs recorded by DBTS, and applied these rates to our sample of payments in both years to develop fully burdened costs and determine profit.¹¹ According to the contractor, it had never segregated indirect costs to develop indirect cost rates prior to CY 2009. Therefore, we reviewed the contractor's current

¹¹ Our position of including the undocumented direct costs in our base for calculating indirect cost rates may have resulted in additional profit for DBTS.

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methodology for calculating indirect rates, and finding it reasonable, applied it to the years of our review. We also randomly selected indirect accounts from the annual trial balances and reviewed the documentation to support the recorded expenses.

We questioned some of the indirect costs because of the contractor's inability to provide us with documents to support certain elements of business costs. For example, DBTS did not provide a copy of the lease agreement for the office space applicable to the years reviewed. With the exception of indirect costs associated with the former owner, we accepted expenses such as mentioned above as fully incurred on behalf of the business.

Fringe Expenses. For CYs 2007 and 2008, we adjusted DBTS' fringe expenses to disallow benefit costs associated with the former majority owner of the company and calculated new fringe benefit cost rates for both years. The disallowed benefits included Paid Time Off, Holiday Pay, Social Security, Medicare, and Health Insurance. We determined that these expenses were non-business expenses as discussed below under the Employment Agreement with Former Owner section.

General Overhead Expenses. For CYs 2007 and 2008, we reclassified \$277,048 and \$89,081 of costs associated with certain employees to General and Administrative Expenses, respectively. These costs were reclassified to align them with the functions actually performed.

Facilities Overhead Expenses. We accepted the facilities expenses as recorded.

General and Administrative (G&A) Expenses. For CYs 2007 and 2008, we included the expenses reclassified from Overhead, but adjusted the G&A expenses to remove the annual salary and expenses associated with the former majority owner of DBTS. We determined that these expenses were non-business expenses and excluded them from our calculation of the G&A Rates.

Employment Agreement with Former Owner. In April 2006, the majority owner of DBTS sold her interest in the business and subsequently executed an employment agreement with the new president to retain her services, at her previous salary and benefits, for no more than 8 hours of work per week. We determined that this arrangement was in place to partially satisfy payment of the debt resulting from the purchase of the majority interest in DBTS. Therefore, we disallowed all expenses associated with the agreement and categorized them as non-business related expenses.

Audit Results. We determined that DBTS pricing was unreasonable and resulted in excess profit of \$602,411 for the DCSS payments it received for the period FY 2007 to FY 2008. We also determined that DBTS could not support about \$2.5 million of invoices paid by the

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District during this period. In selecting data for the reviews in FY 2007 and FY 2008, we used judgmental and statistical sampling, respectively.

We initiated the analysis with a review of FY 2007 DCSS payments made to DBTS and judgmentally sampled \$569,929 of \$3,831,510 paid. Of this amount, DBTS did not provide us with documents to support invoices valued at \$198,827 or 34.89 percent of the sample. Statistically, we could not project these results for FY 2007 to the total population. However, our results from FY 2008 indicated the conditions we found in FY 2007 were systemic and warranted calculating the impact of the contractor's inability to support its invoices. Accordingly, we calculated that DBTS could not support invoices of about \$1.3 million paid by the District for FY 2007.

Based on our initial findings for FY 2007, we statistically sampled \$668,512 of \$3,883,054 in FY 2008 DCSS payments to DBTS. We determined DBTS did not support invoices valued at \$198,185 or 29.65 percent of the sample. Projecting our statistical results to the total population, we calculated that DBTS could not support almost \$1.2 million in invoices paid by the District in FY 2008.

The discrepancies in unsupported invoices included instances where: 1) DBTS invoiced for employee hours that were recorded in the payroll records as paid time-off; 2) subcontractor hours were not supported by subcontractor invoice and payment documentation; and 3) employee hours were recorded in the payroll records for a project different than the project being invoiced (see Exhibit B for a complete listing of unsupported payments in FY 2007 and FY 2008).

Excessive Profit. We calculated profit margins of about 20 and 23 percent on services provided by DBTS employees under the DCSS contract in FY 2007 and FY 2008, respectively. In the GAO report *Contract Management: DOD's Profit Policy Provision to Stimulate Innovation Needs Clarification*, dated July 2001, we found that the "Weighted Guidelines Method" is widely used by the Department of Defense (DOD) to develop profit ranges for negotiating noncompetitive contracts and determined this method was applicable to the non-competitive DCSS information technology contracts awarded in the District (see Figure 4a).

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Figure 4a: DOD Profit Policy – Weighted Guidelines Method¹²

DOD Performance Risk Element	DOD Profit Range	Maximum Profit per the OIG for the DBTS Contract	OIG Basis for Evaluation
Technical	Standard Range of 2-6 percent	4-5 percent	DBTS recruited and provided persons that met technical qualification requirements.
	(Technology Incentive Range of 6-10 percent)	-0- percent	DBTS was not responsible for managing and delivering innovative technology solutions on District projects.
Management/Cost Control	Standard Range of 2-6 percent	4-5 percent	DBTS provided critical recruitment and other management services for its personnel but did not have project management or cost control responsibility.
Total Standard Profit Range w/o Technology Incentive	4 – 12 Percent	8 – 10 Percent	

We applied the principles of the “Weighted Guidelines” method to the District’s contract with DBTS and determined any profit in excess of 10 percent was unreasonable for the type of work performed and risks assumed by DBTS. In addition, during the audit, we obtained a report on an independent business valuation of DBTS conducted in 2005 that supports our position of 10 percent as a maximum reasonable profit (see Figure 4b for calculation of excess profit).

¹² See *id.* at 2-3.

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Figure 4b: Calculation of Excess Profit for DBTS

Description	FY 2007 Amount	FY 2008 Amount	Total Excess Profit
Total DCSS Payments	\$3,831,510	\$3,883,054	
Less: Unsupported Payments	\$1,336,671	\$1,151,159	
Net DCSS Payments	\$2,494,839	\$2,731,895	
Calculated Profit Rate	20.36%	22.59%	
Calculated Profit	\$507,949	\$617,135	
Less: Target Profit (10%)	\$249,484	\$273,190	
Excess Profit	\$258,465	\$343,945	\$602,411

- Total DCSS payments were determined based on quarterly sales reports obtained from the contractor.
- Unsupported payments were determined based on our sample invoice review and excluded from the calculation to avoid double counting.
- Calculated profit rates were determined based on the total cost developed independently from our sample.
- Target profit rate was developed by using DOD's weighted guidelines as discussed above.

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SECTION III: ALLEGATIONS

The OIG received two complaints concerning allegations of improper contracting activities at OCP. This report addresses the second complaint, which included three allegations. We summarized information related to the three allegations and the results of our review of these allegations in the following subsections.

Allegation #1

1. DBTS has been the recipient of hundreds of sole-source awards and other limited competition contracts. Specifically, it has obtained 130 or more contracts per year.

Audit Results: We could not obtain a sufficient number of procurement records (for example, solicitations, bid offers, determination and findings, etc.) to substantiate the allegation. Based upon a review of the limited documents and records obtained, we were able to determine that DBTS did receive sole-source awards and other limited competition contracts. However, we were unable to validate the number of contracts (130) per year secured by DBTS as alleged. We determined that the PASS system OCP used to record procurement actions was insufficient because it did not distinguish contracts from contract modifications or funding documents, such as purchase orders from tasks orders. However, we were able to obtain, review, and evaluate payment data on DBTS. From this data, we determined that DBTS received a disproportionate amount of payments (\$18M or about 19%) from the \$94.1 million paid to 44 CBEs over a 3-year period.

Allegation #2

2. DBTS received preferential treatment because the company was founded by a former OCTO employee.

Audit Results: The District's Department of Human Resources' review of employee records did not show that the current or former owners of DBTS had ever been employed by the District government. We also reviewed purchase orders (POs) to identify whether the current or former owner was employed as a District contractor. However, the POs in the period we reviewed did not specify the name of the individuals fulfilling the contracts. According to OCTO, they only began collecting contract employee information electronically on October 1, 2008. As a result, we could not determine if either of the owners was employed by OCTO as a contractor.

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Allegation #3

3. EastBanc Technologies received a disproportionate total number (158) of contracts for projects in FY 2006.

Audit Results: We could not obtain a sufficient number of procurement records (for example, solicitations, bid offers, determination and findings, etc.) to substantiate the allegation. We determined that the PASS system used by OCTO to record procurement actions was insufficient because it did not distinguish contracts from contract modifications or funding documents, such as purchase orders from tasks orders.

We were able to obtain, review, and evaluate payment data on EastBanc Technologies. From this data, we determined that EastBanc Technologies did receive a disproportionate amount (\$17M or about 18%) of the \$94.1 million paid to 44 CBEs over a 3-year period.

AUDIT RESULTS

<p>SECTION IV: RECOMMENDATIONS, MANAGEMENT RESPONSES AND OIG COMMENTS</p>
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We recommend that the Chief Procurement Officer, Office of Contracting and Procurement:

RECOMMENDATION 1

Establish targets, standards, and goals for soliciting and awarding contracts to CBEs and monitor performance once established.

OCP RESPONSE

OCP disagreed with the recommendation and indicated in its response that the practice relative to the solicitations under the DCSS has changed. Under the new practice, OCP invites all eligible CBEs to respond to DCSS solicitations, and therefore believes that there is no need to establish targets or standards.

OIG COMMENT

The OIG disagrees with OCP's response. During the course of the audit, we noted that OCP did not have a standard that required collection, tracking, and maintenance of solicitation information regarding CBE participation. As a result, OCP could not provide us with information to determine how many opportunities were given to each of the CBEs to bid on Requests for Quotations for District IT staff augmentation requirements. Further, due to the lack of standards or targets, OCP could not measure the performance of the DCSS program for IT services. For this recommendation, we believe that OCP should consider establishing standards, targets, or goals for the DCSS program that are similar to those established for the Information Technology Staff Augmentation (ITSA) contract.

We noted that in March 2010, OCP issued a memorandum, "instructing OCP Buyers to send all DCSS requests for quotes to all DCSS approved and certified vendors on the appropriate schedule...." We consider this action by OCP as a step in the right direction. However, we believe the standards for measuring CBE participation as adopted for the ITSA contract should be applied to the DCSS program as a whole.

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RECOMMENDATION 2

Develop an automated MIS to collect and report contracting information on the utilization of CBEs. The MIS should also provide management with reports on the award of task orders and award type (i.e., sole source or competitive award).

OCP RESPONSE

OCP agreed with the recommendation and plans to complete the implementation of additional modules to the PASS system by the end of FY 2010.

OIG COMMENT

Action taken by OCP is responsive and meets the intent of the recommendation.

RECOMMENDATION 3

Comply with the requirements established in 27 DCMR § 2100 for purchasing from existing term contracts. We recommend that the procurement checklist include a review of existing supply sources as a step for signoff by contracting specialists or contracting officers.

