GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL

AUDIT OF THE DEPARTMENT OF PARKS AND RECREATION'S OVERSIGHT OF CAPITAL PROJECTS

CHARLES J. WILLOUGHBY
INSPECTOR GENERAL

OIG No. 06-1-08HA **May 13, 2008**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General

May 13, 2008

Clark Ray
Director
Department of Parks and Recreation
3149 16th Street, N.W.
Washington, D.C. 20010

Natwar M. Gandhi, Ph.D.
Chief Financial Officer
Office of the Chief Financial Officer
1350 Pennsylvania Avenue, N.W., Room 209
Washington, D.C. 20004

David P. Gragan
Chief Procurement Officer
Office of Contracting and Procurement
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Washington, D.C. 20001

Lucille Dickerson
Chairperson
Board of Review for Anti-Deficiency
Violations
1275 K Street, N.W., Suite 500
Washington, D.C. 20005

Dear Mr. Ray, Mr. Gragan, Dr. Gandhi, and Ms. Dickerson:

Enclosed is our final report summarizing the results of the Office of the Inspector General's (OIG) Audit of the Department of Parks and Recreation Capital Projects (OIG No. 06-1-08HA).

Our draft report directed 32 recommendations to management that, collectively, represent actions considered necessary to correct the deficiencies described in this report. These recommendations provide specifics on improving management oversight, personnel practices, contracting practices, internal controls, and accountability. Further, some recommendations have District-wide implications. We received management responses to the draft report as follows:

- Office of the Chief Financial Officer (OCFO)/Board of Review for Anti-Deficiency Violations, dated March 27, 2008
- Department of Parks and Recreation, dated March 31, 2008
- Department of Human Resources (DCHR), dated April 4, 2008
- Office of Contracting and Procurement (OCP), dated April 10, 2008

While we did not direct recommendations to the two contractors, we provided a courtesy copy of our draft report to each company. We received responses from The Temple Group, Inc. (TTGI), dated March 31, 2008, and Jair Lynch Consulting/Alpha Corporation (JLC/A), dated April 7, 2008.

Management generally concurred with the recommendations as directed. In many cases, the actions planned and/or taken generally meet the intent of the recommendations. We have incorporated details of the responses, as appropriate, in Section III of this report. The full texts of the responses are included at Exhibits B through G.

With regard to OCP, we consider the Chief Procurement Officer's (CPO) comments to the recommendations only partially responsive. Accordingly, we request that the CPO reconsider his comments to Recommendations 11, 12, and 13 of the final report. If the CPO continues to believe that the contracts are not a cost-plus-a-percentage-of-cost arrangement, we ask the CPO to explain how the JLC/A and TTGI contracts are indefinite delivery indefinite quantity contracts with cost-plus-fixed-fee (CPFF) pricing arrangements when the contractors did not submit their labor costs as a basis for determining the cost reasonableness of a CPFF contract.

OCFO management agreed to our recommendations on Internal Controls, Capital Funding, and Life Cycle Management (Nos. 1, 15, and 24, respectively); however, the OCFO felt strongly that they lacked the authority necessary to institute corrective actions on new procedures across all levels of District government. We agreed with the management positions taken, and accordingly, by copy of this report, request that the City Administrator review and address Recommendations 1, 15, and 24.

Although none of the recommendations were directed to the DCHR, DCHR also responded to the draft report, offering its assistance in meeting agency personnel needs.

We request that management provide revised or updated comments to unresolved and open recommendations in this final report, including completion dates for all actions taken and/or planned by June 30, 2008.

We appreciate the cooperation and courtesies extended to our staff during the audit. If you have questions, please contact William J. DiVello, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

Charles J. Willoughby

Charles J. Willoughby
Inspector General

Enclosure

CJW/ws

Enclosure

cc: See Distribution List

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Mr. Michael Osaghae, President, The Temple Group, Inc. (1 copy)
Mr. Jair Lynch, As Agent, Jair Lynch Consulting/Alpha Corporation (1 copy)

ABBREVIATIONS

ADA	Americans with Disabilities Act
A/E	Architectural and Engineering
AIA	American Institute of Architects
AP	Accounts Payable
BOA	Basic Ordering Agreement
CDBR	Construction, Design, Building, and Renovations
CIP	Capital Improvement Program
Control Board	District of Columbia Financial Responsibility and Management Assistance Authority (also known as "The Authority")
COTR	Contracting Officer's Technical Representative
CPFF	Cost-Plus-Fixed-Fee
CPO	Chief Procurement Officer
CPPC	Cost-Plus-a-Percentage-of-Cost
CSR	Certification of Services Received
D.C. Council	Council of the District of Columbia
DCHR	District of Columbia Department of Human Resources
DCMR	District of Columbia Municipal Regulations
DCRA	District of Columbia Department of Consumer and Regulatory Affairs
DPR	District of Columbia Department of Parks and Recreation
EOM	Executive Office of the Mayor
FEMS	Fire and Emergency Medical Services
FF&E	Furniture, Fixtures, and Equipment
FMFIA	Federal Managers Financial Integrity Act of 1982
FTE	Full-Time Equivalent
FY	Fiscal Year
GAO	U.S. Government Accountability Office
GMP	Guaranteed Maximum Prices
IDIQ	Indefinite Delivery Indefinite Quantity

ABBREVIATIONS

JLC/A	Jair Lynch Consulting/Alpha Corporation
MOU	Memorandum of Understanding
MPD	Metropolitan Police Department
NIST	National Institute of Standards and Technology
NTP	Notice to Proceed
OBP	Office of Budget and Planning
OCFO	Office of the Chief Financial Officer
OCP	Office of Contracting and Procurement
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OPM	Office of Property Management
PASS	Procurement Automated Support System
PEPCO	Potomac Electric Power Company
PM	Program Manager
SOPs	Standard Operating Procedures
TO	Task Order
TTGI	The Temple Group, Inc.
WASA	D.C. Water and Sewer Authority

AUDIT OF THE DEPARTMENT OF PARKS AND RECREATION'S OVERSIGHT OF CAPITAL PROJECTS

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OVERVIEW

The District of Columbia Office of the Inspector General (OIG) has completed an audit of the District of Columbia (D.C.) Department of Parks and Recreation (DPR) Capital Improvement Program (CIP). The audit was initiated, in part, because of concerns raised by members of the Council of the District of Columbia (D.C. Council) due to the length of time it took to complete CIP projects and difficulties encountered in obtaining information about the status of these projects. DPR is a major recipient of CIP funds, having expended about $160 million over a 7-year period ended September 30, 2007. Additionally, DPR plans to receive CIP funds exceeding $265 million for fiscal year (FY) 2008 through FY 2013. DPR's FY 2007 approved operating budget was $52.3 million, supporting 865 full-time equivalents (FTEs).

This report is presented in three major sections. Section I details our findings concerning management of the CIP. The discussion centers on: (1) internal controls; (2) human resources; (3) contracting; (4) capital funding; (5) payments; (6) cost analysis; (7) standardization; and (8) life-cycle management. Section II details our findings relative to the six aquatic and recreational centers that we visited: (1) Turkey Thicket Community Center; (2) William H. Rumsey Aquatic Center; (3) Takoma Community Center; (4) Columbia Heights Community Center; (5) Chevy Chase Community Center; and (6) Hearst Recreation Center. Section III is a listing of recommendations that, if implemented by management, should result in improvements to DPR and Office of Contracting and Procurement (OCP) operations, the authorization and payment functions, and the overall internal control climate relative to city-wide government operations.

PERSPECTIVE

The DPR provides leisure services to District residents and visitors. To that end, DPR has numerous programs in place to accentuate the quality of life for thousands of citizens relative to sports, health and fitness, education services, environmental activities, and others. Two overarching issues that have denigrated the delivery of effective, efficient, and economical DPR services for the District are a lack of continuity in leadership coupled with a dearth of policies and procedures governing DPR operations. For example, for the period July 1999 to November 2007 (7 years, 5 months) there have been six directors who have served DPR about 15 months on average. Viewed another way, DPR directors turn over, on average, in less than a year and a half. The harmful effect of this executive turnover ratio is compounded by poor internal controls, to include an inadequate administrative infrastructure. As indicated in this report, the negative effect of these two problems on the CIP is significant.

Given the impact that sound internal control has on accountability and effective and efficient government operations, the District should issue a city-wide directive requiring managers to

EXECUTIVE DIGEST

establish, assess, correct, and report on internal control. The guidance could be patterned, for example, after the Federal Managers Financial Integrity Act (FMFIA) of 1982 and the Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Internal Control. In our view, District management needs to create a climate where internal controls can develop and flourish to protect the public trust. While our report is problem-oriented, it is necessary to keep the findings and recommendations in context, especially in light of new management and pending DPR reformation. Throughout our audit, we noted the sincere dedication of certain DPR employees in performing their duties. In certain locations that we visited, the employees expressed genuine concern about their jobs, their image, and that of DPR.

CONCLUSIONS

The audit disclosed that DPR did not effectively monitor the progress and status of its CIP projects. The lack of a viable project monitoring program precluded: timely detection of delays in starting and completing projects; timely detection of poor workmanship; and efficient use of government funds while projects languished as funds were expended which, in some instances, resulted in unsafe environments for District residents. We attribute the lack of project monitoring to insufficient executive management and supervisory oversight for several years. The lack of effective management controls over capital projects was compounded, for example, because of: (1) non-existent or outdated policies and procedures delineating specific tasks DPR and the contractors needed to accomplish from the inception of a project to the completion of a project; and (2) the need to invest in human resources to perform inherent government duties such as contract monitoring, which is critical to effective and efficient operations.

SITE VISITS

During our visits to six DPR recreation facilities, we observed numerous conditions that we categorized as either: (1) potential code violations;[1] (2) poor project planning; (3) poor material/equipment quality; (4) inadequate maintenance; or (5) a combination of these categories. Many of the conditions occurred or exist because DPR did not: hold contractors accountable for work performance; seek recourse against contractors for poor workmanship; provide required maintenance for equipment throughout its lifecycle; and ensure sufficient coordination between the District government and its contractors. We also believe that recreation facilities, in certain cases, were poorly designed or planned. As a result of these

[1] DCRA inspectors responsible for plumbing, construction, and electrical reviewed pictures we had taken at the six facilities and informed us of concerns that they had with the pictures. Although the inspectors expressed their opinions regarding the pictures, they stated that they could not completely confirm that a picture represented a code violation or was a significant issue without conducting a site inspection.

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conditions, the risk to the health and safety of facility patrons is increased; the quality and utility of DPR's programs are diminished; and the cost to fix deficiencies resulting from potential code violations, poor planning, poor material quality, and degradation resulting from inadequate maintenance is increased. Examples of some of the conditions noted during the audit follow.

Improper Valves – DPR personnel at William H. Rumsey Aquatic Center stated that the control valves on the swimming pool plumbing, which are responsible for controlling the flow and disbursement of chlorine and other chemicals, may have been the wrong type for the application and malfunctioned shortly after contractor installation. As a result, DPR taped the valves to make them work. Additionally, computerized components also broke down, requiring center personnel to perform chlorination duties manually.

Picture A - Pool Valve Operation/Maintenance

A

Pool Lighting – The pool lighting at Takoma Community Center was installed approximately 40 feet directly over the swimming pool (see Picture B). DPR personnel stated that to replace the lights or repair a light fixture they would have to partially drain the swimming pool and install a mechanical lift or ladder in the pool. During our follow-up visit, we observed that 13 lights had blown out and 8 were directly above the pool. The pool lights at the Turkey Thicket facility were installed around the perimeter of the pool and angled toward the pool (see Picture C). This later design allows ladders and lifts to be supported by the perimeter decking without having to drain the pool.

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Pictures B and C - Design/Installation of Pool Lighting

B

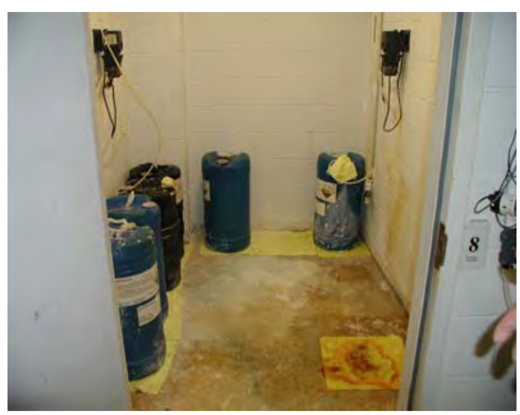
C

<u>Chlorine Storage Area</u> - DPR personnel at Takoma Community Center stated that the chlorine storage area vent does not circulate chlorinated air outside the building (see Pictures D and E). We observed that the contractor installed a vent in the ceiling but the exhaust ducting channeled the air directly into the facility. Less than 11 months after the facility was completed, the ceiling had severely eroded around the vent and the vent malfunctioned because of the rust and corrosion. After our visit, DPR maintenance personnel repainted the room and made cosmetic repairs to the ceiling. However, DPR had not addressed the ventilation.

Pictures D and E – Chlorine Storage Area

D

E



EXECUTIVE DIGEST

Additionally, DPR and OCP need to address critical management issues aimed toward improving efficient and effective service delivery as follows:

- INTERNAL CONTROLS – This multi-million dollar capital improvement program operated without basic, rudimentary internal control measures. Internal controls over this important program, one of the largest of its kind in the District, were nonexistent. We consider the internal control problems to be so substantial that there is more than a remote likelihood that public services will not be furnished in an economical and efficient manner and that mismanagement, fraud, waste, and abuse will not be prevented or detected (see Section I).

- HUMAN RESOURCES – Insufficient attention to the management of human resources in DPR and OCP, which were directly involved in the construction of recreation centers, resulted in persistent shortages of skilled, experienced engineers, contract specialists, and maintenance personnel. We also concluded that monetary benefits of about $1.8 million could be realized if OCP used government employees rather than contract personnel for what we believe is an inherent government function. This condition adversely affected capital management efforts (see Section I).

- CONTRACTING – Jair Lynch Consulting/Alpha Corporation (JLC/A) and the Temple Group, Inc. (TTGI) received excessive management fees, which are prohibited by District law, for services provided under two cost-plus and percentage-of-cost contract arrangements. As a result, District officials improperly paid fees amounting to about $2.1 million (see Section I).

- CAPITAL FUNDING – The DPR incurred delays and unnecessary costs on its capital improvement program because DPR did not fully fund the initial task orders (TOs) issued to contractors for services to support the program. This condition occurred even though DPR and the CFO made a formal agreement to fully fund projects before the Control Board awarded the contract (see Section I).

- PAYMENTS – We found a serious control deficiency during our review of $22 million in invoices paid by the District for construction and management services from July 2002 through September 2007. Specifically, a breakdown of internal controls resulted in payment of approximately $16 million in invoices, which were neither approved by a DPR authorized government official nor sufficiently verified by the OCFO prior to payment (see Section I).

EXECUTIVE DIGEST

- COST ANALYSIS - Our cost analysis concludes that, for the six projects, there were significant increases in task order costs, with some cost increases as high as 500 percent. These additional costs resulted from delays, management fee increases, and unforeseen conditions, and indicate, in some instances, ineffective cost management, lack of cost control, inefficient use of economic resources, and less than adequate project planning (see Section I).

- STANDARDIZATION - Savings could be realized for the District by developing standard equipment specifications and designs for recreation and aquatic centers and competing procurements on a volume basis (see Section I).

- LIFE-CYCLE MANAGEMENT – DPR did not employ life-cycle management techniques such as the use of cost models for various elements of ownership for a given recreation facility. As a result, total ownership costs of capital projects were unknown. This is the type of information that the Executive Office of the Mayor (EOM), D.C. Council, and senior managers would find valuable when making investment decisions (see Section I).