OCP RESPONSE

OCP disagreed with Recommendation 3 and stated that there are valid and legitimate reasons why contracts valued at \$100,000 or less would not be awarded via the DCSS. OCP further stated that in these instances, there will be documentation to support its decisions (see OCP's full response at Exhibit G).

OIG COMMENT

OIG disagrees with OCP. During the audit, we noted instances when CBEs received awards outside of the DCSS that had an original value of \$100,000 or less, and there was no documentation in the contract files to support OCP's decision. A checklist containing the requirement for the set-aside of procurements of \$100,000 or less would assist in ensuring compliance with the requirement and that contract files include the documentation of any exceptions in the D&F.

RECOMMENDATION 4

Comply with D.C. Code § 2-218.45 (Mandatory set-aside of contracts with a value of \$100,000 or less for small business enterprises). We recommend that the procurement checklist include this requirement for sign-off by contracting specialists/officers. The exceptions should also be documented in the D&F.

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OCP RESPONSE

The OCP disagrees with this recommendation for the same reasons stated in Recommendation 3 above.

OIG COMMENT

OIG disagrees with OCP (See OIG's comments at Recommendation 3).

RECOMMENDATION 5

Comply with the requirement established in 27 DCMR § 1626 for the performance of the cost analysis. We recommend that the procurement checklist include the requirement to obtain certified cost/pricing data from contractors and perform the cost analysis. The exceptions should also be documented in the D&F.

OCP RESPONSE

OCP disagrees with the Recommendation and does not conduct a price analysis when soliciting prices through existing GSA contracts because GSA conducts a price analysis assessment as part of its approval process. OCP also stated that there is no need for the DCSS staff to receive additional training for a task they have no need to conduct.

OIG COMMENT

We disagree with OCP. OCP misinterpreted OIG's recommendation to perform the cost analysis as a price analysis. Also, we noted OCP's Procurement Procedures include a requirement to determine the cost reasonableness of the contractor's proposed pricing (see OIG's full response at Exhibit F).

RECOMMENDATION 6

Establish procedures that require contracting personnel to have the training necessary to perform cost analyses.

OCP RESPONSE

The OCP disagrees with this recommendation for the same reasons stated in Recommendation 5 above.

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OIG COMMENT

OIG disagrees with OCP (See OIG's comments at Recommendation 5).

RECOMMENDATION 7

Coordinate activities with DOES to develop and implement a process to clarify responsibilities to all parties (DOES, COs, and COTRs) involved in collecting and reporting employment data and monitoring contractor performance against the requirement in the First Source Agreement.

OCP RESPONSE

OCP agreed with the recommendation and has initiated discussions with DOES to improve the flow of information between agencies as it relates to First Source Agreement contractor requirements (See OCP's full response at Exhibit G).

OIG COMMENT

We consider actions taken by OCP to be responsive and meet the intent of the recommendation.

RECOMMENDATION 8

Develop and implement a process for task orders that requires COs to communicate, in writing, the responsibilities of the COTR to monitor and report noncompliance with contract terms and conditions on the use of subcontractors. This process should include monthly or quarterly reporting on subcontractor use.

OCP RESPONSE

OCP agreed with the recommendation and states that it has established an extensive COTR training program for contracts over \$100,000.

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OIG COMMENT

Actions taken by OCP are responsive and meet the intent of the recommendation.

RECOMMENDATION 9

Comply with requirements established in 27 DCMR § 1203 to maintain contract documentation sufficient to constitute a complete history of the transaction. We recommend that OCP require electronic storage of all contract documentation as well as management review and signoff, attesting to the completeness of the contract documentation.

OCP RESPONSE

OCP agreed with the recommendation and states that it has launched multiple initiatives, including electronic storage, aimed at improving storage of contract documentation.

OIG COMMENT

We consider actions taken by OCP to be responsive and meet the intent of the recommendation. Although OCP agreed with the recommendation, we request that OCP provide a planned completion date for Recommendation 9.

RECOMMENDATION 10

Determine whether DBTS should be assessed a penalty for noncompliance with the contract.¹³

OCP RESPONSE

OCP disagreed with the recommendation and stated that it is unsure whether there was actual wrongdoing or contract violations on the part of DBTS.

OIG COMMENT

The OIG disagrees with OCP. OCP's response to Recommendation 10 does not address the condition for which the recommendation was made. The noncompliance issues are directly related to the requirements of the First Source Agreement, which are described at length in Section 1 of this Audit Report under "Insufficient Contract Monitoring." See Audit Report page 13 and footnote 13 below.

¹³ Paragraph 20(h) of the DCSS Terms and Conditions provides that willful breach of the agreement may result in monetary fines of 5% of the total amount of labor costs under the contract.

AUDIT RESULTS

RECOMMENDATION 11

Establish a procedure that requires the name of all selected candidates be included in the contract awarded to the successful contractor.

OCP RESPONSE

OCP agreed with the recommendation and states that it currently includes the name of the resource hired in purchase orders.

OIG COMMENT

We consider actions taken by OCP to be responsive and meet the intent of the recommendation.

We recommend that the Chief Technology Officer, Office of the Chief Technology Officer:

RECOMMENDATION 12

Develop a process to effectively monitor the performance of COTRs assigned to administer the contracts.

OCTO RESPONSE

OCTO agreed with the recommendation. OCTO stated that it has procured virtually all contract staff through the new ITSA contract vehicle and the assigned COTR effectively monitors the contract administration performance of the prime contractor.

OIG COMMENT

We consider actions taken by OCTO to be responsive and meet the intent of the recommendation.

RECOMMENDATION 13

Compare supporting documentation (timesheets) independently maintained by COTRs with supporting documentation submitted with DBTS invoices that were certified by COTRs for payment during FYs 2007 and 2008 and seek repayment for all unsupported invoices.¹⁴

¹⁴ Our audit samples indicated that unsupported invoices could total as much as \$2,487,826.

AUDIT RESULTS

OCTO RESPONSE

OCTO agreed with the recommendation.

OIG COMMENT

Although the CTO agreed with the recommendation, we request that the CTO provide a planned completion date for Recommendation 13.

RECOMMENDATION 14

Maintain records for all personnel contracted to support OCTO projects.

OCTO RESPONSE

OCTO agreed with the recommendation and noted that since November 2008, it has procured virtually all contract staff through ITSA. The ITSA prime contractor maintains resumes and hiring records for all personnel contracted through ITSA.

OIG COMMENT

We consider actions taken by OCTO to be responsive and meet the intent of the recommendation.

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

Recommendations	Description of Benefit	Amount and Type of Benefit	Agency Reported Estimated Completion Date	Status¹⁵
1	Compliance, Internal Control, and Economy and Efficiency. Establishes targets, standards, and goals for soliciting and awarding contracts to CBEs.	Non-Monetary	Unresolved	Open
2	Compliance and Economy and Efficiency. Develops an automated MIS.	Non-Monetary	9/30/2010	Open
3	Compliance and Internal Control. Requires contracting personnel to comply with requirement to use existing term contracts.	Monetary \$501,677	Unresolved	Open
4	Compliance and Internal Control. Requires contracting personnel to comply with requirement to set-aside procurements for small businesses.	Non-Monetary	Unresolved	Open

¹⁵ This column provides the status of a recommendation as of the report date. For final reports, “**Open**” means management and the OIG are in agreement on the action to be taken, but action is not complete. “**Closed**” means management has advised that the action necessary to correct the condition is complete. If a completion date was not provided, the date of management’s response is used. “**Unresolved**” means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

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

Recommendations	Description of Benefit	Amount and Type of Benefit	Agency Reported Estimated Completion Date	Status¹⁵
5	Compliance, Internal Control, and Economy and Efficiency. Requires contracting personnel to comply with the requirement to perform cost analysis.	Monetary \$602,411	Unresolved	Open
6	Compliance, Internal Control, and Economy and Efficiency. Requires contracting personnel be trained to perform cost analyses.	Non-Monetary	Unresolved	Open
7	Compliance. Requires contracting personnel to enforce contractor compliance with the requirement to hire District residents.	Monetary \$2,095,420	7/9/2010	Closed
8	Compliance and Internal Control. Enhances the communication for the administration of task orders.	Non-Monetary	7/9/2010	Closed

¹⁵ This column provides the status of a recommendation as of the report date. For final reports, “**Open**” means management and the OIG are in agreement on the action to be taken, but action is not complete. “**Closed**” means management has advised that the action necessary to correct the condition is complete. If a completion date was not provided, the date of management’s response is used. “**Unresolved**” means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

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

Recommendations	Description of Benefit	Amount and Type of Benefit	Agency Reported Estimated Completion Date	Status¹⁵
9	Compliance and Internal Control. Requires contracting personnel to comply with the requirement to document procurement actions.	Non-Monetary	9/30/2010	Open
10	Compliance, Internal Control and Financial. Enforces penalties for contractor noncompliance with contract terms and conditions.	Monetary TBD	Unresolved	Open
11	Compliance, Internal Control, and Economy and Efficiency. Requires that contract employees be identified in contracts.	Non-Monetary	7/9/2010	Closed
12	Compliance and Economy and Efficiency. Develops process to effectively monitor COTR performance.	Non-Monetary	6/28/2010	Closed

¹⁵ This column provides the status of a recommendation as of the report date. For final reports, “**Open**” means management and the OIG are in agreement on the action to be taken, but action is not complete. “**Closed**” means management has advised that the action necessary to correct the condition is complete. If a completion date was not provided, the date of management’s response is used. “**Unresolved**” means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

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

Recommendations	Description of Benefit	Amount and Type of Benefit	Agency Reported Estimated Completion Date	Status¹⁵
13	Financial. Ensures invoices paid by the District are supported by the contractor.	Monetary ¹⁶ \$2,487,826	TBD	Open
14	Internal Control. Maintains records for contractor personnel.	Non-Monetary	6/28/2010	Closed

¹⁵This 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.

¹⁶ \$328,267 was the total of unsupported payments from our samples. The sample and projected figures are shown in Exhibit B.