SUMMARY OF RECOMMENDATIONS AND MANAGEMENT ACTIONS

We directed 32 recommendations to management that, collectively, represent actions considered necessary to correct the deficiencies described in this report. These recommendations provide specifics on improving management oversight, personnel practices, contracting practices, internal controls, and accountability. Further, some recommendations have District-wide implications. The recommendations, in part, center on:

- establishing requirements relative to effective internal controls;

- developing policies and procedures governing DPR and OCP operations;

- addressing potential health and safety issues;

- implementing cost management and cost saving initiatives;

- acquiring and developing human resources;

- improving contract management; and

- performing due diligence tests prior to payment of invoices.

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Management generally concurred with the recommendations as directed. In many cases, the actions planned and/or taken generally meet the intent of the recommendations.

With regard to OCP, we consider the Chief Procurement Officer's (CPO) comments to the recommendations only partially responsive. Accordingly, we request that the CPO reconsider his comments to Recommendations 11, 12, and 13 of the final report. If the CPO continues to believe that the contracts are not a cost-plus-a-percentage-of-cost arrangement, we ask the CPO to explain how the JLC/A and TTGI contracts are indefinite delivery indefinite quantity contracts with cost-plus-fixed-fee (CPFF) pricing arrangements when the contractors did not submit their labor costs as a basis for contracting a CPFF contract.

OCFO management agreed to our recommendations on Internal Controls, Capital Funding, and Life Cycle Management (Nos. 1, 15, and 24, respectively); however, the OCFO felt strongly that they lacked the authority necessary to institute corrective actions on new procedures across all levels of District government. We agreed with the management positions taken, and accordingly, by copy of this report, request that the City Administrator review and address Recommendations 1, 15, and 24.

Although none of the recommendations were directed to the DCHR, DCHR also responded to the draft report, offering its assistance in meeting agency personnel needs.

We have incorporated details of the responses, as appropriate, in Section III of this report. The full texts of the responses are included at Exhibits B through G.

INTRODUCTION

BACKGROUND

DPR was established by Pub. L. No. 534 of the 77th Congress. In 1988, the agency was reorganized as a parks division and, in 2000, was renamed "Department of Parks and Recreation." DPR's mission is to provide a comprehensive program of leisure services for District residents, workers, and visitors. The department operates 77 recreation centers and other support facilities, and is responsible for maintaining these facilities – along with approximately 500 parks throughout the city – in a safe, operable, and attractive condition. DPR's headquarters is located at 3149 16th Street, N.W., with satellite administrative and program offices dispersed in each ward throughout the District. Included in its list of facilities are 155 tennis courts, 42 swimming pools (35 outdoor and 7 indoor), 16 senior citizen centers, 3 therapeutic recreation centers, 130 ball fields, 236 basketball courts, as well as 45 childcare sites. The department also operates and maintains a seasonal overnight camp in Scotland, Maryland (St. Mary's County).

The District's capital improvement program (CIP) for recreation and parks focuses on the rehabilitation of existing structures to provide safe, attractive, and operable facilities for program use. DPR's general improvements program is aimed at correcting various deficiencies and safety hazards, especially in the older buildings. In addition, new playground furniture, roof replacement, resurfacing of play courts, swimming pool improvements, and other major improvements are underway through this initiative. These general improvement projects represent needed enhancements to existing structures that will result in expanded program capabilities.

Operational Structure

DPR operates through the following five programs:

1. The Development and Community Affairs Program provides community outreach, volunteer opportunities, and development activities for District residents and visitors in order to provide additional resources and staff, and to meet and exceed customer expectations.

2. The Recreational Programs and Services Program provides sports, health and fitness programs, youth programs, aquatics, and a diverse array of camps for District residents and visitors so that they can participate in and learn about sports and leisure activities, as well as improve their health and well-being.

3. The Park and Facility Management Program provides planning, building, operational, maintenance, custodial, and security services for District residents and visitors so that they can have safe, well-planned, and well-managed facilities.

INTRODUCTION

4. The Agency Management Program provides administrative support and the required tools to achieve the agency's operational and programmatic results. This program is standard for all agencies using performance-based budgeting.

5. The Agency Financial Operations Program provides comprehensive and efficient financial management services to and on behalf of District agencies so that the financial integrity of the District of Columbia is maintained.

Historical Perspective on the Capital Improvement Program (CIP)

On July 20, 2000, the District of Columbia Financial Responsibility and Management Assistance Authority (Control Board), at the request of the Office of Property Management (OPM), decided that capital construction projects should be managed by outsourcing for construction management services. The Control Board's decision to outsource was based on the fact that OCP lacked the capacity to meet the procurement schedule set forth by OPM and DPR. At the contract inception stage, OPM was to act as the contracting officer's technical representative (COTR), DPR was to oversee the work of the construction manager, DPR and the OCFO were to process all invoices with approval from OPM, and the Control Board was to approve all required changes to contract work. The Control Board awarded indefinite delivery/indefinite quantity contracts to two construction management firms in March 2001.

From March 21, 2001, through September 30, 2005, DPR used the two construction management firms as program managers (PMs) for major construction projects. The two contractors, Jair Lynch Consulting/Alpha Corporation (JLC/A) and the Temple Group, Inc. (TTGI), were responsible for various aspects of DPR construction projects from design stages through final construction. Although the two contractors were responsible for tasks involving actual construction, DPR was responsible for monitoring construction activities and final acceptance of each completed construction project. Table 1 shows the number of task orders (TOs) and associated costs for each contractor.

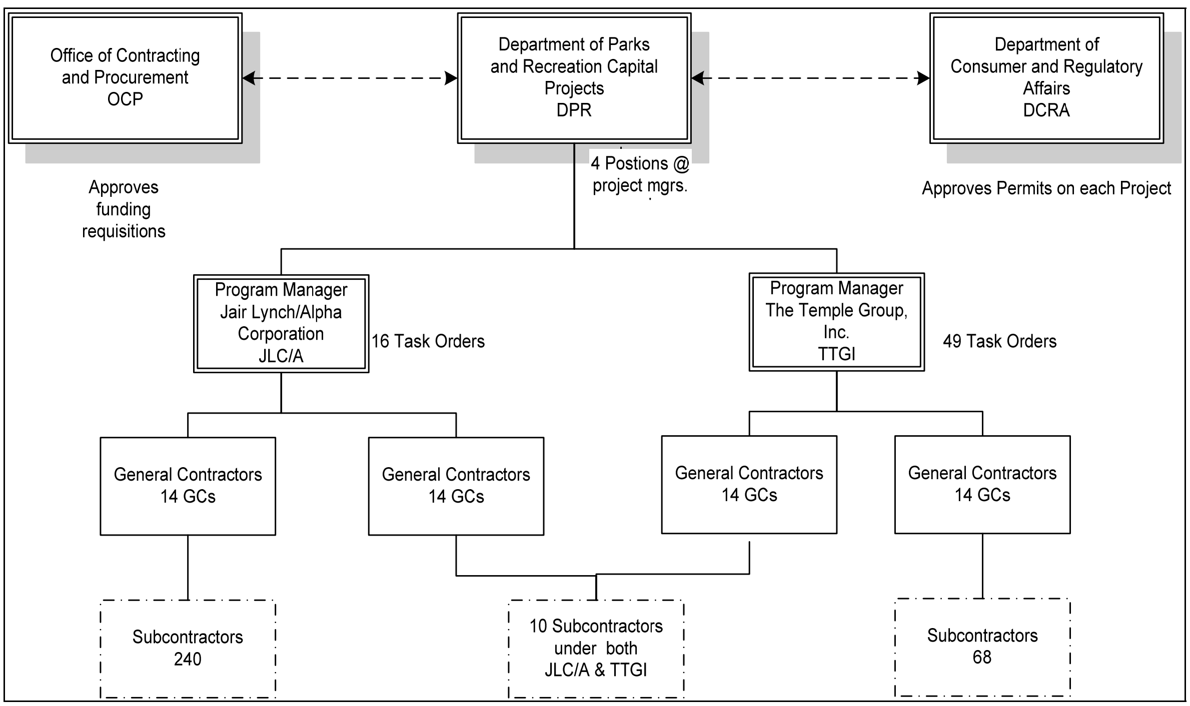
TABLE 1. TASK ORDERS ISSUED

Program Manager	No. of Task Orders Issued March 2001 – September 2005	Total Cost (as of 9/30/07)
Jair Lynch Consulting/ Alpha Corporation	16	$68,378,606
The Temple Group, Inc.	49	$64,445,892
Grand Total	65	$132,824,498

INTRODUCTION

When the Control Board became dormant on September 30, 2001, OCP assumed contracting responsibility. Additionally, OPM effectively relinquished its involvement with DPR's CIP during calendar year 2004. DPR assumed full responsibility for its CIP. Chart 1 depicts lines of responsibility for DPR's CIP. At the completion of our audit, work continued under existing task orders issued to the two firms.

CHART 1. DPR LINES OF RESPONSIBILITY



OBJECTIVES

Our audit objectives were to evaluate the effectiveness of DPR's programs for awarding and monitoring capital repair and maintenance projects. Specifically, we assessed DPR's processes for: (1) overseeing the quality of work performed; (2) controlling costs; and (3) performing contract management. Because of the deficiencies associated with DPR's management of its CIP, which were noted during the beginning of our audit, we expanded the audit objectives. This expanded coverage included a review of human resource management, facilities standardization, life-cycle management concepts, and an in-depth analysis of internal controls.

INTRODUCTION

SCOPE AND METHODOLOGY

To accomplish our objectives, we reviewed the processes DPR employed to oversee capital projects, to include task orders, project management files, management reports, contracts, purchase orders and invoices, and the status of projects. To assess DPR's process for controlling costs, we examined the requisition process by which payments for supplies, materials, labor, and equipment are approved and paid; we compared original project cost estimates to final costs estimates; and reviewed the funding process employed to finance capital projects. To review DPR's process to ensure that contract deliverables adhere to contract specifications, we held discussions with DPR officials and project managers, and reviewed community complaint reports submitted by the public. Where applicable, we reviewed engineering drawings, specifications, and descriptions and matched them against task orders issued by DPR. We also reviewed the adequacy of DPR and OCP internal controls as they applied to written policy and procedures pertaining to capital planning projects and standard operating procedures. We conducted site visits at six locations and, prior to completion of our audit, briefed DPR and OCP officials on our preliminary findings so that management could initiate corrective actions. The projects selected for review included visits to facilities located in District Wards 1, 3, 4, 5, and 6. The CIP projects that we selected for review were based on the D.C. Council's interest, DPR management's interest, or the OIG's discretion.

We held interviews and discussions with officials from DPR, OCP, the D.C. Department of Consumer and Regulatory Affairs (DCRA), OCFO, other city agencies, the D.C. Council, the Executive Office of the Mayor (EOM), and representatives for JLC/A and TTGI. We also benchmarked with surrounding jurisdictions relative to parks and recreation operations and consulted with the National Institute of Standards and Technology (NIST). The audit scope primarily covered transactions from FYs 2001 – 2007. During the audit process, DPR and OCP could not provide us with accurate, complete, and timely information relating to aspects of their operations. As a result, the audit process was significantly delayed. Additionally, in some instances where DPR or OCP did provide data, it was incomplete. Generally, the auditors obtained requested information after repeated attempts.

The audit was conducted in accordance with generally accepted government auditing standards and included such tests as deemed necessary to accomplish our objectives. We did not rely on computer-processed data for any conclusions reached during this audit.

RESULTS OF AUDIT

SECTION I: MANAGEMENT OF THE CAPITAL IMPROVEMENT PROGRAM

SYNOPSIS

The audit disclosed that the Department of Parks and Recreation (DPR) did not effectively monitor the progress and status of its capital improvement program (CIP) projects. The lack of a viable project monitoring program hindered timely detection of delays in starting and completing projects, timely detection of poor workmanship, efficient use of government funds (projects languished as funds were expended), and in some instances, resulted in unsafe environments for District residents.

We attribute the lack of project monitoring to insufficient executive management and supervisory oversight over the years. The lack of effective management controls over capital projects was compounded, for example, because of (1) non-existent or outdated policies and procedures delineating specific tasks DPR and the contractors needed to accomplish from the inception of a project to the final completion of a project, and (2) insufficient investment in human resources necessary to perform inherent government duties that are critical to effective and efficient operations (e.g., contract monitoring).

DPR is a major recipient of CIP funds, having expended about $160 million over a 7-year period ended September 30, 2007. Additionally, DPR plans to receive CIP funds exceeding $265 million for the period 2008 – 2013. DPR’s FY 2007 approved operating budget was $52.3 million, supporting 865 full-time equivalents (FTEs).

The following subsections provide details concerning management’s role in key DPR mission areas, including internal controls, human resources, contracting, capital funding, payments, cost control, standardization, and life-cycle management.

RESULTS OF AUDIT

INTERNAL CONTROLS

During the past several years, a stream of corporate scandals occurred in the private sector that led to substantial changes in accounting methods, financial statement preparation, and internal audit reports. One such change was the Sarbanes-Oxley Act of 2002 (Pub. L. No. 107-204). This Act placed great emphasis on the requirement for an effective internal control environment and led, in part, to a major revision of the Generally Accepted Government Auditing Standards (GAGAS) in July 2007. Revisions to the GAGAS emphasized internal control standards and strengthened the reporting requirement governing disclosure of internal control weaknesses. The GAGAS revisions went into effect in January 2008.

District government executives and managers have an inherent responsibility, as part of the public trust extended to them, to protect government assets entrusted to their care and to use resources provided to them to carry out necessary and desired public services in an efficient and effective manner. Crucial to the execution of these responsibilities is the development and implementation of written policies, procedures, directives, and guidance fully supported by managerial and administrative infrastructures that provide the necessary internal control environment and tools to perform government services in a prudent manner. Given the impact that sound internal control has on accountability and effective and efficient government operations, the District should issue a city-wide directive requiring managers to establish, assess, correct, and report on internal control. The guidance could be patterned, for example, after the Federal Managers Financial Integrity Act (FMFIA) of 1982 and the Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Internal Control.

DISCUSSION

Our audit of capital projects at DPR included a review of the DPR CIP used to fund the construction or renovation of recreation and aquatic centers. With more than $160 million expended in the last 7 years, the program operated without basic, rudimentary internal control measures. Internal controls over this important program were virtually nonexistent. When we expanded our audit work to the OCP and, in particular, to the Construction, Design, Building, and Renovations (CDBR) Group (the servicing procurement activity for DPR), we found internal controls in that organization were extremely weak. Control measures such as policy statements, procedures, and specific instructions necessary to the conduct of contract management and administration functions were lacking. The situation at OCP was further exacerbated by the fact that these internal control deficiencies were previously reported, uncorrected conditions. In the past, both the U.S. Government Accountability Office (GAO) and the OIG issued reports identifying severe internal control deficiencies that OCP acknowledged and concurred with the need for corrective action. We consider DPR's and OCP's internal control problems to be both significant deficiencies and material weaknesses so substantial that there is more than a remote likelihood that public services provided by DPR and OCP will not be furnished in an economical and efficient manner, and that mismanagement, fraud, waste, and abuse may be difficult to prevent or detect. In our view, top management in both organizations needs to create a climate where internal controls can develop and flourish to protect the public trust.

Synopsis of Internal Control Deficiencies at DPR. For capital project activities, there was no organizational chart, staff directory, or organization and functions manual that identified the hierarchy, staff titles, staff members, telephone contact numbers, the purpose of capital projects, and a description of the mission and key roles of the office and responsible officials. Position descriptions did not include management control responsibilities and performance evaluations did not contain specific standards to measure the performance of managers, supervisors, or senior staff members relative to management control issues.

DPR management and its project managers did not prepare lists of regulations, directives, instructions, and other documents needed to manage and direct operations. These officials also did not prepare written instructions informing managers, supervisors, and their staffs of specific responsibilities and duties to establish individual accountability.