EXHIBIT B. SUMMARY OF UNSUPPORTED PAYMENTS TO DBTS, INC

Description	FY 2007 ¹⁷		FY 2008		TOTAL	TOTAL
	Sample Results	Calculated	Sample Results	Projected	Sample Results	Calculated/Projected
Total DCSS Payments		\$3,831,510		\$3,883,054		
Sample Payments	\$522,534		\$668,512			
Sample Errors						
Invoices were missing to support payments received	-	-	\$44,578	\$258,929	\$44,578	\$258,931
Employee invoiced hours were charged to different projects per payroll records	\$31,442	\$230,550	\$9,985	\$57,998	\$41,427	\$288,548
Employee paid time-off hours were also charged to District task orders	\$3,185	\$23,354	\$2,550	\$14,812	\$5,735	\$38,166
Employee Hours invoiced for the period of performance were greater than recorded in the DBTS payroll records	\$3,360	\$24,637	\$2,800	\$16,264	\$6,160	\$40,901
Overtime charged to DCSS task orders but not paid to employees	\$4,585	\$33,620	\$0	\$0	\$4,585	\$33,620
Unsubstantiated payment of subcontractor	\$5,600	\$54,921	\$6,984	\$40,567	\$14,474	\$95,488
Subcontractor invoice documentation missing	\$87,795	\$409,157	\$131,288	\$762,587	\$187,088	\$1,171,744
DBTS invoiced hours greater than subcontractor invoiced hours	\$31,740	\$7,333	\$0	\$0	\$1,000	\$7,333
Subcontractor time sheet documentation missing	\$19,620	\$143,865	\$0	\$0	\$19,620	\$143,865
Unexplained credit to DBTS by subcontractor	\$11,500	\$26,397	\$0	\$0	\$3,600	\$26,397
Total Sample Errors	\$198,827		\$198,185		\$328,267	
Sample Error Rate	34.89%		29.65%			
Total Calculated*/Projected Population Error		\$1,336,671*		\$1,151,155		\$2,487,826

¹⁷ FY 2007 was not statistically sampled and the amount presented is only a calculated estimate.

EXHIBIT C. DISTRICT PAYMENTS TO CBEs

Vendor Name	FY 2006	FY 2007	FY 2008	Total
DBTS	6,285,687	6,357,649	5,738,428	18,381,764
EASTBANC TECHNOLOGIES	6,788,637	5,679,124	4,153,743	16,621,504
NETWORKING FOR FUTURE INC	3,461,284	3,346,931	2,499,895	9,308,110
TELECOMMUNICATIONS DEV CORP.	4,004,367	3,031,284	1,198,682	8,234,333
NEW LIGHT TECHNOLOGIES, INC.	1,800,482	3,091,595	2,063,490	6,955,567
DOCUMENT SYSTEMS INC	2,524,730	2,115,325	1,430,500	6,070,555
MVS INC	1,054,355	1,464,350	2,149,932	4,668,637
DYNAMIC CONCEPTS INC	633,484	1,485,967	793,542	2,912,993
PC NET, INC.	301,368	605,439	1,287,891	2,194,698
PEAK TECHNOLOGY SOLUTIONS INC	498,139	611,371	1,054,410	2,163,920
GINICORP	1,085,284	580,242	216,844	1,882,370
PARADYME MANAGEMENT, INC.	198,768	340,824	839,246	1,378,838
OBVERSE CORPORATION INC	362,352	458,668	551,671	1,372,691
COMPUTER WORLD SERVICES CORP	925,522	192,295	208,818	1,326,635
ENLIGHTENED INC	77,588	306,981	851,667	1,236,236
NUCORE VISION INC	634,464	464,763		1,099,227
MARLAW SYSTEMS TECHNOLOGY	623,854	418,120		1,041,974
ALIGNED DEV. STRATEGIES, INC.	173,704	194,070	535,165	902,939
HI-TECH SOLUTION, INC.	248,324	307,111	341,533	896,968
SUPRETECH, INC.		188,150	402,955	591,105
BEALE INC	390,713	175,095	6,165	571,973

EXHIBIT C. DISTRICT PAYMENTS TO CBEs

Vendor Name	FY 2006	FY 2007	FY 2008	Total
NUSTRAT LLC	19,405	169,911	339,218	528,534
UNITY CONSTRUCTION OF DC INC	-	257,308	206,006	463,314
HGM MANAGEMENT AND TECH	420,936			420,936
TECKNOMIC LLC		302,551	113,610	416,161
TECHNOLOGY & SECURITY SERVICES	2,789	310,512	100,505	413,806
CAPITAL COMMITMENT SOLU INC	157,207	49,740	96,930	303,877
CAPITAL SERVICES AND SUPPLIES	83,515	102,135	77,030	262,680
ASPEN OF DC, INC.		121,970	64,975	186,945
NETWORK ENGINEERING INC	92,409	2,109	75,996	170,514
MOTIR SERVICES INC		38,760	124,440	163,200
EMPOWERMENT TECHNOLOGY LLC	156,439			156,439
PAIGE INTERNATIONAL	2,100	83,127	62,491	147,718
SPECTRUM SYSTEMS, INC.			123,519	123,519
J E TECHNOLOGIES, INC	85,170	20,120	15,936	121,226
OST INC	106,540	8,126		114,666
WALTON & GREEN CONSULTANTS	82,992	19,950		102,942
GEO IMAGING CONSULTING INC	25,047	9,396	51,962	86,405
INTERNATIONAL BUSINESS EXPRESS	4,371	23,137		27,508
DATA NET SYSTEMS CORP	19,443			19,443
HARD LIGHT CONSULTING GROUP	3,400	13,900		17,300
MAGNIFICUS CORPORATION			6,720	6,720

EXHIBIT C. DISTRICT PAYMENTS TO CBEs

Vendor Name	FY 2006	FY 2007	FY 2008	Total
GATEKEEPERS INTERNET MARKETING	5,285	652	-	5,937
COMPUTER CLINIC CENTER	4,564	-	-	4,564
ACCOUNTING & COMPUTER SOLUTIONS, INC.	-	-	-	-
ACCURATE CONCEPTIONS, LLC	-	-	-	-
ADVANCED INTEGRATED TECHNOLOGIES CORPORATION	-	-	-	-
ALL YOU NEED TEMP SERVICES, INC.	-	-	-	-
ALPHA SECURITY TECHNOLOGIES, INC.	-	-	-	-
ARRINGTON DIXON AND ASSOCIATES, INC.	-	-	-	-
COMP-TECH ASSOCIATES, INC.	-	-	-	-
CORPORATE SYSTEMS RESOURCES, INC.	-	-	-	-
DIGITAL SAFETYNET, INC.	-	-	-	-
DRE PARTNERS	-	-	-	-
IITS, LLC	-	-	-	-
IIU CONSULTING INSTITUTE, INC.	-	-	-	-
INFOBIZZ NETWORKING AND CONSULTING INC.	-	-	-	-
ISI-PROFESSIONAL SERVICES	-	-	-	-
L C SYSTEMS	-	-	-	-
MINDFINDERS, INC.	-	-	-	-
OFORI & ASSOCIATES, PC	-	-	-	-
PRIME SOURCE TECHNOLOGIES, LLC	-	-	-	-
Q-INDUSTRIES	-	-	-	-
THE WENDELL GROUP, INC.	-	-	-	-
VANTIX	-	-	-	-
V-TECH SOLUTIONS, INC.	-	-	-	-
WINBOURNE & COSTAS, INC.	-	-	-	-
LJR TECHNOLOGY LLC	-	-	-	-
THE CARRINGTON GROUP, INC.	-	-	-	-
TOTAL – 69 CBEs	33,344,718	32,948,758	27,783,915	94,077,391

**EXHIBIT D. UNDEREMPLOYMENT OF DISTRICT
RESIDENTS BY DBTS, INC**

Based on the sample payments made to DBTS from October 1, 2006, through September 30, 2008, we calculated payments lost to the District's economy to be about \$2.1 million.

	Description	FY 2007		FY 2008		Calculated Under-employment
a	Total DCSS Payments		\$3,831,510		\$3,883,054	
	Sample Results:					
b	District Residents	\$176,313	30.94%	\$112,795	16.87%	
c	Non-District Residents	<u>\$393,616</u>	<u>69.06%</u>	<u>\$555,717</u>	<u>83.13%</u>	
d	Total Sample (b + c)	\$569,929	100%	\$668,512	100%	
e	Target Employment (51% of d)	\$290,664		\$340,941		
f	Underemployment (e - b)	\$114,351		\$228,146		
g	Underemployment Rate ((f/d)*100)	20.10%		34.13%		
	Calculated Total Underemployment (g x a)		\$770,134		\$1,325,286	<u>\$2,095,420</u>

- Total DCSS payments were determined based on quarterly sales reports obtained from the contractor.
- Sample size for FY 2007 and FY 2008 were determined by using judgmental and statistical sampling, respectively.
- District residency was determined based on addresses on W2s for employees and subcontractors agreement for subcontractors.

**EXHIBIT E. UNAUTHORIZED USAGE OF SUBCONTRACTORS
BY DBTS, INC**

Based on the sample payments made to DBTS from October 1, 2006, through September 30, 2008, we calculated unauthorized payments for the use of subcontractors to be about \$4.3 million.

	Description	FY 2007		FY 2008		Calculated Unauthorized Use of Subcontractors
a	Total DCSS Payments		\$3,831,510		\$3,883,054	
b	Employee	\$284,977	50%	\$208,208	31%	
c	Subcontractors	\$284,952	50%	\$415,726	62%	
d	Unidentified	<u>0</u>	<u>0</u>	<u>\$44,578</u>	<u>7%</u>	
e	Total Sample Size (b+c+d)	\$569,929	100%	\$668,512	100%	
f	Use of Subcontractors Rate ((c/e)*100)	50%		62%		
g	Unauthorized Use of Subcontractors Calculated to Total Population (a*f)		\$1,915,755		\$2,407,493	\$4,323,248

- Total DCSS payments were determined based on quarterly sales reports obtained from the contractor.
- Sample size for FY 2007 and FY 2008 were determined by using judgmental and statistical sampling, respectively.

EXHIBIT F. OIG COMMENTS TO OCP'S RESPONSE TO THE DRAFT REPORT

OFFICE OF THE INSPECTOR GENERAL COMMENTS TO THE DISTRICT OF COLUMBIA OFFICE OF CONTRACTING AND PROCUREMENT'S RESPONSE TO THE DRAFT REPORT ON CONTRACTING ACTIONS AT THE OFFICE OF THE CHIEF TECHNOLOGY OFFICE (OIG No. 08-2-06TO(a))

OIG Overall Comments

The OIG staff in analyzing the OCP response, considered the information that OCP provided, and adjusted the report where warranted. Specific OIG comments appear following language as taken from the detailed OCP responses to the draft report. The following is our analysis of and comments on OCP's response to the draft report.

OCP Response, page 1 of 11: Unfortunately the findings are now more than three or more years old and the processes for procuring technology resources and ordering off of the DC Supply Schedule have completely changed, making most of the recommendations obsolete and irrelevant. More importantly, the report is filled with findings that are unsubstantiated and unclear at best, inaccurate at worst.

OIG Comment: We disagree with OCP's assertions that the findings and recommendations are more than 3 years old, making most of the recommendations obsolete and irrelevant. We also disagree that the report has findings that are unsubstantiated, unclear, or inaccurate. On November 23, 2007, the OIG received a letter from the CPO and CTO requesting an informal review of contracting activities conducted by OCP in support of OCTO. Specifically, the CPO and CTO requested "an independent review to assess procedural adherence, effectiveness of controls, and general practices related to the contracting function."

In this regard, our first audit, *Audit of Selected Contracting Actions at the Office of the Chief Technology Officer* (OIG No. 08-2-06TO), was initiated on March 3, 2008, with the final report issued to OCP on May 7, 2009. The report addressed a complaint received by the OIG regarding improper contracting activities at OCP.

On April 1, 2009, a meeting was held with OCP officials. At that meeting the officials were notified of the commencement of the second audit, which began on that date. The audit covered the period October 1, 2006, to September 30, 2008,¹⁸ and addressed a second complaint received by the OIG alleging improprieties at OCP. We noted that the scope of audit work focused on the specific concerns identified in the OCP and OCTO letter that requested the independent review by the OIG. On June 8, 2010, the draft report for the second audit, *Audit of Selected Contracting Actions at the Office of the Chief Technology Officer* (OIG No. 08-2-06TO)(a)), was issued to OCP.

¹⁸ Our audit scope did not include fiscal year 2009 because the period was in progress.

**EXHIBIT F. OIG COMMENTS TO OCP'S RESPONSE TO
THE DRAFT REPORT**

Accordingly, based on the foregoing, the audit work that supports our findings and related recommendations is current for both audits. As such, we, disagree with OCP's assertions that the findings and recommendations are more than 3 years old. With respect to procuring IT services, in February 2009, OCP changed its process for procuring IT resources from the DCSS program to the new Information Technology Staff Augmentation (ITSA) contract. However, with the exception of IT services, all other services continue to be procured by OCP using the DCSS program. Accordingly, our recommendations are relevant and remedy operational deficiencies that may be systemic and not restricted solely to the procurement of IT services under the DCSS.

Further, the OIG based its finding and related recommendations in this audit report on facts gathered from independent sources (OCTO, OFRM, DOES, DBTS, and the CBE community) during the course of the audit. Our audit results and conclusions are fully supported by documented, appropriate, and sufficient audit evidence.

EXHIBIT F. OIG COMMENTS TO OCP'S RESPONSE TO THE DRAFT REPORT

Section I: Management of the DC Supply Schedule Program for Information Technology Services

Finding 1 (p. 8-11): Rotation of Opportunities among Certified Business Entities (CBE). OCP did not rotate opportunities among DCSS IT contractors in accordance with the goal of the program to expand opportunities for CBEs. Specifically, OCP did not:

1. Establish standards or targets for the use of CBEs;
2. Always use the DCSS to make purchases of \$100,000 or less from CBEs;
3. Always seek competition for task orders over \$25,000;
4. Establish standard operating procedures; and
5. Develop and implement an automated MIS to collect and report DCSS contract information.

OCP Response, page 2 of 11: The OCP believes that the underlying premise of this finding is misguided. It is predicated upon the belief that seven (7) contractors received the majority of awards, and that the opportunities were not properly rotated. A rotation of vendors on the DCSS is relevant only in terms of having an opportunity to bid on request for quotes, not in terms of awarded contracts. If winning vendors had superior pricing during this period, it makes sense that they would receive most awards. Hence, awards are made to the low responsive offeror. OCP believes that the only valid finding in this section is that there may have been a lack of documentation to make a complete assessment about rotation. That said, file maintenance has been a long standing issue in my agency, and one that is being addressed on several fronts yielding drastically improved results. Furthermore, information about who received the RFQ and their corresponding quotes are typically in the paper files, not the Requisition (RQ) or Purchase Order (PO). While the report indicates that POs and RQs were reviewed, it isn't clear based on the finding description whether the OIG reviewed paper files to verify that only a subset of vendors received the opportunity to respond and that unsuccessful vendors had not received notice of the opportunity.

OIG Comment: The OIG disagrees with OCP's response that the underlying premise of this finding is misguided.

During the course of the audit, OCP was unable to provide sufficient documentation to support its decisions made regarding awards to CBEs. Specifically, at the onset of the audit, we requested all supporting documents such as purchase orders, purchase requisitions, task orders, request for quotations, bid lists, etc., related to 44 awards made to 2 CBEs. OCP provided us with documentation to support only 9 of the 44 awards. We concluded that OCP did not adequately maintain the necessary procurement documents to determine how many opportunities were given to each of the CBEs to bid on Request for Quotations for District IT staff augmentation requirements.

EXHIBIT F. OIG COMMENTS TO OCP'S RESPONSE TO THE DRAFT REPORT

In the absence of pertinent information (such as a bid list), the OIG used alternative approaches that enabled us to evaluate the fairness of opportunities provided to the CBEs. Specifically, to achieve the audit objectives and comply with the requirements of generally accepted government auditing standards, the OIG used appropriate and sufficient audit evidences obtained through analyzing payment data related to 44 CBEs and revenue information received from 17 CBEs.

OCP Response, page 2 of 11 (continued)

- Item 1: Establish standards or targets for the use of CBEs:
OCP strenuously disagrees with the OIG recommendation to establish targets and standards for the use of CBEs. OCP should never establish standards or targets for outcomes as they relate to who wins awards. OIG has wrongly placed an emphasis on equal distribution of awards, when the proper focus should be on increasing competition through increased opportunities to bid on awards. Recognizing the importance of maximizing competition among bidders, OCP has taken steps to ensure that every relevant CBE has an opportunity to bid on DCSS solicitations. Under the direction of OCP's new Assistant Director of Procurement, management issued guidance to staff in March 2010 (Attachment D) instructing OCP Buyers to send all DCSS requests for quotes to all DCSS approved and certified vendors on the appropriate schedule. This approach eliminates the need for rotation altogether, as all vendors will have an opportunity to respond to all relevant solicitations.

OIG Comment: The OIG disagrees with OCP's response and recommends that standards or targets be established for the procurement of goods and services from CBEs. During the course of the audit, we noted that OCP did not have a standard that required collection, tracking, and maintenance of solicitation information regarding CBE participation. As a result, OCP could not provide us with information to determine how many opportunities were given to each of the CBEs to bid on Requests for Quotations for District IT staff augmentation requirements.

Further, due to the lack of standards or targets, OCP could not measure the performance of the DCSS program for IT services. Such performance measures would have included a periodic evaluation of CBE participation or non-participation in the program. As previously stated, although OCP disagreed with our recommendation, we noted that in March 2010, OCP issued a memorandum, "instructing buyers to send all DCSS requests for quotes to all DCSS approved and certified vendors on the appropriate schedule...." We consider this action by OCP as a step in the right direction.

OCP Response, page 3 of 11

- Item 2: Always use the DCSS to make purchases of \$100,000 or less from CBEs.
The OCP disagrees with this finding. The law states that the DCSS shall be used to make purchases for \$100,000 or less, unless two or more vendors cannot respond to a solicitation.

EXHIBIT F. OIG COMMENTS TO OCP'S RESPONSE TO THE DRAFT REPORT

Furthermore, there are legitimate reasons why contracts under \$100,000 would not be on the DCSS including instances in which a particular good or service does not have a corresponding schedule. When procurements below \$100,000 are not made using a DCSS vendor, the practice, in accordance with the law, is to document the decision in writing with a Determination and Findings (D&F) memo, which is attached to the electronic file in PASS. As this procedure is in place and is widely communicated to buyers, there is no need for a new procedure.

OIG Comment: The OIG disagrees with OCP's assertion that two or more vendors could not respond to a DCSS IT solicitation for staff augmentation services. OCP awarded 4 of 9 task orders on a sole-source basis without any written justification documented in the D&F. Also, OCP did not provide supporting documentation (such as the D&F memorandum, paperwork, etc.) for 35 of 44 or about 75 percent of the procurement actions we requested for review. Therefore, the OIG used an alternative approach to determine whether there were at least two responsible qualified DCSS CBEs during the period under review. In this regard, OIG determined that there were at least 69 OCP-approved contractors capable of providing IT staff augmentation services under the DCSS. Also, OCP did not send all DCSS requests for quotes to the 69 DCSS approved and certified vendors.

Based on the payment data, the OIG surveyed 44 OCP-approved CBEs that received payments for IT services and received responses from 17 CBEs (including a response from DBTS). To determine the reliability of the survey data provided by the 17 CBEs, the OIG tested the data reported by DBTS for validity to establish a basis for our conclusion that contract awards with an original value of \$100,000 or less were made to DBTS, outside of the DCSS (see Exhibit G for a listing of awards).

OCP Response, page 3 of 11 (continued)

- Item 3: Always seek competition for task orders over \$25,000.
OCP finds fault with this assertion. The OIG failed to recognize that both large and small procurements may be valid sole source candidates. Continuity of service with a particular resource is frequently used and widely recognized as a legitimate sole source justification. Knowing that there are instances in which sole source may have been justified, it is difficult for OCP to determine whether the four sole sources referenced were unjustified, or were merely missing the corresponding D&F memos. The OIG was asked to provide specific POs associated with the four sole source procurements so that we could look at the D&Fs justifying the sole source, but OCP never received a response to this request.

OIG Comment: The OIG disagrees with OCP's assertion that the OIG failed to recognize that both large and small procurements may be valid sole source candidates. OCP is mixing procurement procedures (open market versus DCSS) in its response.

EXHIBIT F. OIG COMMENTS TO OCP'S RESPONSE TO THE DRAFT REPORT

During the audit, the OIG provided OCP with four task orders (for IT staff augmentation services) valued at more than \$25,000 that were awarded to two CBEs on a sole source basis via DCSS. OCP was unable to provide us with sole source documentation for the task orders. Per the DCSS ordering clause, all task orders valued at \$25,000 or more should be competed unless two or more responsible qualified DCSS CBEs are unable to respond to Request for Task Order proposals. If this occurs, OCP can apply small purchase or sole source procedures with adequate justification (such as a D &F). However, this was not the case for the two CBEs that were awarded the procurements.

OCP Response, page 4 of 11

Finding 2 (p. 11-12): OCP did not maximize the utilization of CBEs in accordance with the objective of D.C. Law 14-83, and maximum utilization of CBEs through existing DCSS contracts did not occur because OCP did not follow the priorities set forth in 27 DCMR Sections 2100 and 2103.

OCP Comment: The OIG supports this finding from a belief that 1) OCP did not adhere to management goals for the DCSS program, 2) A survey of 17 CBEs which illustrates total DC Government revenue as depicted in "Figure 3: Total District Revenue Reported by 17 CBEs for CYs 2006-2008," (p.11) and, 3) a general claim that OCP did not follow the priorities set forth in 27 DCMR Section 2100 and 2103. Each of the OIG's supporting points are off target and unsubstantiated.

First, OCP does not know what "management goals" OIG is referring to on p.11 of the report. Again – requests for clarification from your office were ignored. Second, the graph in Figure 3 shows that of \$77 million in total DC Government revenue reported from 17 CBEs from CY2006 through CY2008, \$50 Million or 65 per cent, came from non-DCSS revenue. The DCSS covers approximately 16 specific goods or service areas and are not intended to cover every type of purchase the District makes.