Prominently absent was written guidance covering the project managers' roles and responsibilities, and the basic forms and reports that should be prepared and reviewed concerning the performance of DPR contractors. Needed guidance covering day-to-day operations did not exist. For example, we found no procedures that defined or prioritized the duties and responsibilities of DPR project managers when managing capital construction projects or monitoring the operations of contractors. Similarly, there were no standard operating procedures (SOPs) or other instructions governing day-to-day matters, such as managerial reports, liaison with the contracting officers, coordination with agencies such as DCRA, WASA, and others, or forms to record significant events. Further, DPR management and its project managers had not established written procedures for the review, processing, and filing of contractor payment vouchers. The limited guidance that did exist for program management task orders required reporting deliverables from the PMs to DPR, but there were no DPR guidelines on monitoring these deliverables. Consequently, DPR personnel involved in the management and monitoring of capital projects were not able to effectively carry out their duties to protect the interests of the District.

Synopsis of Internal Control Deficiencies at OCP. The same types of significant deficiencies noted above were found at OCP. However, OCP had its own set of internal control issues, as outlined below:

- Policy and operational matters were not covered by written directives.

- SOPs were not devised to cover routine or special circumstances.

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- Official contract files for DPR contracts were not maintained in accordance with the requirements of Section 1203.2, Title 27, District of Columbia Municipal Regulations (DCMR).

Internal control deficiencies involving contract documentation included:

- incomplete contract documentation;
- unsupported bases for contract decisions made during the procurement process;
- undocumented and unsupported contract actions; and
- insufficient information concerning essential facts needed in reviews or investigations.

In our opinion, this is an extremely serious internal control deficiency because the absence of key documents in the official contract files significantly limits the District's ability to (1) mount an adequate legal defense in the event a contractor files a claim or (2) recoup an overpayment or resolve disputes with contractors concerning performance issues, substandard materials, or workmanship, including the delivery of shoddy goods.

Centralized Contract File Maintenance - OCP had not established a secure central contract file area to physically protect the files. Day-to-day operating procedures governing file maintenance, control measures to be followed when removing or returning files to central storage, or other instructions regarding file content were not developed. Consequently, contract files were stored haphazardly and needed documentation was often missing and could not be located. For example, DPR contract files reviewed at OCP did not contain all modifications and change orders, requisitions, purchase orders, and vouchers submitted for payment and approved by the contracting officer.

Processing DPR Requisitions - The magnitude of OCP's internal control material weaknesses are illustrated by the manner in which DPR requisitions were handled. As stated elsewhere in this report, we found that 18 high-priority and urgent requisitions valued at $14.5 million went unfilled for periods ranging from 3 to 13 months. Although the OCP CDBR Group offered explanations when we inquired into causes for the delays, we found that there were no SOPs governing such practices as monthly reconciliation of the status of requisitions with customer organizations; requisition processing; follow-up actions; exception management techniques such as expedited processing; or reports to higher level procurement management that would identify delays and corrective action planned or taken to order the goods and services needed. The absence of control instruments precluded the development of timely, detailed information on the causes and frequencies of delays and the effect on construction costs and schedules. Consequently, procurement managers were not only unable to take prompt corrective actions, but they often did not know delays were occurring in the system.

Internal control deficiencies at OCP have been a persistent problem. A recent OIG Management Implication Report (MIR) to the Mayor of the District of Columbia, alerted him

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to the existence of 93 systemic internal control deficiencies reported during performance audits of 19 District government departments and agencies during FYs 2005 through 2007. Of the 93 internal control deficiencies found, almost 10 percent occurred at the OCP.

To assist the Directors of DPR and OCP and their executive staffs in eliminating material weaknesses and permanently strengthening internal controls, we suggest the following actions for evaluation and implementation:

- Control Environment. Create and maintain a management culture, attitude, or atmosphere conducive to the acceptance and growth of a control environment. Key staff members will more willingly embrace the tenets of internal controls if they are accepted, believed in, and practiced by top management who is willing to devote the necessary resources to implement controls. Assignment of a senior manager who reports directly to the Director as the DPR or OCP Internal Control Officer sends a strong signal of commitment to the staff.
- Risk Assessment. DPR and OCP are dynamic organizations with demanding, transparent missions that often result in adverse criticism of operations. This atmosphere requires managers and senior officials at all levels to anticipate change and be proactive in making changes and adapting to a new environment. Assessing the risks associated with the turnover of senior leaders and strong supervisors and planning for the continuation of effective internal controls during transition periods exemplify the ability to anticipate change and assume a proactive stance.
- Control Activities. The segregation of duties, the safeguarding of assets, and proper authorization for the conduct of transactions and decision making are achieved through the development of sound policy and understandable, easily implemented procedures governing events, transactions, and special situations. These activities will satisfy the pressing need for documentation and eliminate the occurrence of incomplete or missing files and documents.
- Communication. For internal controls to be effectively implemented, information on goals, objectives, and accountability must be disseminated to all staff elements. Frequent communication with an emphasis on strengthening internal controls and the inclusion of internal control responsibilities in the position descriptions and performance standards of personnel will effectively transmit the intent of top management to the organizational level where change and improvement are needed.

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- Monitoring. Establishment of effective internal controls is not a one time event. Controls in place must be evaluated periodically to ensure compliance with procedures and to identify the need to make revisions when circumstances change. Developing a follow up system under the direction of the Internal Control Officer or senior manager to review the existing control measures will provide effective oversight and strengthen these measures.[2]

[2] *See* COMMITTEE OF SPONSORING ORGANIZATIONS OF THE TREADWAY COMMISSION (COSO) internal control framework: the five components available at http://en.wikipedia.org/wiki/Committee_of_Sponsoring_Organizations_of_the_Treadway_Commission (last visited Dec. 21, 2007).

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HUMAN RESOURCES

Insufficient attention to the management of human resources in DPR and OCP resulted in persistent shortages of skilled, experienced engineers, contract specialists, and maintenance personnel. This condition adversely affected capital management efforts.

Key DPR engineer personnel shortages amounting to 40 to 60 percent of staff needs lasted for at least 2 ½ years without recruitment and hiring actions. This occurred because human resources needs were not aggressively managed during a prolonged period of intense competition with the District's construction industry for critical engineering personnel. Turnover and personnel shortage issues were not identified and resolved, vacant positions were left unfilled, and workloads were merely spread among available engineers without regard to factors such as project cost, project complexities, and the demands for construction management oversight. Effective coordination was not established between DPR and the D.C. Department of Human Resources (DCHR) to utilize accelerated personnel hiring procedures offering competitive salaries, streamlined processing methods, quicker offers, and faster employment.

As the District's capital projects program matured and procurement actions increased, limitations on the number of contracting officers and contract specialists employed in OCP created personnel shortages and led to agreements between OCP and four of its customer organizations to contract out these positions. Filling procurement and contract administration positions with contractors rather than in-house personnel to perform what we believe is inherently a governmental function, is costly and, if continued, will divert an estimated $1.8 million during the next several years that could be used on capital project needs.

DISCUSSION

Organizations Involved in Recreation Center Construction. DPR and OCP were directly involved in the acquisition and construction of neighborhood recreation centers. DPR provided the technical and professional staff resources needed to oversee the work of contract program managers for recreation center construction projects, as well as the in-house resources to maintain these centers after they are built. Within DPR, we concentrated our audit efforts on the Capital Planning Branch, which had direct engineer supervisory construction responsibilities. Within OCP, we focused our audit efforts on the CDBR Group that furnished contract specialists vital to the success of contract management and administration issues. The DCHR also plays a vital support role in recreation center construction by working closely with District government agencies in acquiring and maintaining a technically qualified, professional workforce.

Shortages of Qualified Engineers. During FYs 2006 and 2007, the DPR's Capital Planning Branch had approximately 120 projects in various stages of completion, either being performed under program management contracts or in-house under the supervision of a DPR

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engineer. Projects ranged in importance from multi-million dollar recreation centers to water fountain and ball park lighting installations. Engineering oversight responsibilities for all projects were borne by two engineers, one of whom had been employed by DPR for less than a year.

When we inquired as to the reasons behind the shortage of engineers, we were told that two individuals were scheduled to join the branch in the early part of 2007. The two applicants were interviewed about 2 months previously but effective actions were not taken by DPR or DCHR to bring the applicants on board. Subsequently, the two applicants declined offers to join DPR's engineering staff because the process took too long, they needed jobs, and they accepted positions elsewhere. We discussed this situation with DPR's human resources specialists and were told that it typically takes as much as 3 months to bring a person on board. When we inquired whether DPR took advantage of DCHR's accelerated "Special Qualifications" process (which assists in recruiting and hiring qualified professionals who are in short supply), we learned that DPR had not used the "Special Qualifications" process as a means of securing the services of qualified engineers. Additionally, we found that the Capital Planning Branch Chief position had been occupied by three separate individuals during a 24-month period.

Staffing Criteria. According to a draft organization chart prepared in FY 2007, the Capital Planning Branch was authorized a total of five engineers, including the branch chief. Three engineer positions were vacant, and the two engineers who comprised the total engineering staff managed the entire DPR workload alone for over 18 months. When we inquired about the staffing requirements for a District government engineering organization the size of DPR's Capital Planning Branch, we were told that staffing criteria did not exist, and neither the branch chief nor DPR had requested DCHR to develop it. Normally, staffing criteria would specify, for example, how many engineers, by grade and salary, are needed to provide engineering oversight and review of DPR projects under construction. We queried other District organizations with engineering staffs, notably the OPM, to see if they had internal or DCHR approved staffing criteria. They did not. We then queried the civil engineering departments of three universities, two civil engineering firms, and three park departments of local governments in the Washington Metropolitan Area to ascertain how many projects should be assigned to an engineer. However, we could not find an established standard in the civil engineering profession that could be used as a guide to determine the project workload of an engineer. We did find that local government park departments normally assigned five projects to each engineer. Project workload in those departments varied greatly depending on project nature and complexity (i.e., new construction versus major renovation, parkland versus facilities engineering, etc.). In the event project workload rose to 8 or 10 projects, those engineers generally had assistance from an internal staff of site inspectors or construction experts. It should be noted that the local park departments that we queried did not have an ongoing construction program comparable to the magnitude of DPR's.

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However, discussions held with professional engineers in and out of District government disclosed a general consensus that engineer workload determinants included project cost, project complexities, scheduled completion dates, and the construction workload. For instance, project costs exceeding $5 million were thought to be a significant indicator of engineer needs because the sum is substantial. Project complexity plays a major part in determining engineer needs; a complex project requires a great deal more time and effort to solve engineering challenges and limits the availability of an engineer to manage or oversee other projects. Project completion dates and overall workload are more subjective evaluative measures of engineer needs because of the impact of weather and local construction market activity such as availability of equipment, labor, and supplies.

Engineer Staff Requirements. Based on discussions with engineers and professional organizations, reviews of DPR's capital project workload, and the fact that only two of five DPR engineer positions were filled, we concluded that DPR needed to, at a minimum, fill its vacant positions if DPR's recreational projects are to be completed on time, on or under budget, and free of defects and other engineering problems. DPR, in conjunction with DCHR, should immediately develop criteria for maintaining a professional, experienced engineering staff as well as appropriate position descriptions to recruit, build, and maintain an engineering staff to provide management and oversight of recreation center projects. Further, because of the intense competition for experienced engineers in the District as a result of the commercial construction boom, DPR and DCHR should devise and implement an aggressive recruitment strategy to attract and retain qualified candidates and consider paying salaries above prevailing grade and step rates. Care should be taken to monitor turnover and other staff turbulence such as reassignments. Additionally, after DPR extends a job offer, actions should be taken to bring new engineers on board within 30 days of acceptance.

Maintenance Personnel. During the course of our review, we noted that DPR recreation centers were state-of-the-art facilities with the most up-to-date machinery such as pumps, compressors, generators, heating and air conditioning, and water filtration systems. Some machinery used in recreation center operations are computer controlled. While the installation of the most modern equipment available, especially in aquatic centers, is laudable and will serve District communities and citizens well over the years, equipment warranties generally cover only a 12 to 24 month period after installation. This equipment will require frequent and, in some cases, sophisticated maintenance when the warranties expire.

We reviewed the organizational structure of the DPR Maintenance Division and found a total of 12 positions authorized. The 12 positions were limited to general maintenance functions such as carpenters, painters, graffiti cleaners, plumbers, electricians, and a locksmith. While these general trade skills are needed throughout the year, they will not satisfy the higher level maintenance skills required to repair and maintain the sophisticated equipment installed, particularly at the aquatic centers. We examined maintenance operating budget data from FYs 2001 – 2007 and found that, on average, only $1.3 million (non-personal funds) were

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budgeted to provide maintenance services at 77 facilities. Maintenance managers agreed with our contention that such a sum is inadequate and a much more substantial investment will be required. In the near future, the District and DPR face the dilemma of either investing heavily in human resources to bring on board or train maintenance personnel capable of servicing highly technical equipment or paying substantial sums to specialized maintenance contractors to provide the same service. Unless DPR management makes sufficient plans to address human resource issues in the maintenance area, to include a cost comparison analysis of in-house versus contractor maintenance, it is probable that DPR will experience frequent maintenance problems that could result in inoperable or closed facilities, possibly for extended time periods.

Shortages of Contracting and Procurement Specialists. We reviewed the organizational structure and workload of the CDBR Group and determined that in the absence of more definitive data, the CDBR Group had a severe shortage of contract specialists, which hindered their efforts. We found that only one contract specialist worked on DPR capital project construction contracts, and that individual was not a District government employee but a contractor/consultant. Further, only two contracting officers worked on DPR capital project contract actions and then only part of the time. When we asked CDBR Group officials about the anticipated workload for FY 2007 and the next 4 years, the officials indicated that the information had been requested from customer organizations but had not been received. However, the anticipated contract workload was expected to be about $100 million. Effective and responsive contract support cannot be provided with such limited personnel resources.

The CDBR Group operated, in part, on a reimbursable basis with its customer organizations. Due to a special provision in the FY 2007 Budget and Finance Plan guidance on the management of capital project funds, individuals directly involved in the construction and renovation of capital projects can be paid with those funds, thereby reducing personnel costs normally paid with local funds or other fund sources. We found that the CDBR Group, under the terms of a Memorandum of Understanding (MOU), performed myriad contracting and procurement functions for DPR and three other District government organizations using capital project funds. The MOU serves as authority, subject to the terms of the agreement, to transfer funds between organizations to pay the salaries of District contracting officers and contractor personnel. This allowed OCP to compensate for shortages of contract specialists by hiring personnel, on a contract basis, needed without exceeding established personnel ceilings, and resulted in contracting out an inherently governmental function.

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Procurement Delays. We were informed by DPR's Capital Planning Branch of delays in processing requisitions for contractual actions, which hampered their construction and renovation projects. DPR personnel could not provide us with detailed information on the number or frequency of delays or their effects, if any, on construction costs and schedules. We then met with CDBR Group officials and requested to review five contract files for recreation centers recently constructed or renovated.

To evaluate the extent of delays experienced, we used available data developed by OCP and DPR to monitor the status of DPR's capital project requisitions. The data showed that for the period February 16, 2005, to March 1, 2006, DPR submitted 31 urgent and high priority requisitions valued at $15.9 million to OCP. We excluded six requisitions from our analysis because of cancellations, renegotiations, or insufficient data. Of the remaining 25 requisitions, we found 7, valued at $185,920, that were processed expeditiously.[2] For the remaining 18 urgent and high priority requisitions, valued at $14.5 million, we found significant processing delays ranging from 3 to 13 months. At park departments of the local governments that we visited, management officials stated that their high priority requisitions were processed in 15 days or less. We asked officials of the CDBR Group to provide us with an explanation for the delays surrounding each requisition. Their responses consisted of several scenarios including: the need to reconstruct facts; major discrepancies, errors, and inconsistencies in contractor-supported documentation; the procurement proposed had many ambiguities; unplanned procurement actions; and long delays in funding.