There are many instances when Small Business Enterprises (SBE) receives government business outside of the DCSS. There are SBEs who are not on a schedule and SBEs who *are* on a schedule but obtained awards through formal bid or proposal (outside of the DCSS). OIG appears to believe that because SBEs earned revenue from sources other than the DCSS, they are not being properly utilized. The point that OIG is trying to make is unclear. Further, it is not explained whether SBE dollars were received via procurements over \$100,000. To assume that these were purchases that should have been made on the schedule, and thus resulted in lost sales discount revenue (Finding 2, p. 12) is not substantiated.

OIG Comment: The OIG does not understand OCP's claim that, "First, OCP does not know what "management goals" OIG is referring to on p.11 of the report...." The OIG obtained this

EXHIBIT F. OIG COMMENTS TO OCP'S RESPONSE TO THE DRAFT REPORT

information/text from OCP's annual workshop presentations, which is presented on page 2 of the report under CPO Responsibility and reads in part "As presented in the annual workshops...."

Also, the OIG disagrees with OCP's assertion that there are many instances when Small Business Enterprises (SBE) receive government business outside of the DCSS and there are SBEs or CBEs that are not on a schedule but obtain awards through formal bid or proposal (outside of the DCSS).

As mentioned above, the OIG established that the non-DCSS revenue reported by the CBEs was reliable. Further analysis of the non-DCSS awards to DBTS showed that almost all of the awards were for IT staff augmentation services for which OCP had approved 69 CBEs as capable of providing the same services under their respective DCSS contracts.

Therefore, we are including an Attachment to Exhibit F to show the number of awards outside of the DCSS made to DBTS that have an original value of \$100,000 or less. As stated, most of the awards were for IT staff augmentation services that should have been set-aside for the DCSS and competed among the OCP-approved 69 CBEs to comply with the above set-aside requirement (as opposed to open market or sole source awards).

Finally, the OIG disagrees with OCP's conclusion that the point that OIG is trying to make is unclear. The OIG clearly determined that the District lost sales discount revenue because OCP awarded non-DCSS contracts to CBEs that also held DCSS contracts for the same services.

OCP Response, page 4 of 11

Finding 3 (p. 12-13): OCP did not obtain certified cost and pricing data as required by D.C. Code 2-303.08(a) prior to the award of DBTS Contract Number PODS-2004-C-920-60. OCP also did not determine the price reasonableness of cost and profit in accordance with 27 DCMR Section 1626.1, which requires a cost analysis where a contract award or modification exceeds \$500,000.

OIG notes that "OCP did not determine in writing that the pricing schedule adopted by DBTS was negotiated based on established catalog or market prices." The OIG wrongly asserts that the "District must determine price reasonableness when small contractors adopt federal schedule of large companies whose business and cost structure are totally unrelated to their company. "First, the DCSS requires that vendors adopt a corresponding GSA Schedule's pricing and submit those prices as part of their bid. DBTS provided the required pricing information in its contract and POs. The pricing they providing matched the corresponding GSA contract (GS-35F-0718N) as required. The OIG had concerns that the pricing was on DBTS letterhead and not the actual GSA schedule (see response to Recommendation 10), but the pricing data provided was complete and accurate.

Second, OCP does not conduct a cost analysis on DCSS contracts because those contracts adopt an existing GSA contract and corresponding pricing, and the GSA conducts a price analysis assessment as part of its contract approval process. The FAR 8.404(d) specifically states that

EXHIBIT F. OIG COMMENTS TO OCP'S RESPONSE TO THE DRAFT REPORT

“Supplies offered on the schedule [GSA] are listed at fixed prices. Services offered on the schedule are priced either at hourly rates, or at a fixed price for performance of a specific task (e.g., installation, maintenance, and repair). GSA has already determined the prices of supplies and fixed-priced services, and rates for services offered at hourly rates under schedule contracts to be fair and reasonable. Therefore, ordering activities are not required to make a separate determination of fair and reasonable pricing except for a price evaluation as required by 8.405-2.” Instead, OCP performs a simple verification of referenced GSA schedule. Requiring an additional price analysis by OCP, as suggested in this finding and recommendation 5, would create a redundant and valueless step to the procurement process.

OIG Comment: The OIG disagrees with OCP's statements that “DBTS provided the required pricing information in its contract and POs; the pricing they provided matched the corresponding GSA contract (GS-35F-0718N) as required; and OIG had concerns that the pricing was on DBTS letterhead and not the actual GSA schedule (see response to Recommendation 10), but the pricing data provided was complete and accurate.”

The DCSS application process and DCSS Solicitation PODS-2002-R-920-00 required DBTS to submit two copies of the adopted GSA Schedule. In this regard, we reviewed the contract file, requested documentation from the OCP DCSS program manager, searched the GSA website, and requested documentation from DBTS. However, we were unable to locate evidence that the application and subsequent contract files contained the required referenced GSA Schedule (GS-35F-0718N). Further, OCP did not provide evidence that DBTS pricing information submitted in proposals agreed with pricing information referenced to the adopted GSA Schedule prior to awarding task orders.

The OIG also disagrees with OCP's response that OCP does not conduct a cost analysis on DCSS contracts because those contracts adopt an existing GSA contract and corresponding pricing, and the GSA conducts a price analysis assessment as part of its contract approval process.

D.C. Code 2-303.08(c) exempts OCP from obtaining certified cost or pricing data to determine price reasonableness only if the “price is negotiated based on established catalog or market prices of commercial items sold in substantial quantities to the general public, or prices set by law or regulations.” As stated earlier, OCP was unable to provide evidence that the DCSS contract awarded to DBTS was established based on an adopted GSA Schedule. Therefore, OCP was required to obtain cost or pricing data and perform a cost or pricing analysis to establish price reasonableness. In our opinion, OCP has taken some measures to reduce contract pricing by changing the process for procuring District IT staff augmentation requirements from DCSS to the ITSA contract, which OCP claims results in significant cost savings.

Also, in February 2009 OCP updated its Procurement Procedures to include guidance on determining price reasonableness for DCSS contracts. Specifically, Chapter 2, Section 3-Evaluating a DC Supply Schedule Application, paragraph 2.3.11 states that:

EXHIBIT F. OIG COMMENTS TO OCP'S RESPONSE TO THE DRAFT REPORT

Meanwhile, the contract specialist reviews the applicant's adopted federal schedule contract and pricing for consistency with *Section 3 of the Description/Specifications/Work Statement* of the DCSS solicitation. (Emphasis in the original). While that is taking place, the Contract Specialist determines:

- price reasonableness based on current federal labor rates, and
- the applicant's cost of doing business, including indirect cost and profit.

In effect, OCP agrees to perform a cost analysis as an additional step when contractors adopt an existing GSA contract and corresponding pricing, which we believe supports the OIG position.

OCP Response, page 5 of 11

Finding 4 (p. 13-14): Insufficient contract monitoring. OCP did not monitor and enforce DBTS compliance with all the contract terms and conditions, including the enforcement of sanction and penalties for noncompliance... In particular, that DBTS was noncompliant with First Source Agreement stating that 51% of contractors' new workforce be residents of the District, and DBTS did not obtain prior written consent to utilize subcontractors, and OCP did not impose any penalties or enforce sanctions.

OCP Comment on Findings:

First Source Requirements:

As stated in the DCSS Terms and Conditions, Section 20(c) the "Contractor shall submit to Department of Employment Services (DOES), no later than the 10th of the month following execution of the Contract, a First Source Agreement Contract Compliance Report ("contract compliance report") verifying its compliance with the First Source Agreement for the preceding month." OCP agrees that DBTS appears to be noncompliant with their First Source Agreement with the DOES. However, OCP disagrees that monitoring this type of reporting failure is OCP's responsibility. Only the recipient of the report (DOES) can be responsible for compliance. That said, OCP acknowledges that more precise direction and communication between relevant agencies is required to avoid the occurrence of similar infractions in the future. A more detailed explanation of remedial action is described in the OCP Management Response to Recommendation 7.

Subcontractor Requirements:

As stated in the DCSS Terms and Conditions, Section 21 Subcontracts, the contractor shall not subcontract any of the Contractor's work or services to any subcontractor without the prior written consent of the Contracting Officer." OCP agrees that DBTS failed to fulfill its contractual

EXHIBIT F. OIG COMMENTS TO OCP'S RESPONSE TO THE DRAFT REPORT

obligation to notify the Contracting Officer (CO) of its intention to contract. To improve communication of responsibilities with procurement process stakeholders, OCP has established an extensive COTR training program for contracts over \$100,000, which allows COTRs to easily report noncompliance issues to OCP. Similarly, OCP established a vendor relations unit, which will continue to emphasize the importance of contractor compliance to the CBE community. Lastly, our DCSS manager has sent an e-mail reminder (Attachment E) to all vendors on the DCSS to adhere to all contractual requirements listed in the DCSS Terms and Conditions, with special emphasis on the requirement to receive approval from the CO prior to using a subcontractor.

OIG Comment: In general, OCP agreed with our conclusion and our recommendation made to correct the described deficiency.

OCP Response, page 6 of 11

Section II (p. 15-19): Cost Reasonableness

OCP Comment on Section II: OCP is still unclear about the point of this entire section. The OIG does not verify that there were actual wrongdoing or contract violations on the part of DBTS. Instead, the OIG makes an elaborate case that DBTS' pricing may have been inflated. The actual GSA schedule was not available in the contract file, so OIG states that they were unable to assess whether the hourly rates charge were above the GSA/contracted rates. (DBTS did include the GSA schedule pricing but it was retyped on their letterhead). Although OIG stated they were unable to locate the actual GSA schedule during their year-long audit (the audit team said they looked on the GSA website), OCP secured a copy of the actual GSA schedule from the original schedule holder with relative ease (GS-35F-0718N – Attachment F). The pricing on the contract and purchase orders that OCP reviewed matched the pricing on the GSA schedule, as contractually required.

OCP needs to understand the actual transgression committed by DBTS before it can agree to any sort of remediation. The fact that OIF implemented a cost reasonableness methodology (based on Federal DOD Weighted Guidelines) that found DBTS prices to be high does not validate the claim that DBTS "overcharged" and should be assessed a penalty for noncompliance with the contract (See Recommendation 10). Ultimately, OCP believes that Section II amounts to an allegation of improprieties. If the OIG believes further investigation is necessary OCP recommends that an investigation be launched through their office to explore the issue further.

OIG Comment: The OIG disagrees with OCP's assertion that the OIG did not verify that there was actual wrongdoing or contract violation on the part of DBTS. Notwithstanding that the objective of the cost review was not to verify actual wrongdoing by DBTS but to determine cost/price reasonableness because, during the audit, OCP did not show that the contractor met the requirements of D.C. Code § 2-303.08(c) to be exempted from certifying its cost or pricing data, the audit disclosed violations of contract provisions.