Capital Projects Contract Workload Forecast. We reviewed four separate MOUs between DPR and the Metropolitan Police Department (MPD), D.C. Fire and Emergency Medical Services (FEMS), the D.C. Public Library, and OCP for contractual and procurement services directly related to the construction and renovation of capital projects. The MOUs contained provisions for the payment of substantial amounts for the salaries of in-house personnel and contract employees to work as contracting officials and contract specialists. However, the MOUs contained no data on the type, number, and cost of capital projects and associated contractual actions those personnel would work on. We contacted officials at each of the four organizations involved, obtained relevant data, and developed an OCP capital projects contract workload forecast for FYs 2007 through 2011 as shown in Table 2.

[2] Because there were no established criteria to evaluate delays, we determined that a high priority requisition was processed in a timely manner if it was converted to a purchase order in 60 days or less.

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TABLE 2. CAPITAL PROJECTS CONTRACT WORKLOAD FORECAST (BY SELECTED DEPARTMENT/COSTS) FOR FYS 2007 THROUGH 2011 [3] (IN MILLIONS OF DOLLARS)

FY	Parks Proj.	Parks Costs	MPD Proj.	MPD Costs	FEMS Proj.	FEMS Costs	Library Proj.	Library Costs	Total Proj.	Total Costs
07	78[4]	$43.0	4	$4.6	3	$ 2.5	5	$10.0	90	$60.1
08	18	32.0	4	6.0	24	19.5	7	30.5	53	88.0
09	18	50.8	3	8.3	16	22.0	3	6.9	40	88.0
10	16	51.5	2	3.8	10	15.3	12	21.5	40	92.1
11	11	37.5	2	7.6	10	15.5	2	1.8	25	62.4
Total	141	$214.8	15	$30.3	63	$74.8	29	$70.7	248	$390.6

In FY 2007 and the following 4 fiscal years, the CDBR Group can reasonably expect a workload of 248 contracts with an estimated cost of over $389 million. This estimate is almost 74 percent higher than the workload estimate of senior CDBR Group officials. At least 13 of the 248 projects, based on estimated contract costs exceeding $5 million, can be expected to pose significant procurement challenges. In our opinion, given its current staffing levels, the CDBR Group will experience severe difficulties in attempting to manage a workload of this magnitude.

<u>Planned Staffing Actions</u>. In our review of the four MOUs, we found that the CDBR Group agreed to increase the size of its staff by contracting out for the services of 9 contract specialists, some of whom would be part-time, to augment its in-house staff. Under an FY 2007 consulting services contract approved by the D.C. Council on April 13, 2007, and MOUs signed by all parties, the CDBR Group was poised to hire these specialists on contract without a cost comparison due to limitations on the number of FTEs. Given the per person costs to hire a contract specialist, we performed a cost analysis comparing the cost of hiring contractor personnel to the cost of in-house employees. The analysis showed that hiring contractor personnel may be precipitous, excessively costly, and not in the best interests of the District. We found that, over a 5-year period, a substantial savings (cost avoidance) could be realized if the CDBR Group used government employees rather than contractor personnel as shown in Table 3.

[3] For FY 2007-FY 2011 values, we computed only project and associated cost data for projects scheduled to start in a fiscal year.
[4] The DPR project data for FY 2007 include small in-house projects.

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TABLE 3. COST COMPARISON ANALYSIS -- POTENTIAL SAVINGS USING IN-HOUSE VS. CONTRACTOR PERSONNEL FOR SELECTED DISTRICT CAPITAL PROJECTS -- FISCAL YEARS 2007- 2011

Department/ Agency	Contractor Costs[5] Over 5 Years	In-House Costs[6] Over 5 Years	Cost Savings Over 5 Years
MPD	$1,148,184	$754,305	$393,879
FEMS	1,148,184	754,305	393,879
Library	419,506	284,314	135,192
Parks & Recreation	2,125,116	1,203,975	921,141
Total	$4,840,990	$2,996,899	$1,844,091

To maximize potential savings, action should be taken to increase the CDBR Group's full-time staff with qualified, experienced, contract specialists and reduce or eliminate the number of contract experts hired under the consultant services contract. The savings realized could be applied to capital project construction or improvement instead of overhead costs.

Other Professional Personnel Needs. In our review of contractor personnel costs contained in the MOUs, we noted that one of the positions was for a Contract Compliance Specialist. We asked why this position was requested and what functions would the contracted individual perform. We were told that a compliance specialist would make field visits to contractor sites and make sure that the terms and conditions of contracts would be reviewed for compliance by the contractor. There were concerns among contracting officers that compliance with the requirements for bonds, insurance, and small and minority business participation in capital project contracts was spotty or lacking. We inquired about reviews of contractor invoices and claims and were told that the CDBR Group and OCP relied on the supported customer organization to perform such reviews.

In-House Internal Review Capability. We found that OCP had no in-house capacity to perform internal audits or reviews of contractor invoices or claims. In addition, OCP had no plans to contract out audits and reviews to private sector firms who engage in such work. Similarly, OCP employs no contract surveillance or inspection personnel to ensure

[5] Contractor costs were computed using hourly rates contained in the MOUs, compounded annually at a rate of 5 percent, and multiplied by the number of hours to be worked.
[6] In-house personnel costs were computed using the highest pay grade for contract specialists fully burdened for employee benefits costs.

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compliance with the terms and conditions of a contract. Under the provisions of 27 DCMR § 3218.2 for example, the contracting officer may conduct reviews or audits of progress payments at any time. We found that this was not routinely done. The absence of an internal review function in a procurement activity that awards millions of dollars in contracts during any given year exposes the District to unnecessary risks by creating an environment with a limited capacity to protect the District's funds and expenditures.

Periodic reviews, random audits, and unscheduled checks and inspections are management processes designed to ensure compliance, integrity, sound internal controls, and adherence to laws and regulations on the part of the contractors and the District government. OCP needs to examine the need for oversight, evaluate associated risks, and take appropriate action such as developing its own internal review function in order to improve its operations.

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CONTRACTING

JLC/A and TTGI received excessive management fees (fees) for services provided under two cost-plus-a-percentage-of-cost contract (CPPC) arrangements, which are prohibited by D.C. Code § 2-303.09. The excessive fees occurred because OCP could not account for the number and value of task orders needed to determine when the fees exceeded the maximum allowable amount. As a result, District officials improperly paid JLC/A and TTGI fees that exceeded the maximum allowable amount by about $2.1 million for ongoing FY 2004 task orders. The District also continues to pay fees to JLC/A and TTGI, which also may be in excess of the maximum allowable amount for ongoing FY 2005 task orders. Failure to prevent OCP contracting officials from awarding CPPC arrangements and account for task orders is an internal control deficiency. If this deficiency continues and remains uncorrected, the OCP is at risk of continuing to violate District law and paying more than necessary for contracted services.

DISCUSSION

On March 21, 2001, the Control Board awarded contract DCFRA-00-C-031B to JLC/A and DCFRA-00-C-031A to TTGI for program management services with payment based on cost plus a fixed fee. The contracts contained a base period from March 21, 2001, through September 30, 2001, and four 1-year options. DPR ordered program management services by task orders under each contract. The estimated management fees specified in the JLC/A agreement were 4.5 percent of the total cost per year, with a total not-to-exceed amount for the base year and option years that ranged from $225,822 to $497,245. For TTGI, the estimated management fees specified in the agreement were 3 percent of the total cost per year, with a total not-to-exceed amount for the base year and option years that ranged from $309,594 to $492,580.

In addition, the agreements further allowed the contractors to bill the District for any additional work required outside the scope of the program management services, renovations, and construction services at pre-determined hourly rates. These rates ranged from $43.85 per hour for a word processor to $224.39 per hour for a senior project architect on the JLC/A contract.

Modification 1 dated September 7, 2001, assigned the Control Board's rights and obligations under both contracts, including the responsibility for administering the contracts and paying invoices, to the OCP. In June 2004, OCP modified both agreements. The modifications increased the JLC/A FY 2004 and FY 2005 maximum total allowed management fees from $225,822 to $550,000 and $555,000, respectively. The TTGI FY 2004 and FY 2005 maximum total allowed management fees remained the same. The management fee percentages increased from 4.5 to 11 percent for JLC/A and from 3 to 11 percent for TTGI.

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Criteria. D.C. Code § 2-303.09 states that, "The cost-plus-a-percentage-of-cost contract system of contracting shall not be used." This language is almost identical to 41 U.S.C. § 254(b), which states that a "cost-plus-a-percentage-of-cost system of contracting shall not be used." The Comptroller General established criteria for determining whether contracts violate the federal statute and the Federal Circuit adopted the criteria in *Urban Data Sys., Inc. v. United States*, 699 F.2d 1147, 1150 (Fed. Cir. 1983), stating:

> We accept at the outset, the general criteria (adopted by the Board) which were developed by the Comptroller General for determining whether a contract is a cost-plus-a-percentage-of-cost contract: (1) payment is on a predetermined percentage rate; (2) the predetermined percentage rate is applied to actual performance costs; (3) the contractor's entitlement is uncertain at the time of contracting; and (4) the contractor's entitlement increases commensurately with increased performance costs. 55 Comp. Gen. 554, 562 (1975). These standards incorporate the common understanding of the "cost-plus-a-percentage-of-cost system of contracting," an understanding which was undoubtedly in Congress's mind when it enacted the prohibition.[7]

According to the above guidance, OCP's contractual arrangements with JLC/A and TTGI generally met all of the general criteria of a cost-plus-a-percentage-of-cost-contract system. Both agreements provided that some element of the contractor's compensation was computed on a predetermined percentage of some of the costs of performance.[8] Further, "any contractual arrangement where the contractor is assured of greater profits by incurring additional costs will be held illegal."[9]

Excessive Management Fees. JLC/A and TTGI received excessive management fees for services provided under two illegal CPPC arrangements. For FY 2004, we reviewed invoices for six task orders valued at $25.3 million issued to JLC/A. We compared about $2.1 million of fees paid based on a percentage of cost with the maximum total fees allowed ($550,000) to JLC/A in the contract. We determined that the District overpaid JLC/A at least $1 million in management fees based on the maximum amount allowed for FY 2004. Table 4 presents the details for management fees paid to JLC/A for FY 2004.

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[7] JOHN CIBINIC, JR. & RALPH C. NASH JR., GEORGE WASHINGTON UNIVERSITY GOVERNMENT CONTRACTS PROGRAM, FORMATION OF GOVERNMENT CONTRACTS 1066 (3d ed. 1998).
[8] *Id.* at 1067.
[9] *Id.* at 1066.

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TABLE 4. FY 2004 MANAGEMENT FEES PAID TO JLC/A			
Task Order	**Date Issued**	**Amount (Rounded**	**Management Fees (Rounded)**
Mitchell Park Site Improvement	10/5/2003	$1,759,184	$159,485
Deanwood	10/6/2003	$2,014,557	$132,980
Georgetown Pool House	11/26/2003	$2,839,897	$329,114
King Greenleaf	2/3/2004	$5,920,034	$500,999
Palisades Recreation Center	2/4/2004	$2,925,390	$187,203
Riggs La Salle	2/5/2004	$9,866,346	$277,733
***Total*[10]**			***$1,587,514***
Maximum limit in the contract			***$550,000***
Excessive management fees			***$1,037,514***

Using the same approach, we also reviewed invoices for 19 task orders valued at about $22 million issued to TTGI. We compared about $1.3 million in fees paid based on a percentage of cost with the maximum total fees allowed ($309,594) to TTGI in the contract, and determined that the District overpaid TTGI at least $1 million of management fees based on the maximum amount allowed for FY 2004. Table 5 presents the details for management fees paid to TTGI for FY 2004.

[10] We excluded management fees related to renovations and construction services at pre-determined hourly rates.

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TABLE 5. FY 2004 MANAGEMENT FEES PAID TO TTGI			
Task Order	**Date Issued**	**Total Invoice Amount (Rounded)**	**Management Fees (Rounded)**
Riggs LaSalle	10/7/2003	$ 437,683	$2,071
Hearst Recreation Center	1/5/2004	$ 637,337	$46,828
Stoddert Rec. Center	1/5/2004	$ 729,690	$68,245
Restoration ball fields	2/1/2004	$ 123,742	$1,010
Benning Park/Langdon Swimming Pools	2/4/2004	$ 700,500	$20,505
Fort Dupont	2/4/2004	$ 975,289	$131,752
Oxon-Ft. Stanton	2/4/2004	$ 978,789	$112,670
Turkey Thicket Comm. Cntr.	2/10/2004	$ 6,582,646	$387,981
Hillcrest Rec. Center	3/2/2004	$ 253,243	$35,557
Door, hardware, and frames	4/2/2004	$ 364,637	$274,546
Restoration bathhouses	4/2/2004	$ 830,231	$43,413
Replacement of walls at Park Rd.	4/26/2004	$ 24,689	$64,854
Lafayette Park	6/9/2004	$ 371,568	$67,280
Lovejoy Park	6/9/2004	$ 740,495	$36,183
Chevy Chase Comm. Center	7/2/2004	$ 1,807,112	$12,982
Harry Thomas Rec. Center	8/11/2004	$ 17,528	$7,305
Wilson Pool	8/11/2004	$ 42,733	$13,660
Garfield Park	8/20/2004	$103,124	$18,749
Trinidad	10/22/2004	$ 6,409,292	$665
Total[11]			***$1,346,256***
Maximum limit in the contract			***$309,594***
Excessive management fees			***$1,036,662***

We found that the primary reason for the excessive fees was that OCP could not account for the number and value of task orders to determine when the fees exceeded the maximum allowable amount. For example, OCP officials did not maintain copies of all task orders issued to JLC/A and TTGI for FYs 2004 and 2005. Task orders are the primary basis for determining when payments will exceed the maximum allowable amount establish in the contract. We requested that OCP obtain copies of task orders from JLC/A and TTGI. However, even with the task orders, it was difficult for us to determine the amount of fees because OCP did not maintain critical data such as purchase orders and invoices associated

[11] We excluded management fee related to renovations and construction services at pre-determined hourly rates.

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with task orders. OCP also did not have an adequate system in place to ensure that task orders do not exceed contract maximum allowable costs and fees before payments are issued. Further, at the time of our audit, we were only provided task orders for FY 2004.

Conclusion. OCP issued task orders and established management fees on those orders based on a percentage of total cost, which is prohibited by D.C. Code § 2-303.09. Our audit showed that OCP paid fees to the contractors based on a percentage of cost established on the task orders well above the maximum fees listed in the contract. The contract states that "All task orders are subject to the terms and conditions of this Contract. In the event of conflict between a Task Order and this Contract, the Contract shall control." OCP and DPR should determine and pay the contractors actual costs of performance plus a fixed, reasonable profit instead of the current CPPC method of paying management fees that exceed the maximum amounts established in the contracts. OCP also needs to establish procedures to preclude OCP contracting officials from awarding CPPC arrangements. Failure to account for task orders is an internal control deficiency. If this deficiency continues and remains uncorrected, the OCP is at risk of continuing to violate District law and paying more than necessary for contracted services. Although, we requested copies of FY 2005 task orders, none were provided. Accordingly, we believe that the Director of DPR should coordinate with OCP to determine the amount of fees that were improperly paid to JLC/A and TTGI for FY 2005 task orders and, as necessary, take action to recover overpayments to JLC/A and TTGI.