EXHIBIT F. OIG COMMENTS TO OCP'S RESPONSE TO THE DRAFT REPORT

Specifically, we found noncompliance with the First Source Agreement (which resulted in a loss to the District economy of more than \$2 million). We also found that DBTS used subcontractors without the District's authorization and DBTS did not have the capability to discharge its contractual obligations, without the extensive use of subcontractors. In addition, the audit disclosed that DBTS received payment of more than \$2 million without adequate documentation and overcharged the District more than \$600,000.

OCP Response, page 7 of 11

Section III: Allegations

OCP Comment on Section III. The OCP strongly recommended that all allegations be removed from the Draft Report. The OIG frequently states in the report that they could not determine certain facts. None of its allegations are substantiated, nor do they cite any instances of specific wrong doing. OCP sees the continued presence of these allegations in the report as an irresponsible action on the part of the OIG. The unsubstantiated allegations add no value to the report while unfairly perpetuating a negative image of the Agency to the public.

OIG Comment: The OIG disagrees with OCP's recommendation to remove all allegations from the report. In accordance with Generally Accepted Government Auditing Standards, the OIG is required to issue an audit report summarizing its results on the subject matter based on facts gathered.

**EXHIBIT F. OIG COMMENTS TO OCP’S RESPONSE TO
THE DRAFT REPORT**

Attachment 1

NON-DCSS AWARDS VALUED AT \$100,000 OR LESS TO DBTS, INC.

POs	Total Original Amount	FISCAL YEAR
PO213718	\$415.80	2007
PO210762	\$1,890.26	2007
PO219310	\$2,850.00	2007
PO223104	\$3,182.65	2007
PO217801	\$3,420.00	2007
PO217824	\$5,220.00	2007
PO206402	\$8,750.00	2007
PO209644	\$10,400.00	2007
PO230227	\$14,000.00	2007
PO206790	\$17,920.00	2007
PO231636	\$22,000.00	2007
PO226632	\$22,400.00	2007
PO207732	\$23,750.00	2007
PO223064	\$24,030.00	2007
PO228367	\$24,705.00	2007
PO223062	\$24,750.00	2007
PO210871	\$24,900.00	2007
PO223447	\$24,930.00	2007
PO224863	\$24,930.00	2007
PO226085	\$24,930.00	2007
PO219795	\$24,945.72	2007
PO223377	\$24,945.72	2007
PO203646	\$24,948.00	2007
PO208920	\$24,948.00	2007
PO210221	\$24,948.00	2007
PO213545	\$24,948.00	2007
PO213548	\$24,948.00	2007
PO221440	\$24,948.00	2007
PO223065	\$24,948.00	2007
PO221436	\$24,955.00	2007
PO227622	\$24,955.00	2007

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POs	Total Original Amount	FISCAL YEAR
PO209185	\$24,960.00	2007
PO218019	\$24,960.00	2007
PO219823	\$24,960.00	2007
PO224864	\$24,960.00	2007
PO225623	\$24,960.00	2007
PO226977	\$24,970.00	2007
PO210414	\$24,983.00	2007
PO205338	\$24,990.00	2007
PO226635	\$25,000.00	2007
PO200734	\$29,572.50	2007
PO209013	\$33,750.00	2007
PO219127	\$33,750.00	2007
PO206743	\$35,000.00	2007
PO224530	\$35,000.00	2007
PO213507	\$39,822.50	2007
PO208075	\$40,000.00	2007
PO209104	\$44,230.00	2007
PO223974	\$45,000.00	2007
PO225826	\$45,000.00	2007
PO217568	\$55,000.00	2007
PO221005	\$60,000.00	2007
PO224607	\$60,000.00	2007
PO224860	\$60,000.00	2007
PO225622	\$70,000.00	2007
PO225208	\$80,000.00	2007
PO230010	\$88,460.00	2007
PO213172	\$95,000.00	2007
PO232079	\$99,000.00	2007
PO220589	\$99,750.00	2007
PO238361	\$6,000.00	2008
PO263938	\$10,500.00	2008
PO254644	\$12,800.00	2008
PO244423	\$16,800.00	2008
PO253218	\$20,000.00	2008
PO250509	\$24,000.00	2008
PO263939	\$24,000.00	2008
PO241179	\$25,000.00	2008

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POs	Total Original Amount	FISCAL YEAR
PO266284	\$35,000.00	2008
PO242027	\$36,800.00	2008
PO269511	\$37,500.00	2008
PO242030	\$41,600.00	2008
PO264701	\$43,200.00	2008
PO250007	\$50,000.00	2008
PO262107	\$53,076.00	2008
PO242304	\$60,000.00	2008
PO245745	\$60,000.00	2008
PO240577	\$60,800.00	2008
PO247952	\$61,360.00	2008
PO243708	\$62,500.00	2008
PO243880	\$69,300.00	2008
PO262842	\$80,000.00	2008
PO245244	\$99,000.00	2008
Total	\$2,946,125.15	

EXHIBIT G. OCP'S RESPONSE TO THE DRAFT REPORT

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of Contracting and Procurement



OFFICE OF THE DIRECTOR

July 7, 2010

Charles Willoughby
Office of the Inspector General
717 14th St, N.W.
Washington, DC 20005

Re: Management Response to Audit of Contracting Actions at the Office of the Chief Technology Officer (OIG No. 08-2-06TO(a))

Dear Mr. Willoughby:

Thank you for the opportunity to respond to the above-referenced audit. Unfortunately, the findings are now three or more years old, and the processes for procuring technology resources and ordering off of the DC Supply Schedule have completely changed, making most of the recommendations obsolete and irrelevant. More importantly, the report is filled with findings that are unsubstantiated and unclear at best, inaccurate at worst.

As you may recall, in November 2007, soon after assuming my role as Chief Procurement Officer (CPO) for the Office of Contracting and Procurement (OCP), I sent a letter requesting your office investigate concerns that Vivek Kundra, the then-Chief Technology Officer, and I shared (Attachment A). We believed that there were issues with the controls and general practices related to procurement activities in support of the Office of the Chief Technology Officer, and that caused me great concern. You assigned an audit team to look into our non-specific concerns, we having in that letter given you full license to review the OCTO contracting function. At about 9 months into that review, your team (led by Hezekiah Williams) conducted a status briefing with the CTO and myself in the 9th floor war room of OCTO. Both the CTO and myself expressed concern at the pace of the audit, and the evident lack of substance in what was presented at that update. Finally, on May 7, 2009, your office issued a report that did not identify any significant problems in this area (Attachment B). After the FBI arrests and media coverage related to technology procurement in OCTO, your office undertook a second review and investigation in this area. The draft report I am responding to today, received two and a half years after my original request for you to help me find out if there was anything amiss in the technology procurement office, is the product.

I believe your office failed to acknowledge any of the feedback provided by my office during the course of the exit interview and draft review process. After receiving the report, my staff provided the Office of the Inspector General (OIG) with an e-mail and attached document on June 18, (Attachment C) identifying concerns over the validity of your findings, the relevance of your recommendations, and apparent misinterpretations of the procurement regulations and

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District law. We requested specific examples to support some of the claims, so that we could fully understand the allegations made. However, our requests for further dialog and report modifications were refused and resulted in no changes to the draft report.

I typically consider OIG, and for that matter any external audit and investigation reports, to be important and helpful guidance for implementing key reforms in OCP. I generally concur with findings of professionally conducted outside audits. This report, however, was ineffective at documenting what was broken, much less what areas needed remediation, and falls miles short of being a well-executed audit.

Below are management responses on findings in Section I, II, and III, as well as Recommendations 1-11 in Section IV.

Section I: Management of the DC Supply Schedule Program for Information Technology Services

Finding 1 (p. 8-11): Rotation of Opportunities among Certified Business Entities (CBE). OCP did not rotate opportunities among DCSS IT contractors in accordance with the goal of the program to expand opportunities for CBEs. Specifically, OCP did not:

1. Establish standards or targets for the use of CBEs;
2. Always use the DCSS to make purchases of \$100,000 or less from CBEs;
3. Always seek competition for task orders over \$25,000;
4. Establish standard operating procedures; and
5. Develop and implement an automated MIS to collect and report DCSS contract information.

OCP Comment on Findings:

The OCP believes that the underlying premise of this finding is misguided. It is predicated upon the belief that seven (7) contractors received the majority of awards, and that opportunities were not properly rotated. A rotation of vendors on the DCSS is relevant only in terms of having an opportunity to bid on requests for quotes, not in terms of awarded contracts. If winning vendors had superior pricing during this period, it makes sense that they would receive the most awards. Hence, awards are made to the low responsive offeror. OCP believes that the only valid finding in this section is that there may have been a lack of documentation to make a complete assessment about rotation. That said, file maintenance has been a long standing issue in my agency, and one that is being addressed on several fronts yielding drastically improved results. Furthermore, information about who received the RFQ and their corresponding quotes are typically in the paper files, not the Requisition (RQ) or Purchase Order (PO). While the report indicates that POs and RQs were reviewed, it isn't clear based on the finding description whether the OIG reviewed paper files to verify that only a subset of vendors received the opportunity to respond and that unsuccessful vendors had not received notice of the opportunity.

- **Item 1: Establish standards or targets for the use of CBEs:**
OCP strenuously disagrees with the OIG recommendation to establish targets and standards for the use of CBEs. OCP should never establish standards or targets for outcomes as they relate to who wins awards. The OIG has wrongly placed an emphasis on equal distribution of awards, when the proper focus should be on increasing

EXHIBIT G. OCP'S RESPONSE TO THE DRAFT REPORT

competition through increased opportunities to bid on awards. Recognizing the importance of maximizing competition among bidders, OCP has taken steps to ensure that every relevant CBE has an opportunity to bid on DCSS solicitations. Under the direction of OCP's new Assistant Director of Procurement, management issued guidance to staff in March 2010 (Attachment D) instructing OCP Buyers to send all DCSS requests for quotes to all DCSS approved and certified vendors on the appropriate schedule. This approach eliminates the need for rotation altogether, as all vendors will have an opportunity to respond to all relevant solicitations.