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CAPITAL FUNDING

DPR incurred delays and unnecessary costs in its capital improvement program because DPR did not fully fund the initial task orders issued to JLC/A and TTGI for services to support the program. This condition occurred even though DPR and the CFO made a formal agreement to fully fund projects before the Control Board awarded the contract. In a letter dated July 20, 2000, the Control Board confirmed an agreement with OPM OCP, DPR, and CFO about contracting for the services of a program management firm to assist in managing $138 million in capital construction projects. The letter states, in part, that DPR has demonstrated that it has $138 million in FY 2000 through FY 2005 appropriated funds that will be obligated to the contract. The specific terms are found on page two in paragraphs one, two, and five of the July 20, 2000, letter, as follows:

1. The DPR and OCFO agree and represent to the Authority that DPR has obligated fiscal year 2000 through 2005 appropriated funds of $138,000,000 for expenditure under contemplated contract Task Orders to be issued by the Authority based on a scope of work prepared for and approved by DPR; and that such funding is available through the District's [Financial Management System] FMS system to support timely payment of approved invoices submitted for payment thereunder.

2. The DPR agrees to obligate the funds to the Authority's contract and not to allow expenditures for any other purpose to be paid out of the funds identified above unless and until such funds have been de-obligated from the contract wit[h] the written approval of the Authority.

5. All invoices under the Authority contract will be processed by the DPR, and the Office of the Chief Financial Officer as promptly as possible to ensure that the contractor is paid on a timely basis. Each invoice shall be reviewed and approved by the OPM within seven (7) days of receipt from the contractor. Each invoice shall be processed for payment by the District's OCFO within seven days of receipt from DPR. Payment will be made out of District funding pursuant to paragraph 1 above.

DISCUSSION

We reviewed a sample of six task orders to determine whether DPR had fully funded the task orders when they were initially awarded. We found that DPR never fully or adequately funded the basic task order when initially issued to the contractors, which indicates that the $138 million had not been set aside for expenditures as agreed. We determined that the lack

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of adequate task order funding caused delays and additional costs to the projects. An example relative to the Columbia Heights Community Center follows.

Columbia Heights Community Center Project. In May 2003, the total project budget costs for the Columbia Heights Community Center were established at $4.5 million with construction budgeted at $4,000,000 and development services budgeted for $500,000. However, at the inception of the project (Task Order#28), the original request for funds was not properly approved through the Council. As a result, the $4.5 million set up at that time had to be rescinded and repackaged for the Council's approval.

The DPR director at the time informed TTGI that during the Council approval process in order to obtain the required funds, TTGI should proceed with the design phase so that the design and construction schedule would not be impacted. The consultants and contractors completed their documents by July 2004. TTGI and DPR were aware that the funding had not been approved or appropriated and payment to the consultants was not forthcoming.

The DPR director assigned another task order (Task Order #41) to this project anticipating that funds would be readily available by the fall of 2004. However, while awaiting Council approval, the design and concept stage was in development and invoices were being charged to DPR. Funds had not been approved and a work stoppage occurred due to unpaid invoices. This condition resulted in an apparent violation of District anti-deficiency laws.

The new Task Order #41 was incrementally funded at the inception of the design and construction phases at $6.3 million. However, the contract was subsequently awarded for $9.3 million. Subsequent funding was to be made available no later than 90 days preceding the “Notice to Proceed” (NTP) date. An NTP date of February 22, 2005, was established to commence submission of the remaining contract deliverables.

Another factor impacting this project was a delay in obtaining required building permits through DCRA. Building permits that should have been readily available to initiate construction at the NTP date were postponed from February to June of 2005. TTGI had promised the contractors and DPR that the NTP date would be approximately March 22, 2005. However, due to permit approval delays at DCRA, the NTP date was postponed to June 21, 2005. Actual construction did not commence until the middle of July 2005.

A construction modification of $5.1 million was not approved by OCP until June 26, 2006. During the previous 9-month period, construction items received and accepted totaling approximately $4,605,846 ($4.6 million) accumulated and required payment. As a result, construction contractors were not paid, and another work stoppage occurred on June 26, 2006, for 24 days.

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In summary, two work stoppages occurred on this project. The first stoppage (July 2004) involved zoning consultants who did not finish their work until after funds were made available and other invoice payments were delayed to other consultants who had completed their work during the period. The second work stoppage (June 2006) resulted in additional charges totaling $348,000, which could have been avoided. In both cases, funds were not available and jeopardized the start up and completion dates of the recreation center.

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PAYMENTS

We found serious control deficiencies during our review of $22 million in invoices paid by the District from July 2002 through September 2007 for construction and management services. A breakdown of internal controls occurred during the invoice certification process which resulted in the payment of approximately $16 million in invoices that were neither approved by a DPR authorized government official nor sufficiently verified by the OCFO prior to payment. This breakdown has the potential for causing the District to pay for goods and services that were not received, to pay for work that did not meet contract specifications, or to make payments for fraudulent invoices.

DISCUSSION

Under the terms of contract DCFRA-00-C-031A, the prime contractor functions as the PM, and is responsible for submitting invoices to DPR's Contracting Officer Technical Representative (COTR) for approval and processing for payment. Article I, ¶ B.10.j of the contract states: "Acceptance of individual line items ordered under task orders shall be the responsibility of the COTR or his/her designee." Approval of the invoices consists of reviewing them to ensure accuracy and the receipt of goods and services. The invoices are then certified by the COTR and submitted for payment by the OCFO. The OCFO Financial Policies and Procedures Manual, Section 3020.500 states: "All payment vouchers must be certified as legal, proper, and accurate for payment by an authorized agency Certifying Officer."

As set forth in the contract, the Chief, Capital Project Division, was the designated COTR. During our analysis, however, we found that $16 million of $22 million in invoices was authorized for payment by DPR personnel other than the COTR or his/her designee. These employees held various positions within DPR and most had not acquired the requisite knowledge to certify the services billed as compliant with task order performance measures. We examined 242 invoices submitted by one contractor for services performed under 19 task orders. These invoices amounted to approximately $22 million and were paid between FY 2002 and FY 2007. We found that only 82 invoices, amounting to approximately $5.8 million, were properly certified for payment by the COTR. However, the remaining 160 invoices, amounting to approximately $15.7 million, were improperly certified for payment by DPR personnel not authorized to do so. Most importantly, 12 invoices amounting to approximately $762,000, were paid without any certification for payment. Further, we found no documentation to show that OCP, the contracting officer, or the COTR designated any other DPR employee as the agency's authorized certifying officer.

Table 6 shows the positions of DPR personnel, none of whom were authorized to certify invoices for payment, and the dollar volume of invoices they certified for payment. The table also includes the invoices that were paid without certification.

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TABLE 6. CERTIFICATION OF INVOICES BY DPR PERSONNEL		
POSITIONS WITHIN DPR CAPITAL PROJECTS	**AMOUNT CERTIFIED/NOT CERTIFIED (in dollars)**	**NUMBER OF INVOICES**
Capital Projects Director	$7,452,979	73
Administrative/Staff Assistant	$1,199,334	16
Capital Projects Community Liaison Officer	$12,627	1
Project Manager/Construction Analyst	$6,947,834	58
Not Certified/Unsigned	***$761,740***	***12***
Total - 4 positions	**$16,374,514**	**160 Invoices**

At the time of our review, DPR had no established policies and procedures that covered the invoice certification process, which includes reviewing invoices to ensure accuracy and receipt of goods and services and certification by the COTR before the invoice and supporting documentation are entered into the Procurement Automated Support System (PASS) for processing and payment. The lack of established policies and procedures equates to a breakdown in internal controls. According to DPR personnel, since the implementation of PASS in FY 2005, contractor and subcontractor invoices for payment should be certified through the following process:

1. The subcontractor submits the invoice(s) to the PM for review. If the information is acceptable, the PM signs the invoice, adds the PM's invoices to the packet of invoices, and submits the entire packet to DPR's COTR.

2. The COTR reviews the invoice/packet of invoices, with DPR PM's, and certifies the invoice packets by his/her signature on a hard copy "Certification of Services Received Form" that service(s) were completed based on the contract terms and conditions. He/She submits the packet to the DPR Administrative Assistant for processing.

3. The DPR Administrative Assistant, who is also designated by DPR as the automated receiver/clerk for D.C.'s PASS financial system for the Capital Projects Division, uses the signed hard copy form "Certification for Services Received" and supporting invoices to input receipt information into PASS, then faxes copies of the information to the accounts payable office for further PASS processing and payment.

4. The Office of the Chief Financial Officer's (OCFO) Accounts Payable (AP) section verifies the "receiver number" and amount entered by the administrative assistant in PASS with the invoice(s), and approves payment.

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The method of processing invoices for capital projects prior to the implementation of PASS consisted of the following steps:

1. All "Certification of Services Received (CSR)" forms, prepared by any of DPR Capital Projects Division personnel, required a signature from the COTR that he/she had verified that the goods and services were received and granted permission to proceed with processing the invoice(s) for payment.

2. DPR faxed the CSR form and the invoice(s) to OCFO/AP for payment.

According to OCFO personnel, the AP section is not responsible for verifying that invoiced services were received by agencies. The AP section only reconciles data entered by agencies into PASS with the purchase order number on the invoice submitted by agencies for final payment. However, insufficient controls and circumvention of controls that cover source document (i.e., purchase orders, invoices and receiving documentation) processing before payments are processed through PASS have contributed significantly to unauthorized payments.

The receiving and payment processes as described by DPR personnel and OCFO personnel have an inherent internal control weakness that allows entry of receiver data into PASS without the certification for payment by the COTR. This internal control weakness has resulted in the payment of approximately $16 million in invoices that were not approved for payment by a DPR authorized government official. Another contributing factor to the breakdown in internal control was the absence of a permanent COTR. Since the contract was awarded on March 21, 2001, until September 2007 (approximately 6 ½ years), a COTR was assigned for only 37 months (48 percent of the time) for the construction projects covered by this contract. A COTR for the latest contract modification was assigned for only 16 months. However, we found that even during the period when a COTR was assigned, other DPR employees certified invoices[12] for payments instead of the COTR.

According to OCP officials, OCP did not address the problem of not having an assigned COTR to this contract because of DPR's frequent and high personnel turn-over rate in capital projects. However, to help avoid future problems concerning the designation of COTRs, OCP has developed a "COTR Delegation Letter," which defines the COTR's role in contractual agreements. However, these policies and procedures were only recently drafted. There were no policies and procedures in force during the time of our review.

[12] Although we only reviewed the invoices submitted under Contract DCFRA-00-C-031A in detail, a cursory review of invoices submitted under Contract DCFRA-00-C-031B revealed that the same internal control weakness existed for those invoices.

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COST ANALYSIS

We collected information from DPR, OCP, and the OCFO regarding the costs associated with six DPR Projects (Takoma Community Center, William H. Rumsey Aquatic Center, Hearst Recreation Center, Turkey Thicket Community Center, Columbia Heights Community Center, and Chevy Chase Community Center). This information included task orders, modifications, change orders,[13] invoices, certifications of services received, and applications and certification for payment. The purpose of the cost analysis is to present a complete picture of the cost development for each project and evaluate the effectiveness of cost management.

We concluded that for the six projects, there were increases in the task order costs due, in part, to construction delays, management fee increases, and costs of unforeseen conditions. In three instances, the significant cost increases were indicative of ineffective cost management, lack of cost control, inefficient use of economic resources, and less than adequate project planning. For example, costs increased 500 percent for the Hearst Community Center, 49 percent for the Chevy Chase Community Center, and 48 percent for the Turkey Thicket Community Center. Chart 2 portrays the original cost, the final cost, and the cost increase for each project.

[13] All changes to any task order or to the contract between the District and the PM take the form of a modification. All changes to contracts and task orders between the PM and their contractors take the form of a change order.

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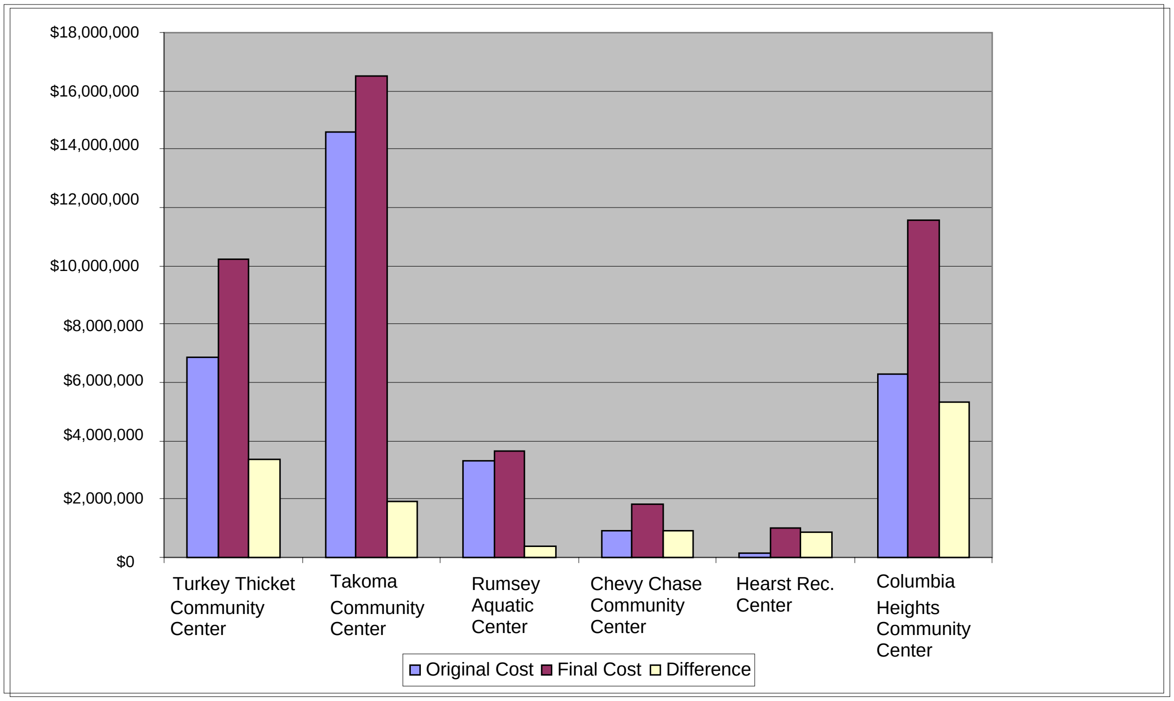
CHART 2. ORIGINAL AND FINAL PROJECT COST COMPARISON



We also examined the change orders for one project, the Columbia Heights Community Center, and found 41 change orders were submitted and approved by DPR from the period July 2005 to December 2006 – approximately 1 change order every 8 business days. Some of these change orders were for design errors made by the architectural and engineering (A/E) firms, unwarranted work stoppages, and delays. Further, we found that DPR paid for all of these errors and delays. Some of these change orders indicate ineffective cost management, lack of cost monitoring, lack of accountability, and mismanagement of capital project funds. A discussion on the cost controls at each of these recreation areas follows.

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DISCUSSION

Turkey Thicket Community Center (Task Order # 28)

The project cost estimate and the task order original costs were $6,872,675, to include hard costs,[14] soft costs,[15] and management fees. The total cost was increased by $73,161 for management fee adjustments. DPR requested $2,958,749 in additional funds to compensate for the cost of change orders. After five modifications (which included nine change orders), the total project cost was $10,211,680, an increase of $3,339,005 over the original project cost estimate. See Appendix 1 for complete cost analysis for the Turkey Thicket Community Center.

William H. Rumsey Aquatic Center – (Task Order # 6)

The project cost estimate was $1,364,307, to include soft costs of $400,600, hard costs of $821,825, and management fees of $141,881. The task order added additional construction costs of $2,752,308 and the total cost rose to $3,294,789. In order for the project to conform to DCRA regulations that required a new fire alarm system, $51,879 was requested to replace the old system. Additional unforeseen costs were $39,641, which included repairs to a floor resister, an acid wash for the tile floor, removal of abandoned electrical wiring, and action to clean brick walls. DPR also requested $27,426 in additional funding to pay costs associated with a 4-month delay. After 13 modifications, the total cost of the project was $3,664,645, reflecting an increase of $369,856 over the original cost projection. See Appendix 2 for the complete cost analysis for the William H. Rumsey Aquatic Center.

Takoma Community Center (Task Order # 3)

The project cost estimate and the task order value was $1,831,902, including $1,203,902 for soft costs and $628,000 for management fees. The total original cost was $14,583,552 after adding $12,751,650 for construction costs. Increased costs attributed to project delays amounted to $183,207, based on DPR instructions to the PM to retain a full team of consultants and contractors during the delay period. The Takoma job site experienced several break-ins during which materials and equipment were stolen and construction trailers were damaged. These events resulted in additional costs of $67,025 for increased security at the job site. After nine modifications, the total cost of the project was $16,494,274, an increase of $1,910,722. See Appendix 3 for a complete cost analysis for the Takoma Community Center.

[14] Hard costs refer to construction.
[15] Soft costs refer to design.

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Columbia Heights Community Center (Task Order # 41)

The project cost estimate and the task order original costs were $6,270,718, to include soft costs, hard costs, and management fees. DPR requested $5,107,201 in additional funds to compensate for additional A/E services, D.C. Water and Sewer Authority (WASA) permits, constructability review, material testing, signage, and printing and duplication costs. After four modifications (which included 41 change orders), the total cost of the project was $11,586,740, an increase of $5,316,022 over the original estimate. See Appendix 4 for a complete cost analysis for the Columbia Heights Community Center.

Chevy Chase Community Center (Task Order # 42)

The project cost estimate and the task order original cost were $925,986, to include soft costs, hard costs, and management fees. An additional cost of $53,940 was added for a management fee adjustment from 3 percent to 9 percent. DPR requested $835,282 in additional funds for drainage repairs and major external site improvements. After two modifications, the total cost of the project was $1,815,209, an increase of $889,223 over the original cost estimate. See Appendix 5 for a complete cost analysis for the Chevy Chase Community Center.

Hearst Recreation Center (Task Order # 27)

The initial project budget totaled $150,000. The task order was valued at the original cost of $150,000 to include: management fees of $18,678; A/E fees of $100,000; survey/building agency fees of $13,000; and contingency costs of $18,322. DPR requested $654,024 in additional funds to cover construction costs of $607,975, inspection and testing services of $2,000, architectural fees of $25,000, and management fees of $19,049. After four modifications, the total cost of the project to-date is $997,442. The Hearst project has not been completed, even though funds of nearly $1 million have been expended. Actual costs have already exceeded the original cost estimate by $193,417. See Appendix 6 for the complete cost analysis for the Hearst Recreation Center.

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STANDARDIZATION

During our audit, we noted the distinct design and appearance of four newly-constructed recreation centers. These were elaborate facilities offering up to 25,000 square feet of floor space for a variety of recreational purposes. The most striking feature of these recreation centers was the unique design of each facility. Each center took on its own special architectural flavor. We understand that each distinctive design is a product of the facility's surrounding environment, the community, and those forces that exert, at times, a disproportionate influence on center design, space utilization, and equipment. However, a certain level of standardization in terms of equipment, power plants, design, and other building materials would provide an opportunity to reduce the life-cycle costs of operating and maintaining these facilities.

DISCUSSION

Center Designs. A combination of neighborhood associations, local community action groups, concerned citizens, DPR management, the D.C. Council, and the EOM exerts a great deal of influence on the design, structure, and purpose of a particular center. As a result, DPR recreation centers were custom designed and built, and there was no evidence to show that standardization in their construction was actively considered. While these centers are attractive buildings, no real thought appears to have been given to total life-cycle costs, both in terms of the added cost associated with unique designs or the potential cost benefits associated with a certain level of design standardization. DPR recreation center construction costs, especially those with swimming pools, quickly rose to over $10 million each. Eye-catching designs were incorporated into building construction plans without sufficient regard to maintenance and repair costs.

Space Utilization. A similar situation occurred regarding the space allotted for certain recreation activities in a center. Advocates of a particular program or programs (such as senior citizen activities and child day care centers) and special training rooms for activities (such as cooking) often clashed with advocates of other functions and amenities (such as a fitness center with exercise rooms, locker rooms, and showers). Resolution of these space conflicts resulted in design changes, which often led to increased A/E and construction costs because substantial changes were authorized late in the construction phase. There were no controls in place to set specific deadlines for submission of final changes by advocates, effectively precluding any efforts to standardize designs. While stakeholder input is important in facility design, this input should be managed within the constraints of available funding, established priorities, and reasonable time limitations.

Diverse Equipment. Unique building design, construction, and space utilization led to diversity in the types of equipment installed in recreation and aquatic centers. Standardization efforts have been successful in landscaping work and the procurement of playground equipment; similarly, more can be done in the area of recreation center building

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infrastructure. This would include installation of standardized heating, ventilation, and air conditioning systems; boilers; and electrical equipment, particularly energy conservation systems and units. In aquatic centers, while standardization of filtration and pumping equipment would result in lower acquisition costs, the opportunity exists for substantial savings in maintenance and spare parts for several years in the future.

In discussing this matter with DPR officials, we were told that OCP strongly cautioned against structuring equipment procurements on a sole source basis or even the appearance of sole sourcing. As a result, standardization efforts in the area of heavy equipment languished. The procurement activity's caution has merit. The District should strive for savings achievable from open competition in the market place. However, savings could still be realized by developing standard equipment specifications for recreation and aquatic centers and competing the procurement on a volume basis, wherein the District goes to one or two suppliers for equipment needed for all its centers. This practice was successfully implemented in two of three park departments of surrounding local governments that we visited during our audit. To realize these savings, DPR needs to closely examine the benefits of standardization in its construction and major renovation programs and develop a comprehensive maintenance plan to include such elements as contractor repair for highly specialized equipment, repair parts costs, and in-house maintenance. While we recognize there may be limitations associated with standardization, the anticipated pressures to reduce costs and increase effectiveness make standardization a viable option.

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LIFE-CYCLE MANAGEMENT

We noted that DPR financed its capital projects, primarily recreation and aquatic centers, largely with funds acquired through the sale of municipal bonds on the open bond market. Under the auspices of the OCFO, about $400 million is raised each year in this manner. Bond sales generate tax-free interest payments for its purchasers but are an expensive way to generate revenue for capital projects. According to the FY 2008 Proposed Budget and Financial Plan, dated June 7, 2007, for each $15 million borrowed, there is a $1 million annual impact on the Operating Budget for debt service, consisting of principal and interest expenses, which are paid from local revenues. At this rate, every $1 million borrowed for a DPR Capital Project (costs) would cost the District over $66,660 a year in debt service.

In DPR, capital project funds can be used for construction, major renovation, or repair of Recreation and Aquatic centers and for those personnel costs directly chargeable to implementing a capital project. Acquisition costs for these projects are subjected to a rigorous initiation and review process before approval is granted for funding. However, future operating costs paid from local funds are not subjected to scrutiny before a capital project is approved. Operating costs are incurred over the usable life span of the project. Cost controls are crucial to reducing current and future local revenue outlays. Our review of six DPR capital projects showed that the DPR cost control methods were not effective and total ownership costs of capital projects were unknown.

Construction or major renovation of a DPR recreation or aquatic center is a major investment that costs from $3 to $15 million or more per project. While these costs are substantial, we found that they are only the costs of construction or renovation. In today's urban government environment, it is essential that elected officials, legislators, and senior management have sufficient financial data to make an informed decision as to whether to make such a large investment. An informed decision cannot be made unless all parties concerned are aware of total costs of ownership of a recreation or aquatic center. Accordingly, adopting the concept of life-cycle management for capital projects will result in an integrated system for managing the total life cycle of these assets.

Elements of Ownership Costs. Life-cycle costing is an elaborate, widely-accepted technique that is a part of other generally accepted economic, engineering, and financial analysis tools that yield a variety of data products such as Net Benefits, Savings-to-Investment Ratios, Payback Period, and Analysis of Alternatives, among many others.[16] For the purposes of this report, we have focused on the Total Cost of Ownership from the perspective of DPR executives over the usable life of a center. While a life-cycle costing model may consist of a number of different elements, a typical Elements of Ownership Costs model might include

[16] SIEGLINDE K. FULLER, GUIDANCE ON LIFE-CYCLE COST ANALYSIS REQUIRED BY EXECUTIVE ORDER 13123 at 8 (Jan. 8, 2003), *available at* http://www1.eere.energy.gov/femp/pdfs/lcc_guide_rev2.pdf (last visited Jan. 15, 2008).

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costs associated with acquisition, operations, maintenance and repair, utilities, equipment replacement, and financing costs.[17] A brief description of each element follows.

- Acquisition. Generally, this element captures the cost of purchasing land (if a property needs to be acquired or expanded), center design, construction, or renovation and capital investment costs such as installed equipment. These can be viewed as one-time or immediate costs.
- Operations. This element seeks to identify the personnel and administrative costs of operating the center that includes salaries of managers, supervisors, and recreation staff members. Additionally, the cost of utilities such as electricity, natural gas, oil, and water may be included as operational costs. These costs need to be projected over the usable life of the facility.
- Maintenance and Repair. This element is designed to capture, over the life of a facility, those costs arising from routine, recurring maintenance, and scheduled or unforeseen repair work. It includes contract work, equipment, materials, and supplies cost. The personnel costs associated with efforts under this cost element may be included if a management decision is made to capture these costs here.
- Equipment Replacement. This element is intended to capture, over the usable life of the facility, the high cost of major equipment items such as pumps, generators, heating, ventilation, and air conditioning equipment and elevators. Major equipment items may need to be replaced because of environmental concerns, changes to law or regulation, better technology, and higher efficiency.
- Financing. This element permits the identification, over the life of the facility, of those costs associated with funding the design, construction, and major renovation expenses that will be incurred in the future.

Overlooked Costs. Other cost elements may be included in the determination of ownership costs depending on the desired outcome. For example, due to funding constraints, District government managers may want to examine the total cost of ownership when deciding to build different sized recreation centers and the cost consideration of an old center that needs to be demolished. The costs of demolition (disposal) of an old or inefficient structure should be included in the cost model. Otherwise, the impact of demolition costs could be overlooked and a funding shortfall could occur because sufficient funds may not be available at the time or in the future to complete the project.

Energy Costs. Life-cycle costing enjoys great favor in the engineering profession because rising energy costs have a major impact on the cost of building ownership over its usable life. Consumption of large amounts of electricity, fuel oil, and natural gas may dictate different sized structures, use of special, leading edge technology in materials, and adoption of the latest techniques in design to facilitate energy conservation and reduce ownership costs.

[17] SIEGLINDE K. FULLER, LIFE-CYCLE COST ANALYSIS (LCCA) at 2 (last updated April 3, 2007), *available at* http://www.wbdg.org/resources/lcca.php (last visited Jan. 15, 2008).

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Water, although classified as a utility, is often evaluated along with energy costs because it is used in steam generation and chilled water coolant devices. Additionally, water costs are readily available and relatively easy to evaluate using life-cycle costing techniques.

Estimating Usable Life. DPR recreation and aquatic centers are housed in buildings that have estimated usable lives. Normally, it is anticipated that a structure such as a recreation center will have a usable life of 25 to 30 years. However, this period could vary depending on a number of factors such as intended use, location, climatic conditions, construction materials, level of maintenance (deferred maintenance causes facilities to degrade), and technology. This is the type of information that the EOM, D.C. Council, and senior managers would find valuable when making investment decisions.

Cost Estimating Procedures. Informed decisions on major capital project investments require that accurate and complete cost estimating procedures be in place and operative so that decision makers are fully informed of all cost implications. We found that cost estimating procedures used did not furnish decision makers with total ownership cost and that financial information could be enhanced.

- Budget Data. We reviewed FY 2007 to FY 2011 budget data to support the capital project funds of DPR, FEMS, Metropolitan Police Department (MPD), and the D.C. Public Library System. We found an entry, only on draft FEMS Department's Project Description Forms entitled, "Impact on Operating Budget." Where completed, entries contained an annotation that project operating expenses were or were not affected but with no explanation to support the entries. We compared the draft Project Description Form to the final forms for all of these departments' projects in the FY 2007, Proposed Budget and Financial Plan, dated March 26, 2006, and found that the information was deleted. We asked Office of Budget and Planning (OBP) officials who assembled the Capital Funds budget to explain why such information was excluded from the Proposed Budget and Financial Plan, and were told that statements attesting to impacts on future budgets would be helpful information, but that a financial requirement for that information and accompanying guidance on how to make an estimate of the impact it would have on future years' budgets were not developed. OBP officials stated that such steps were under active consideration.

- Cost Awareness. We inquired whether key decision makers such as legislators and District managers were aware of the total costs of projects. OBP officials explained that elected officials, District Council members, and senior managers were informed of the costs of recreation or aquatic centers. OBP provided cost data using a Lifetime Total Cost concept that covered only design and construction costs, which are immediate costs. Because data covering the cost of operations over the usable life of the centers were not developed, District decision makers had no way of knowing the total cost of ownership of capital projects.

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- Improved Cost Estimates. Subsequent to our discussion, OBP accelerated the requirement for District government organizations with capital projects in their budgets to comment on the cost impact of each project on operating budgets. A section entitled "Project Operating Impact" was added to the Project Description Form and included in the FY 2008 Proposed Budget and Financial Plan for Capital Projects, dated June 7, 2007. Although the quality of data received was mixed, such actions are commendable, demonstrate OBP's concern over out-year cost impacts on future budgets, and signal decision makers that the potential exists for future financial problems. However, our review of the entries made in the DPR Project Operating Impact statements showed that more needs to be done. The statements made were exclusively narrative in nature and contained no cost data indicating the amount of money needed to cover the cost impact on future budgets. Full disclosure of financial information relative to DPR capital projects can only be attained if the cost impact of those projects is quantified in terms of time, dollars, and the type of expenses that are expected to be incurred. In our opinion, more detail on future cost impact should be included in future budget submissions.

Impact. Focusing on the immediate costs of a recreation or aquatic center is of limited value when looking at the larger financial picture of DPR operations. However, concern with immediate costs is of substantial assistance when attempting to secure the necessary funding from the EOM and the D.C. Council. Estimates for design and construction costs demonstrate that due diligence has been given to establishing the need for construction or major renovation of a center; that the estimated costs/designs are sufficient to satisfy the needs and desires of the community; and that immediate costs are reasonable, affordable, and will qualify for a major investment under the District's Capital Improvement Plan. However, such an approach quickly leads to a narrow perspective of cost impact of center construction. A center is constructed or renovated using Capital Funds. Once the bond money is received, the District assumes the burden of servicing the debt incurred by the bond sales. However, a single focus on immediate costs masks the cost burden of operating and maintaining a center over its usable life.

Unless reasonably accurate estimates are prepared showing the future financial costs associated with center operations, future District and DPR budgets could be adversely affected by unplanned, unforeseen, or unexpected expenses that may require immediate payment and, as a consequence, affect tax rates, create or add to a deficit situation, or defer other services or programs that the citizenry expects to receive. Because neither DPR nor the District performed life-cycle costing as part of the construction and financial management processes, we could not evaluate the cost of center operations over the usable life of a facility and, therefore, were unable to reasonably estimate the impact on future budgets.

Cost Implications. We researched a small portion of available life-cycle costing information and performed a limited survey of current methodologies. We researched recent publications of the National Institute of Standards and Technology (NIST), a subordinate organization of the U.S. Department of Commerce. The NIST developed the Building Life-

Cycle Cost Program, which consists of methodology and software for analyzing capital investments in buildings. The program was designed to analyze energy and water savings but is flexible and can accommodate any life-cycle cost analysis.