- Item 2: Always use the DCSS to make purchases of \$100,000 or less from CBEs.
The OCP disagrees with this finding. The law states that the DCSS shall be used to make purchases for \$100,000 or less, unless two or more vendors cannot respond to a solicitation. Furthermore, there are legitimate reasons why contracts under \$100,000 would not be on the DCSS including instances in which a particular good or service does not have a corresponding schedule. When procurements below \$100,000 are not made using a DCSS vendor, the practice, in accordance with the law, is to document the decision in writing with a Determinations and Findings (D&F) memo, which is attached to the electronic file in PASS. As this procedure is in place and is widely communicated to buyers, there is no need for a new procedure.
- Item 3: Always seek competition for task orders over \$25,000.
OCP finds fault with this assertion. The OIG failed to recognize that both large and small procurements may be valid sole source candidates. Continuity of service with a particular resource is frequently used and widely recognized as a legitimate sole source justification. Knowing that there are instances in which a sole source may have been justified, it is difficult for OCP to determine whether the four sole sources referenced were unjustified, or were merely missing the corresponding D&F memos. The OIG was asked to provide specific POs associated with the four sole source procurements so that we could look at the D&Fs justifying the sole source, but OCP never received a response to this request.
- Item 4: Establish standard operating procedures.
During the period covered in this audit, OCP did not have formal operating procedures specific to the DCSS. However, the DCSS Terms and Conditions were in existence during this period which includes many process steps. OCP agrees that standard operating procedures are critical and is drafting regulations that will eventually direct the agency's procedures.
- Item 5: Develop and Implement an automated MIS to collect and report DCSS contract information.
OCP completely agrees with the OIG recommendation to implement a contract MIS. For a number of years OCP used two standalone databases to track contract awards and spend against contract ceilings. Both required manual entry and were not tied to our automated procurement system (PASS), so data integrity was a chronic concern. Inadequate paper file maintenance was also a prevalent problem within OCP during the years spanning this audit, and management made it a priority to ameliorate this issue. In achieving that end OCP is implementing additional PASS modules - Ariba Sourcing and Contracts modules. The District has been using the PASS Buyer Module since 2003, the PASS Contracts

EXHIBIT G. OCP'S RESPONSE TO THE DRAFT REPORT

Module went live on June 7th, and the Sourcing Module is expected to roll out by the end of FY2010. Once fully implemented, the District will have access to a fully automated electronic maintenance system capable of providing management with reports on award of task orders, award types, and many other reportable fields.

Finding 2 (p. 11-12): OCP did not maximize utilization of CBEs in accordance with the objective of D.C. Law 14-83, and maximum utilization of CBEs through existing DCSS contracts did not occur because OCP did not follow the priorities set forth in 27 DCMR Sections 2100 and 2103.

OCP Comment on Findings:

The OIG supports this finding from a belief that 1) OCP did not adhere to management goals for the DCSS program, 2) A survey of 17 CBEs which illustrates total DC Government revenue as depicted in "Figure 3: Total District Revenue Reported by 17 CBE's for CYs 2006-2008," (p.11) and, 3) a general claim that OCP did not follow priorities set forth in 27 DCMR Section 2100 and 2103. Each of the OIG's supporting points are off target and unsubstantiated.

First, OCP does not know what "management goals," OIG is referring to on p. 11 of the report. Again – requests for clarification from your office were ignored. Second, the graph in Figure 3 shows that of \$77 million in total DC Government revenue reported from 17 CBEs from CY2006 through CY2008, \$50 Million or 65 percent, came from non-DCSS revenue. The DCSS covers approximately 16 specific goods or service areas and are not intended to cover every type of purchase the District makes. There are many cases when Small Business Enterprises (SBE) receives government business outside of the DCSS. There are SBEs who are not on a schedule and SBEs who *are* on a schedule but obtained awards through a formal bid or proposal (outside of the DCSS). OIG appears to believe that because SBEs earned revenue from sources other than the DCSS, they are not being properly utilized. The point that OIG is trying to make is unclear. Further, it is not explained whether the SBE dollars were received via procurements over \$100,000. To assume that these were purchases that should have been made on the schedule, and thus resulted in lost sales discount revenue (Finding 2, p. 12) is not substantiated.

Lastly, there appears to be some confusion regarding term contracts and the DCSS. The regulation states that requirements contracts are used first (after inventory) and when there is not a requirements contract in place, the buyer should use an existing ID/IQ. The DCSS contracts are ID/IQ contracts (as are other non-DCSS contracts), but it does not prohibit buyers from making purchases from sources *other* than the DCSS for a number of reasons. Valid reasons for making a purchase from a non-DCSS vendor include: 1) If there is no schedule commensurate with the need, 2) If there are not two or more DCSS vendors able to compete, 3) If the contract is over \$100,000, or, 4) If it is a sole source procurement. The OIG must provide OCP specific examples demonstrating how and when OCP did not comply with these regulations to validate their claim that OCP did not follow the priorities of the DCMR 2100.

Finding 3 (p. 12-13): OCP did not obtain certified cost or pricing data as required by D.C Code 2-303.08(a) prior to the award of DBTS Contract Number PODS-2004-C-920-60. OCP also did not determine price reasonableness of cost and profit in accordance with 27

EXHIBIT G. OCP'S RESPONSE TO THE DRAFT REPORT

DCMR Section 1626.1, which requires a cost analysis where a contract award or modification exceeds \$500,000

OCP Comment on Findings:

OIG notes that "OCP did not determine in writing that the pricing schedule adopted by DBTS was negotiated based on established catalog or market prices." The OIG wrongly asserts that the "District must determine price reasonableness when small contractors adopt federal schedules of large companies whose business and cost structures are totally unrelated to their company." First, the DCSS requires that vendors adopt a corresponding GSA Schedule's pricing and submit those prices as part of their bid. DBTS provided the required pricing information in its contract and POs. The pricing they providing matched the corresponding GSA contract (GS-35F-0718N) as required. The OIG had concerns that the pricing was on DBTS letterhead and not the actual GSA schedule (see response to Recommendation 10), but the pricing data they provided was complete and accurate.

Second, OCP does not conduct a cost analysis on DCSS contracts because those contracts adopt an existing GSA contract and corresponding pricing, and the GSA conducts a price analysis assessment as part of its contract approval process. The FAR 8.404(d) specifically states that "*Supplies offered on the schedule [GSA] are listed at fixed prices. Services offered on the schedule are priced either at hourly rates, or at a fixed price for performance of a specific task (e.g., installation, maintenance, and repair). GSA has already determined the prices of supplies and fixed-priced services, and rates for services offered at hourly rates, under schedule contracts to be fair and reasonable. Therefore, ordering activities are not required to make a separate determination of fair and reasonable pricing, except for a price evaluation as required by 8.405-2.*" Instead, OCP performs a simple verification of referenced GSA schedules. Requiring an additional price analysis by OCP, as suggested in this finding and Recommendation 5, would create a redundant and valueless step to the procurement process.

Finding 4 (13-14): Insufficient Contract Monitoring OCP did not monitor and enforce DBTS compliance with all the contract terms and condition, including enforcement of sanction and penalties for noncompliance...In particular, that DBTS was noncompliant with First Source Agreement stating that 51% of contractors' new workforce be residents of the District, and DBTS did not obtain prior written consent to utilize subcontractors, and OCP did not impose any penalties or enforce sanctions.

OCP Comment on Findings:

First Source Requirements:

As stated in the DCSS Terms and Conditions, Section 20(c) the "Contractor shall submit to Department Of Employment Services (DOES), no later than the 10th of the month following execution of the Contract, a First Source Agreement Contract Compliance Report ("contract compliance report") verifying its compliance with the First Source Agreement for the preceding month." OCP agrees that DBTS appears to be noncompliant with their First Source Agreement with the DOES. However, OCP disagrees that monitoring this type of reporting failure is OCP's responsibility. Only the recipient of the report (DOES) can be responsible for compliance. That

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said, OCP acknowledges that more precise direction and communication between relevant agencies is required to avoid the occurrence of similar infractions in the future. A more detailed explanation of remedial action is described in the OCP Management Response to Recommendation 7.

Subcontractor Requirements:

As stated in the DCSS Terms and Conditions, Section 21 Subcontracts, the contractor "shall not subcontract any of the Contractor's work or services to any subcontractor without the prior written consent of the Contracting Officer." OCP agrees that DBTS failed to fulfill its contractual obligation to notify the Contracting Officer (CO) of its intention to contract. To improve communication of responsibilities with procurement process stakeholders, OCP has established an extensive COTR training program for contracts over \$100,000, which allows COTRs to easily report noncompliance issues to OCP. Similarly, OCP established a vendor relations unit, which will continue to emphasize the importance of contract compliance to the CBE community. Lastly, our DCSS manager has sent an e-mail reminder (Attachment E) to all vendors on the DCSS to adhere to all contractual requirements listed in the DCSS Terms and Conditions, with special emphasis on the requirement to receive approval from the CO prior to using a subcontractor.

Finding 5 (p.14): Maintenance of Contract Documentation

OCP has no comment on this finding and details the remediation activities well underway in response to the corresponding recommendation below (Recommendation 9).

Section II (p. 15-19): Cost Reasonableness

OCP Comment on Section II:

OCP is still unclear about the point of this entire section. The OIG does not verify that there were actual wrongdoing or contract violations on the part of DBTS. Instead, the OIG makes an elaborate case that DBTS' pricing may have been inflated. The actual GSA schedule was not available in the contract file, so OIG states that they were unable to assess whether the hourly rates charged were above the GSA/contracted rates. (DBTS did include the GSA schedule pricing, but it was retyped on their letterhead). Although OIG stated they were unable to locate the actual GSA schedule during their year-long audit (the audit team said they looked on the GSA website), OCP secured a copy of the actual GSA schedule from the original schedule holder with relative ease (GS-35F-0718N – Attachment F). The pricing on the contract and purchase orders that OCP reviewed matched the pricing on the GSA schedule, as contractually required.

OCP needs to understand the actual transgression committed by DBTS before it can agree to any sort of remediation. The fact that OIG implemented a cost reasonableness methodology (based on Federal DoD Weighted Guidelines) that found DBTS prices to be high does not validate the claim that DBTS "overcharged" and should be assessed a penalty for noncompliance with the contract (See *Recommendation 10*). Ultimately, OCP believes that Section II amounts to an allegation of improprieties. If OIG believes further investigation is necessary OCP recommends that an investigation be launched through their office to explore the issue further.

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Section III (P.20-21): Allegations

The OCP strongly recommended that all allegations be removed from the Draft Report. The OIG frequently states in the report that they could not determine certain facts. None of its allegations are substantiated, nor do they cite any instances of specific wrong doing. OCP sees the continued presence of these allegations in the report as an irresponsible action on the part of the OIG. The unsubstantiated allegations add no value to the report while unfairly perpetuating a negative image of the Agency to the public.

Section IV (p.22-23): Recommendations

Recommendation 1: Establish targets, standards, and goals for soliciting and awarding contracts to CBEs and monitor performance once established.

Management Response: OCP strenuously disagrees with the OIG Recommendation to establish targets, standards, and goals for soliciting and awarding contracts that OCP should have established standards or targets for use of CBEs. OCP's response to Finding 1, Item 1 highlights our office's reasons for disagreement, and explains action that has already been taken to increase vendor opportunities to respond to DCSS solicitations.

Action Items: Action completed.

Recommendation 2: Develop an automated MIS to collect and report contracting information on the utilization of CBEs. The MIS should also provide management with a report on award of task orders and award type (i.e., sole source or competitive award).