- Energy Cost Implications. The NIST published a report *NISTIR Report No. 7455*, entitled, *"Users Manual for Version 3.0 of the Cost Effectiveness Tool for Capital Asset Protection,"* dated October 29, 2007, that included a review of energy costs for a $1 million renovation project of a 40,000 square foot data center with a usable life of 25 years.[18] A life-cycle cost analysis of the cost of electricity used to heat and cool the data center showed that the owners could reasonably expect to pay $831,000 in energy costs over the center's usable life. This raised the Total Costs of Ownership for only two cost elements, renovation and energy, to $1,831,000 ($1,000,000 plus $831,000).

- Energy and Water Costs. As stated above, an audit examination of life-cycle costs could not be performed because the District's OCFO did not require it, nor did DPR perform such analyses. To determine the potential cost implications of this policy, we obtained from the District's Office of Property Management, the total costs paid during FY 2007 for electricity, natural gas, and water at the Takoma Community Center. The Takoma Community Center has one of the largest indoor pools in the District. Actual energy and water costs are shown in Table 7.

Table 7. Takoma Community Center Energy and Water Costs

October 1, 2006, to September 30, 2007

Energy	Cost
Natural Gas	$ 245,825
Electricity	$ 230,041
Subtotal	$ 475,866
Water	$ 29,136
Grand Total	**$ 505,002**

[18] U.S. DEPARTMENT OF COMMERCE, NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY, USERS MANUAL FOR VERSION 3.0 OF THE COST-EFFECTIVENESS TOOL FOR CAPITAL ASSET PROTECTION) at 8, 15 (Sept. 2007), *available at* http://www.bfrl.nist.gov/oae/publications/nistirs/NISTIR_7455.pdf (last visited Jan. 15, 2008).

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- Estimated Future Energy and Water Costs. We contacted a senior scientist at the NIST and informally requested assistance in determining the life-cycle costs of energy and water at the Takoma Community Center over a 25 year usable life. The Takoma Community Center cost over $16 million to construct. NIST officials could not render a precise estimate because of severe limitations in the data we were able to provide for analysis (only 3 of 7 values normally inputted to software developed as part of the NIST Building Life-Cycle Cost Program were readily available). As a result, only an (unofficial) approximation could be developed. Assuming the limited data we provided were reasonably accurate, using life-cycle cost analysis, the District may well be facing energy and water costs in excess of $8.8 million over the usable life of the Takoma Community Center, raising the Cost of Total Ownership to $24.8 million ($16 million plus $8.8 million).[19] Given the volatility of energy prices, it is reasonable to expect that future energy costs will exceed the estimated energy costs.

- Influence on Decision Making. Use of life-cycle costing techniques prior to approving the construction of the Takoma Community Center could have yielded a different decision as to the type of facility built. Rather than the initial cost of $6 million, the EOM, DPR, and the D.C. Council would have weighed approval of a capital project investment of $24.8 million. Precision forecasting at this juncture is less important than the fact the District's General Fund will have to bear increasing cost of energy at Takoma Community Center.

Regardless of the lack of life-cycle costing techniques, we believe that the Takoma Community Center would still have been approved because of the use District citizens and visitors have made of the Center. At our request, DPR officials furnished us with usage statistics of the Takoma Pool. During FY 2007, the pool was used by over 66,000 swimmers or over 200 persons a day. We consider these statistics to be impressive and they justify the soundness of the decision to construct the Takoma Community Center. However, a more rigorous decision-making process that included life-cycle costing could have resulted in a more cost-effective facility over its life-cycle.

Summary. Through innovative thinking and dynamic action, District executives and managers should become acquainted with the various life-cycle costing methodologies, tools, and applications, as well as the objectives and results achievable through use of these forecasting models. In addition, there is a substantial body of knowledge and literature available concerning life-cycle costs, with much of it available on the Internet. The District's Capital Improvement Plan offers numerous opportunities to explore the benefits of life-cycle

[19] In calculating life-cycle costs over a 25 year period, a 3-percent real discount rate was used and all calculations used dollars of constant purchasing power. The 3-percent real discount rate equals the current rate specified by the Federal Energy Management Program for federal energy conservation projects. The energy calculations do not include any differential escalation rates. The calculations assume that energy rates will stay constant.

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costing. Cost data would be more complete, capital project decisions more transparent and accurate, and trade-offs and alternatives could be examined well before the approval process begins. Benefits could be realized in the procurement process by efforts to control the debt, and other actions designed to provide citizens with the best possible facilities and programs.

To realize these benefits at the earliest opportunity, the OCFO needs to develop and disseminate guidance to require life-cycle cost analyses in the development of the Capital Improvement Plan for large capital improvement/construction projects. Further, the OCFO should require that such analyses be subject to audit or independent examination and the results of such reviews included in the decision-making process and the annual budget and financial plan. DPR should take immediate steps to subject all capital projects to life-cycle cost analysis as DPR expects to spend almost $268 million in capital funds between FY 2008 and FY 2013. Urgent attention is needed because the DPR capital projects program is the third largest in the District. Analysis of the total cost of ownership may well yield unforeseen benefits in standardization of facilities, more cost effective energy conservation approaches, and result in decisions that lower current and future operating costs while increasing services.

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SECTION II: RECREATIONAL FACILITY SITE VISITS

SYNOPSIS

We visited six DPR recreation facility locations and observed numerous conditions that we categorized as either: (1) potential code violations;[21] (2) poor planning; (3) poor material/equipment quality; (4) inadequate maintenance; or (5) a combination of these conditions. Many of the conditions occurred or existed because DPR did not hold contractors accountable for work performance, seek recourse against contractors for poor workmanship, or provide required maintenance throughout the equipment's life cycle. As a result of these conditions, there is increased risk to the health and safety of facility patrons, lessened quality and utility of DPR's programs, and increased cost to fix deficiencies.

DISCUSSION

We visited the following six DPR recreation facility locations: (1) Turkey Thicket Community Center; (2) William H. Rumsey Aquatic Center; (3) Takoma Community Center; (4) Columbia Heights Community Center; (5) Chevy Chase Community Center; and (6) Hearst Recreation Center; each of which had been either a new construction or a renovation project. During our visits, we observed and photographed numerous conditions that DPR staff identified or we believed posed a health and safety risk to facility patrons. We presented these conditions to the DPR Capital Planning Division managers and to the DCRA Plumbing, Construction, and Electrical Inspectors to assist us with making regulatory, health and safety, and material quality determinations. Based on discussions with DPR Capital Project PMs and the DCRA inspectors, we concluded that observed conditions represented either: (1) code violations, (2) poor planning, (3) material/equipment quality, (4) poor maintenance, or (5) a combination of the categories. (See Table 8 on the following page.)

Further, we conducted follow-up visits at the six recreation facility locations to determine whether any corrective action had been taken on prior deficiencies and to ensure that we fully understood and captured the conditions at each recreation facility. During our follow-up visits, DPR personnel identified additional areas of concern, and we determined that DPR had taken corrective action on some of the prior deficiencies.

[21] DCRA inspectors responsible for plumbing, construction, and electrical systems reviewed pictures we had taken at the six facilities and informed us of their concerns. The DCRA inspectors expressed their opinions regarding the pictures; however, they stated that they could not confirm that a picture represented a code violation or was a material issue without conducting a site inspection.

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TABLE 8. DETERMINATION ON CONDITIONS IDENTIFIED AT SIX DPR RECREATION FACILITIES

Location	No	Condition	DCRA Concern	Poor Planning	Material Quality	Maintenance Issue
Turkey Thicket	1	Swimming Pool Safety	Yes	Yes		
	2	Locker Utility		Yes		
	3	Handicap Seat				Yes
		Pool Table Maintenance				
		Leaking Roof				
William Rumsey Aquatic	4	Drain Pipe and Pit Flooding	Yes			
	5	Inoperable Valves				Yes
	6	Exposed Wires on Pool Heater	Yes			Yes
	7	Defective Pool Construction			Yes	
		Unsafe Kiddie Pool				
		Inoperable Pool Equipment				
		Tile Corrosion and Mildew				
		Poor Ventilation				
		Inoperable Showers				
Takoma Community	8	Emergency Alarm Switch	Yes			
	9	Pool Lighting		Yes		
	10	Wrong Valve Type				Yes
	11	Chlorine Room Venting	Yes	Yes		
	12	Steps to Pool Area		Yes		
		Under-utilized Equipment				
		Plumbing Leaks				
Columbia Heights	13	Culinary Room	Yes	Yes		
Hearst	14	Playground		Yes		
Chevy Chase	15	Flooding		Yes		Yes
		Poor Fence Construction				
		Totals	**6**	**8**	**1**	**5**

Items in the shaded areas were detected during follow-up and are not included in the 15 items presented to DCRA and the DPR Capital Project Managers.

Provided below are the detailed discussions regarding the observations made at the six facilities we visited.

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TURKEY THICKET COMMUNITY CENTER

Background - The Turkey Thicket Community Center is located in Ward 5 at 1100 Michigan Avenue, N.E., Washington, D.C. In 2003, OPM started construction of the Turkey Thicket Community Center and completed construction in December 2005 at a cost of $10.2 million. The facility contains an aquatic area, exercise facilities, and various classrooms. The facility grounds have basketball courts, tennis courts, baseball fields, and picnic areas. The center offers a diverse assortment of programs for all age groups.

Discussion - During our initial Turkey Thicket Community Center visit, we identified the following three conditions: (1) health and safety concerns with the heated wading pool, adult pool, and whirlpool; (2) limited utility of lockers in the female and male locker rooms; and (3) a damaged shower seat for disabled or physically-challenged patrons. We also conducted a follow-up visit at the facility with the DPR Capital Project Division, PM who was responsible for managing the construction of the facility. During the follow-up visit, we observed that the pool table had not been maintained and the ceiling above the swimming pool leaked. Additionally, DPR installed additional and more functional lockers in the female and male locker rooms than those observed during our first visit.

Swimming Pool - We were concerned that the passageway between the wading pool and the adult pool, as well as the close proximity of the heated whirlpool to the wading pool, posed a health and safety risk to younger wading pool patrons (see Picture 1). The wading pool is adjacent to the adult pool and between the pools there is an opening that allows access both ways. Additionally, a heated whirlpool is located in the wading pool area.

Heated Pool, Wading pool, and Whirlpool Area

Picture 1

The Contractor PM stated that DPR and the Contractor PM inherited the project from OPM after the foundation had already been laid. The Contractor PM stated that they were required to contract with a new architect after the first contractor was released. Afterward, they oversaw the new architect's review and completion of the initial drawings and eventual

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recreation facility completion. The Contractor PM stated that they could not assume any responsibility for the pool's design because it pre-dated their participation on the project.

The Contractor PM stated that a DOH inspector also had concerns regarding the wading pool's proximity to the adult pool; however, he granted DPR the license. A November 28, 2005, DOH pool inspection checklist provides that the inspector had "no objection to pool license and opening to the public." The DCRA inspectors concurred with our concerns and opined that DPR should have designed the wading pool to prevent younger pool patrons from entering the adult pool through the wading pool or instituted additional precautions after the fact. Additionally, DCRA inspectors stated that locating a heated whirlpool directly inside the wading pool, which may be considered by some pool patrons as a "children's pool area," may pose a health and safety risk to younger pool patrons.

The Contractor PM stated that the pool sub-contractor was reluctant to install a barrier because they did not want to incur any liability resulting from the installation of an untested and unproven barrier device. Additionally, the Contractor PM stated that DPR did not want to authorize and fund a separate contract for a pool safety specialist. DPR and the Contractor PM agreed that employing two life guards and locating one at the opening between the wading pool and adult pool would mitigate the risk of younger pool patrons entering the adult pool area.

We observed that DPR employs two lifeguards during pool operating hours, and one of the lifeguards is stationed directly in front of the opening. DCRA inspectors expressed their concerns that the lifeguard's chair was not permanently stationary and could be moved at the lifeguard's or DPR's discretion. Additionally, the specifications document provides that the wading pool depth is 2'-6" to 3'-0." As such, the wading pool may not be appropriate for young children. A DPR Capital Projects PM stated that the contractor delivered the pool in accordance with DPR specifications, and the pool passed all the appropriate inspections. However, to protect the health and safety of the swimming pool patrons, DCRA inspectors suggested that DPR should: (1) limit the age and height of patrons allowed in the wading pool and post corresponding signs; (2) install a gate to prevent pool patrons in the wading pool from entering the adult pool; and (3) permanently station a lifeguard at the pass-through connecting the adult and children's pools.

<u>Lockers</u> **-** DPR installed lockers that were of limited utility. The lockers are not large enough to accommodate gym bags, clothing, shoes, and other personal items (see Pictures 2 and 3). This situation placed facility patrons' personal belongings at risk of theft and loss. Since October 2005, there have been nine reported thefts of personal belongings.

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Lockers for Female/Male Locker Rooms

Picture 2

Picture 3

The specifications document required the contractor to provide lockers in the female and male locker rooms to accommodate 125 patrons. Because the locker space was limited, the contractor provided 60 lockers in the male and female locker rooms that measure approximately 12” x 12” x 4.” A DPR Capital Projects PM stated that the lockers’ size should not be an issue because during the planning phase of the project, community-based organizations expressed that they did not want lockers in the facility. The community-based organizations were concerned that the lockers could be used to store drugs and illegal contraband. The DPR Capital Projects PM stated that DPR installed the lockers despite the community organizations’ objections and assumed that facility patrons could carry their larger personal items with them to the respective areas of the gym. During our follow-up visit, we observed that DPR had installed 22 lockers in the male locker room that measure approximately 12” x 12” x 18;” however, the lockers cannot be locked (see Picture 4). In contrast to the first lockers, we believe that the larger lockers will provide facility patrons more storage space but security remains a concern. Previous thefts reported at the facility were a consequence of the facility not having lockers with adequate storage capacity to secure facility patrons’ personal belongings.

Newly-Installed Lockers, Male Dressing Room

Picture 4

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Seat for Disabled Patrons - DPR personnel stated that the contractor improperly installed a shower seat for disabled patrons (see Pictures 5 and 6). The Capital Projects PM stated that based on the pictures, it appeared that normal wear and tear caused the seat to dislodge. However, we could not determine when the seat became dislodged from the wall or what caused it. Nevertheless, to ensure that physically-challenged patrons may fully utilize the seat and avoid injury, DPR should repair the seat and seek recourse against the contractor if deemed appropriate. In addition, DPR should take proactive measures to provide routine and planned maintenance to ensure the facility does not further deteriorate.

Shower Seat for Disabled Patrons

Picture 5

Picture 6

Pool Table Maintenance - During our follow-up visit, we observed that the pool table felt on its playing surface and edges was ripped (see Pictures 7 and 8). The DPR Capital Projects PM stated that DPR has difficulty maintaining equipment within its facilities. As a result, the utility of this pool table is significantly reduced. DPR should take measures to repair the pool table and ensure that routine maintenance is provided to prevent or repair future defects.

Pool Table Maintenance

Picture 7

Picture 8

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Leaking Roof - DPR personnel pointed out a section of the roof above the pool that leaks (see Picture 9). The Turkey Thicket Community Center is a relatively new facility and should not have any leaks. DPR needs to determine who has responsibility for repairing the leaks and ensure that the repairs are made promptly.

Leaking Roof

Picture 9

WILLIAM H. RUMSEY AQUATIC CENTER

Background - The William H. Rumsey Aquatic Center is located in Ward 6 at 635 North Carolina Avenue, S.E., Washington, D.C. The William H. Rumsey Aquatic Center was built in the mid 1960's and is one of the District's oldest aquatic facilities. According to DPR records, the renovation of the William H. Rumsey Aquatic Center cost approximately $3.7 million. The renovation started in December 2002 and was completed in September 2003. The renovation included the electrical system, HVAC system, lobby, male and female locker rooms, swimming pool, and major pool equipment.