Management Response:

The OCP agrees with the OIG recommendation to implement a MIS described in Recommendation 2. The addition of the PASS Contracts Module on June 7, 2010, and the PASS Sourcing Module by the end of August 2010 will provide the District with access to a fully automated electronic maintenance system capable of providing management with reports on award of task orders, award types, and many other reportable fields. Please see the OCP response to Finding 1, Item 5, for a more detailed explanation.

Action Item: Full implementation of Ariba Sourcing and Contracts modules will be complete by the end of FY2010.

Recommendation 3: Comply with the requirements established in 27 DCMR Section 2100 for purchasing from existing term contracts. We recommend that the procurement checklist include a review of existing supply sources as a step for signoff by contracting specialists or contracting officers.

Management Response: The OCP believes Recommendation 3 is not logical, and that the findings that support this recommendation fail to provide specific examples in which OCP failed

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to adhere to priorities set forth in DCMR 2100. Please reference the OCP response to Finding 2, for a more detailed explanation of our response to this recommendation.

Action Item: None taken.

Recommendation 4:

Comply with D.C. Code 2-218.45 (Mandatory set-aside of contracts with a value of \$100,000 or less for small business enterprises). We recommend that the procurement checklist include this requirement for sign-off by contracting/specialist officers. The exceptions should also be documented in the Determination and Findings (D&F).

The OCP disagrees with this recommendation for reasons cited in the OCP response to Finding 1, Item 2.

Action Item: None taken.

Recommendation 5: Comply with requirement established in 27 DCMR Section 1626 for the performance of the cost analysis. We recommend that the procurement checklist include the requirement to obtain certified cost/pricing data from contractors and perform the cost analysis. The exceptions should also be documented in the Determination and Findings.

Recommendation 6: Establish procedures that require contracting personnel to have the training necessary to perform cost analysis.

Management Response to Recommendations 5 & 6:

OCP disagrees with OCP Recommendations 5 & 6 for reasons cited in our comments to Finding 3. In summary, OCP does not conduct a price analysis when soliciting prices through existing GSA contracts because GSA conducts a price analysis assessment as part of its approval process. Requiring a cost analysis, as suggested in Recommendation 5, would create a redundant and valueless step to the procurement process. Finally, OCP has a team of well trained cost analysts. There is no need for the DCSS staff to receive additional training for a task they have no need to conduct.

Action Item: None taken.

Recommendation 7: Coordinate Activities with DOES to develop and implement a process to clarify responsibilities to all parties (DOES, COs and COTRS) involved in collecting and reporting employment data and monitoring contractor performance against the requirement in the First Source Agreement.

Management Response to Recommendation 7:

The OCP agrees with the OIG Recommendation to coordinate activities with DOES to develop and implement a process to clarify responsibilities to all parties (DOES, COs, and COTRS) involved in collecting and reporting employment data and monitoring contract performance against the requirement in the First Source Agreement. Though the responsibility to collect First

EXHIBIT G. OCP'S RESPONSE TO THE DRAFT REPORT

Source Agreement lies with DOES (See OCP comments to Finding 4), it is clear that the current mechanism for sharing such information between DOES and OCP is inadequate.

The OCP has already begun discussions with DOES to improve the flow of information between our agencies as it relates First Source Agreement contractor requirements. Starting in August 2010 DOES will launch an electronic database for vendors to submit their monthly First Source Agreement Requirements online. The OCP expects to begin submitting monthly updates of the Awarded Contract list to the Administrator of the DOES First Source Agreement program, who will check contractor First Source Agreement compliance and report instances of non-compliance back to OCP. DOES will be able to track receipt of monthly reports and alert OCP when reports are not received.

Action Item: In Progress

Recommendation 8: Develop and implement a process for task orders that requires Contracting Officers to communicate in writing, the responsibilities of the COTR to monitor and report non-compliance with contract terms and conditions on the use of subcontractors. This process should include monthly or quarterly reporting on subcontractor use.

Management Response to Recommendation 8:

To improve communication of responsibilities with procurement process stakeholders OCP has established an extensive COTR training program for contracts over \$100,000, which allows COTRs to easily report noncompliance issues to OCP. Similarly, OCP maintains a vendor relations unit, which will continue to emphasize the importance of contract compliance to the CBE community. Lastly, our DCSS manager sent an e-mail reminder to all vendors on the DCSS (Attachment E) to adhere to all contractual requirements listed in the DCSS Terms and Conditions, with special emphasis on the need to request approval from the Contracting Officer when using a subcontractor.

Action Item: Completed.

Recommendation 9: Comply with requirements established in 27 DCMR Section 1203 to maintain contract documentation sufficient to constitute a complete history of the transaction. We recommend that OCP require electronic storage of all contract documentation as well as management review and signoff, attesting to the completeness of the file.

Management Response to Recommendation 9:

OCP agrees with the OIG recommendation to comply with 27 DCMR 1203 and to require electronic storage of all contract documentation as well as management review and signoff, attesting to the completeness of contract documentation. OCP has already launched multiple initiatives aimed at improving our office's storage including the current implementation of Ariba Sourcing and Contract Modules (see Recommendation 2). The new contract administration module provides automated required fields that ensure contract file completeness.

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Further, in connection with the Office of Procurement Integrity and Compliance (OPIC)-led Large Contract File Management Redesign Initiative, launched August 2009, OPIC began performing manual, monthly large contract file reviews, for all contracts issued in FY2010. The process includes an "existence and completeness" check that reviews files for essential documentation such as sole source D&Fs.

Action Item: In progress.

Recommendation 10: Determine whether DBTS should be assessed a penalty for non-compliance with the contract.

Management Response to Recommendation 10:

OCP has determined that DBTS should not be assessed a penalty for non-compliance with the contract. Based on the findings of this report OCP was unsure whether there was actual wrongdoing or contract violations on the part of DBTS or whether their pricing was merely inflated based on the cost reasonableness study that OIG completed, which is described in great detail in Section II. The GSA contract pricing was not available in the contract file, so OIG concedes that they were unable to assess whether the hourly rates charged were above the GSA/contracted rates. (DBTS did include the GSA pricing, but it was retyped on their letterhead). The fact that OIG implemented a cost reasonableness methodology (based on Federal DoD Weighted Guidelines) that found DBTS prices to be high does not validate whether DBTS "overcharged" and should be assessed a penalty for noncompliance with the contract. As part of OCP efforts to understand whether DBTS rates were in compliance with the GSA schedule, our office sought a copy of GSA Schedule "GS-35F-0718N" to determine if POs awarded to DBTS using the GSA Schedule, GS-35-0718N" pricing was at minimum, on par with GSA pricing. OCP obtained a copy of the document through the original GSA Schedule Holder - General Dynamics Network Systems. Please find GS-35F-0718N attached, as Attachment F. OCP sought a DBTS Task Orders issued against GS-35F-0718N. Attachment G includes a proposal letters, extracted from the file of PO200216 which provides pricing for a "Subject Matter Expert" off schedule GS-35F-0718N. The price proposal tied to PO200216 proposed a DC Supply Hourly rate of \$117.05, and a DBTS Discounted Hourly Rate of \$105. When compared to GS-35F-0718N, it is clear that the proposed pricing is on par or below GSA pricing. In light of this analysis, it appears that DBTS charged District within contractually acceptable price ranges. Based on current available information, OCP believes that no punitive action is necessary.

Action Item: None taken.

EXHIBIT G. OCP'S RESPONSE TO THE DRAFT REPORT

Recommendation 11: Establish a procedure that requires the name of all selected candidates be included in the contract awarded to the successful contractor.

Under the current IT Staff Augmentation contract, the name of the resource hired is included in the purchase order.

Action Item: Complete.

Thank you,


David P. Gagan
Chief Procurement Officer

CC:

Mr. Neil O. Albert, City Administrator and Deputy Mayor
Mr. Bryan Sivak, Chief Technology Officer
Mr. Joseph Walsh, Director, Department of Employment Services

EXHIBIT H. OCTO'S RESPONSE TO THE DRAFT REPORT

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF TECHNOLOGY OFFICER



Bryan D. Sivak
Chief Technology Officer

June 28, 2010

Charles Willoughby
Inspector General
Office of the Inspector General
717 14th Street, N.W., 5th Floor
Washington, DC 20015

Re: OIG No. 08-2-06TO (a)

Dear Mr. Willoughby:

Thank you for the opportunity to comment on the draft report summarizing the results of the Office of the Inspector General (OIG) "Audit of Contracting Actions at the Office of the Chief Technology Officer," OIG No. 08-2-06TO(a) (Draft Report) concerning three allegations related to OCTO contracts with two vendors. OCTO has reviewed the Draft Report and provides the following written comments.

The Draft Report reflects the results of OIG's investigation of three allegations that two suppliers of OCTO contract staff, DBTS and EastBanc Technologies, received disproportionate amounts of payments and/or preferential treatment during the period 2006-2008. While unable to substantiate all elements of the allegations, OIG found that DBTS and EastBanc each received disproportionate amounts of payments (19% and 18% respectively of the amount paid to 44 CBEs over the three – year period).

Based on these findings, the Draft Report directs three recommendations to OCTO. Our responses to each recommendation follow.

Recommendation # 12: Develop a process to effectively monitor the performance of COTRs assigned to administer the contracts.

Response: The time period covered by the audit predates the implementation of OCTO's IT Staff Augmentation (ITSA) contract in late 2008. Since November 2008, OCTO has procured virtually all contract staff through this vehicle. The ITSA vehicle is a prime contract with a single firm that enters into and administers subcontracts with vendors to supply contract staff for OCTO and other District agencies. The prime contractor performs administration of the staff

EXHIBIT H. OCTO'S RESPONSE TO THE DRAFT REPORT

Charles Willoughby
June 28, 2010
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subcontracts according to highly detailed performance standards in the prime and sub contracts. OCTO has engaged a COTR for the ITSA contract whose sole job responsibility is to monitor and enforce compliance with these performance standards. The ITSA COTR effectively monitors the contract administration performance of the prime contractor.

In sum, OCTO concurs with the recommendation and has fulfilled it.

Recommendation # 13: Compare supporting documentation (timesheets) independently maintained by COTRs with supporting documentation submitted with DBTS invoices that were certified by COTRs for payment during FYs 2007 and 2008 and seek repayment for all unsupported invoices.

Response: OCTO concurs with the recommendation.

Recommendation # 14: Maintain records for all personnel contracted to support OCTO projects.

As noted above, since November 2008, OCTO has procured virtually all contract staff through ITSA. The ITSA prime contractor maintains resumes and hiring records for all personnel contracted through ITSA.

In sum, OCTO concurs with the recommendation and has fulfilled it.

I hope that these comments have been helpful. Thank you again for the opportunity to review and comment on the Draft Report.

Sincerely,


Bryan Sivak

cc: Neil Albert, City Administrator
David P. Gragan, Chief Procurement Officer