Discussion - The following four conditions were identified at the William H. Rumsey Aquatic Center: (1) defective pool drainage plumbing; (2) inoperable valves; (3) exposed wiring and plumbing on pool water heater; and (4) defective pool construction. During our follow-up visit, we observed an unsafe "kiddie" pool, mold and mildew resulting from poor locker room ventilation, and inoperable "state-of-the-art" pool equipment.

Pool Drainage Plumbing - DPR personnel identified an area that flooded because a pool drain pipe produced a water flow that was greater than the outflow and capacity of the holding tank and attached plumbing (see Pictures 10 and 11). Specifically, the contractor installed a 600-gallon per minute pump that sends water through a 9-inch pipe that dumps into a pit with a 6-inch pipe attached at the end. We observed that the holding tank overflowed and

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eventually flooded the pump room. DPR personnel built a simple wooden barrier to control the flooding; however, the barrier did not prevent the room from eventually flooding.

Pool Drainage Plumbing

Picture 10

Picture 11

DCRA inspectors stated that they were concerned about the flooding and plumbing; however, they could not make an accurate assessment without a site visit. The DCRA Chief Plumbing Inspector stated that DPR can reduce the water flow by changing the outflow pipe to a size equal to or less than the pipe attached to the pit. The Contractor PM provided that DPR was supposed to install a regulator to control water flow and follow prescribed guidelines for performing a backwash of water to prevent the overflow. The Contractor PM stated that DPR staff at this facility had been provided training in equipment maintenance on several occasions. This condition presents a potentially hazardous working environment for facility personnel. Accordingly, DPR needs to coordinate with the Contractor PM and DCRA to determine what actions are required and whose responsibility it is to resolve the flooding issue.

<u>Inoperable Valves</u> - DPR personnel stated that the valves on the swimming pool plumbing, which are responsible for controlling the flow and disbursement of chlorine and other chemicals, are the wrong type for the application and malfunctioned shortly after the contractor installed them (see Pictures 12 and 13).

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Pool Valve Operation/Maintenance

Picture 12

Picture 13

We could not determine when the valves malfunctioned or whether the valves were the correct type for the application. The DPR Capital Projects PM stated that all valves were the correct type and passed the appropriate inspections. The DCRA inspectors stated that without an actual site visit they could not determine whether the valves were appropriate for the application. However, based on the pictures, DCRA inspectors stated that it appears that only one valve was malfunctioning and the malfunctioning was not a systemic problem. Further, DCRA inspectors stated that they were more concerned that DPR personnel taped the valve to make it work instead of replacing or repairing the valve. Consequently, the process that is controlled by the valve is not operating as intended and could potentially jeopardize the health and safety of pool patrons.

<u>Exposed Wiring and Plumbing (Pool Water Heater)</u> - DPR personnel stated that the contractor installed a pool water heater but failed to cover the exposed wires and plumbing (see Pictures 14 and 15). Electrical devices and electricity exposed to moisture from the pool and plumbing poses a significant risk to the health safety of facility personnel and patrons.

Pool Heater, Exposed Wires/Plumbing

Picture 14

Picture 15

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The pool water heater manufacturer's literature shows a cover over the electrical and plumbing areas. A DPR Capital Projects PM, DCRA inspectors, and Contractor PM stated that they believe the heater came with the appropriate covers and perhaps maintenance removed the covers. The DCRA inspectors informed us that they were concerned because the exposed wires in a pool environment represent a serious risk to health and safety. Regardless of what happened to the panels/covers, DPR should ensure that the appropriate covers are ordered and installed and seek recourse against the contractor if deemed appropriate.

Defective Pool Construction - DPR did not seek recourse against a contractor for defective pool construction. DPR records indicate that an adverse chemical reaction prevented the newly applied sealant on the pool's walls and bottom from bonding with the underlying concrete surface. As a result, the plaster became dislodged from pool surfaces, fell into the pool, and accumulated on the bottom. This quickly became an unsafe condition that forced the pool to close. In 2004, DPR requested a meeting with the contractors responsible for renovating and resealing the pool. They determined that the pool surfaces suffered extensive damage. The contractor offered to pay the costs of resealing two walls. DPR declined the offer and directed the contractor to repair the entire pool. However, DPR incurred the cost to reseal the pool and did not hold the contractor liable for poor construction.

We believe the District should not have paid for the pool to be repaired and should have held the contractor responsible for correcting the deficiencies in the pool's construction. Facility personnel stated that the sealant failed a second time and was repaired at the expense of the contractor. As a result, the pool was closed for the summer of 2004. During this repair period, patrons were asked to use other District aquatic facilities. This became a concern for the community because it caused summer pool programs to be cancelled.

Kiddie Pool Temperature - DPR personnel stated that the temperature in the kiddie pool, which is also used as a whirlpool, can fluctuate to over 105 degrees Fahrenheit (see Picture 16). This condition could pose a serious risk to the health and safety of unsuspecting pool patrons, as the normal temperature for indoor pools is about 83 degrees. DPR personnel stated that the temperature in the kiddie pool/whirlpool is not controlled automatically. DPR personnel also stated that they manually and periodically check the temperature of the kiddie pool, and manually adjust the pool water temperature by controlling the inflow or outflow of hot or cold water. DPR personnel stated that prior to entering the kiddie pool, facility patrons are asked to check with facility staff to ensure the kiddie pool is safe for entrance.

The Contractor PM stated that DPR requested that the kiddie pool/wading pool be controlled manually using an internal thermometer to prevent DPR staff from tampering with the pool temperature. The Contractor PM stated that DPR staff was trained on multiple occasions on the heating and controls system. However, we are concerned that an unsuspecting kiddie pool patron could enter the pool without first consulting with facility staff or a young child could be placed in the pool during a temperature fluctuation while the unsuspecting guardian lounged around the pool periphery. DPR needs to assess the risk associated with the kiddie pool/wading pool and take appropriate action to ensure patron safety.

Kiddie Pool/Whirlpool

Picture 16

Inoperable Pool Equipment - DPR personnel informed us that "state-of-the-art" pool operation/maintenance equipment installed during the renovation is inoperable and has not been maintained (see Picture 17). The equipment was intended to automate pool operation/maintenance functions, such as: pool chemical dispatch and regulation; pool temperature determination and regulation; ph level determination and regulation; and pool water backwash. As a result, DPR personnel perform the operation/maintenance functions manually. The equipment was intended to allow DPR facility personnel to remotely operate and maintain pool functions. DPR personnel stated that they work up to 16 hours daily to maintain pool operations. DPR personnel also stated that they had to bypass the "state-of-the-art" equipment so that pool operational processes could be performed manually (see Pictures 17 and 18). DPR personnel stated that failures occurred after the equipment's warranty period and that DPR Maintenance had to bypass the "state-of-the-art" equipment because DPR did not have the necessary parts, equipment, or requisite training to fix the equipment.

Inoperable Pool Equipment/Equipment Maintenance Bypass

Picture 17

Picture 18

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Tile Corrosion and Mildew/Poor Ventilation

DPR personnel informed us that the tiles in the male and female locker rooms were deteriorating and accumulating mildew (see Pictures 19 and 20). DPR personnel stated that the tiles should not be deteriorating this soon after the renovation and that the cause of the mildew is poor ventilation and air circulation in the locker rooms. We observed that DPR personnel had to place large fans in the locker rooms to compensate for the humidity and to circulate air throughout the locker rooms (see Pictures 21 and 22). DPR personnel stated that they pressure wash the tiles daily to combat the mildew growth and build up, which may add to the tile deterioration.

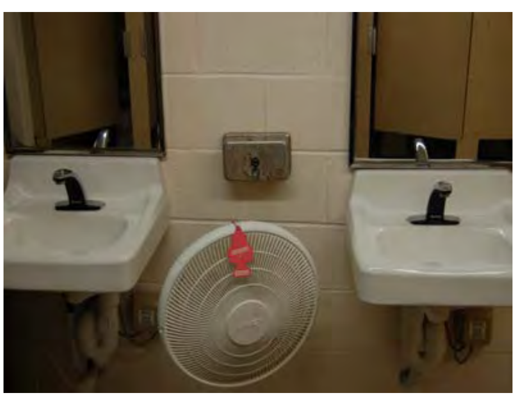
Tile Deterioration and Mildew Build-up

Picture 19

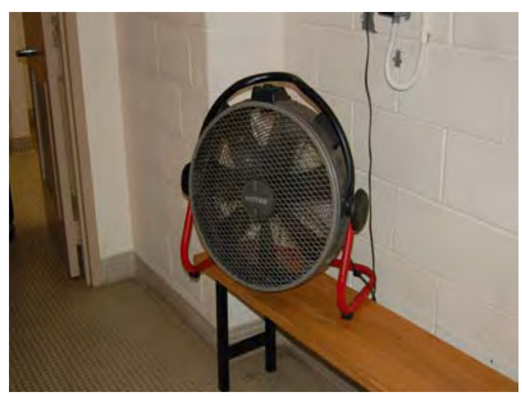
Picture 20

Ventilation Problems

Picture 21



Picture 22



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Inoperable Automatic Showers

DPR installed showers with automatic sensors and water temperature controls that did not work (see Picture 23). Additionally, the water pressure in the showers was extremely low and the shower heads spewed water in all directions. The automated showers do not allow facility patrons to individually control water temperature and the one-temperature-fits-all setting may be undesirable for some shower patrons. The Contractor PM stated that DPR selected the automatic shower design to prevent facility patrons from wasting water and DPR was well aware of the temperature controls. Additionally, the Contractor PM stated that the water pressure was correct when DPR accepted the facility. The shower selection is another example of a DPR design decision that lacked the reliability and durability benchmarks derived from prior experiences at other DPR facilities. This example further illustrates why DPR should standardize facility equipment when renovating or building new facilities.

Automatic Showers

Picture 23

TAKOMA COMMUNITY CENTER

Background - The Takoma Community Center is located in Ward 4 at 300 Van Buren Street, N.W., Washington, D.C. The construction began in September of 2003 and was completed in February 2005 at a cost of approximately $16.5 million. The adjoining field house was built in 1935. The current structure houses an Olympic size indoor pool, various fitness rooms, and classrooms.

Discussion - The following five conditions were identified at the Takoma Community Center recreation facility: (1) substandard emergency alarm switch; (2) flawed installation and design of pool lighting; (3) substandard control valve; (4) defective venting of chlorine storage room; and (5) flawed design of steps to pool area. During the follow-up visit, we observed that the venting in the chlorine storage rooms had not been corrected and that a

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disabled or physically-challenged patron may have difficulty accessing the pool directly from the parking lot. Additionally, DPR personnel informed us that DPR was not using newly-purchased equipment to control means of egress and the facility had major plumbing leaks.

Emergency Alarm Switch - DPR personnel stated that within 1 year of the facility opening, an emergency alarm switch corroded and rusted because it was the wrong material type for the application (see Picture 24).

Emergency Alarm Switch

Picture 24

Although DCRA inspectors could not determine whether a code violation existed without an actual site visit, based on the pictures we presented, the DCRA inspectors were concerned that the switch may not be the right type for the application and that the wiring and electrical components behind the switch may be exposed to moisture. Electrical devices and components exposed to moisture from the pool and plumbing pose a significant risk to facility personnel's health and safety.

Pool Lighting - DPR allowed pool lighting to be installed approximately 40 feet directly over the swimming pool (see Picture 25). DPR personnel stated that to replace the lights or repair a light fixture they would have to partially drain the swimming pool and install a mechanical lift or ladder in the pool. The pool lights at the Turkey Thicket facility were installed around the perimeter of the pool and angled toward the pool (see Picture 26). The Turkey Thicket lighting design allows DPR personnel to change the lights or repair the light fixture using ladders and lifts around the perimeter decking. This design or a similar one should have been used for all DPR pool facilities.

RESULTS OF AUDIT

Incorrect and Correct Design/Installation of Pool Lighting

Picture 25

Picture 26

The DPR Capital Projects PM stated that the design of the swimming pool lighting appears to be flawed and the design should have provided for perimeter lighting instead of installation directly above the pool. Additionally, the DPR Capital Projects PM stated that the contractor installed the wrong type of pool lights. The contractor should have installed incandescent instead of florescent lights because incandescent lights are more economical and do not hurt the swimmers' eyes.

The Contractor PM stated that DPR approved a $385,000 modification, which included a $12,000 task order to change the lighting design, but subsequently declined to fund the modification. Upon further inquiry, we learned that there are two bulkheads in the pool designed to support four persons. These bulkheads could possibly be used in conjunction with a mechanical lift to replace pool lights. The Contractor PM informed us that discussions were held with DPR representatives concerning the purchase of a mechanical lift, but this action never transpired. However, the facility does not have ramps that lead into the pool. As such, it would be extremely difficult for DPR or a contractor to get a lift into the facility. Moreover, it is questionable whether the bulkhead could support a lift or even scaffolding. Lastly, during our follow-up visit, we observed 13 blown-out lights, 8 of which were directly above the pool.

It appears that decisions among the DPR Capital Projects Division, the Contractor PM, and other contractors that affected the maintenance of the pool were not sufficiently communicated to facility and maintenance staff. The DPR needs to ensure that decisions and information between the Capital Projects Division and the Contractor PM that impact facility maintenance be communicated to the DPR maintenance division. Additionally, DPR needs to make the necessary accommodations that will allow DPR maintenance personnel to replace blown-out pool lights.

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Incorrect Control Valve - The facility site supervisor contended that the contractor installed the wrong type of control valve for the application, and as a result, the valve rusted and corroded, which severely impaired the operation of the valve (see Picture 27).

Control Valve

Picture 27

The DPR Capital Projects PM stated that the control valve is the proper type for the application, passed DCRA inspection, and that Picture 27 represents normal wear and tear. However, DCRA inspectors disagreed, stating that based on their review of the pictures, the condition of the valve appears to have been caused by total submersion of the valve in water or the valve remained from an older application. DCRA inspectors opined that it appeared that conditions other than normal wear and tear contributed to the condition of the valve. The DCRA inspectors stated that the valve should have met the specific Underwriters Laboratories (UL) standards for the application. However, DCRA inspectors could not determine whether the valve met the appropriate UL standards without conducting a site visit.

Chlorine Storage Area - DPR personnel stated that the chlorine storage area vent does not circulate chlorinated air outside the building (see Pictures 28 and 29). We observed that the contractor installed a vent in the ceiling but the ducting exhausted the air directly into the facility. The chlorine odor in the room was so strong that DPR personnel had to leave the door open at all times. Less than 11 months after the facility was completed, the ceiling had severely eroded around the vent and the vent malfunctioned because of the rust and corrosion. After our visit, DPR maintenance personnel repainted the room and made cosmetic repairs to the ceiling; however, DPR had not addressed the ventilation issue.

RESULTS OF AUDIT

Chlorine Storage Area

Picture 28

Picture 29

The DPR Capital Projects PM stated that based on the pictures, it appears that the venting could be a design flaw, and if the chlorine storage room was vented properly, the ceiling and vent would not have corroded. DCRA inspectors were very concerned about the appearance of the chlorine room. DCRA inspectors stated that chlorine represents a fire and explosion hazard and should be properly vented. Additionally, the DCRA Chief Electrical Inspector stated that based on the pictures, it appears that the lighting equipment used in the room is the wrong type for the application (see Pictures 28 and 29).

<u>Steps to Pool Area</u> - DPR personnel stated that the contractor designed and built the pool area steps (approximately 5 ½ feet wide) without considering DPR maintenance's need to install and load large equipment (see Picture 30).

Pool Stairs (Equipment Loading and ADA Considerations)

Picture 30

The DPR Capital Projects PM stated that a freight elevator, which allows equipment to be transported to the pool equipment area, is located in the main building. DPR personnel at the

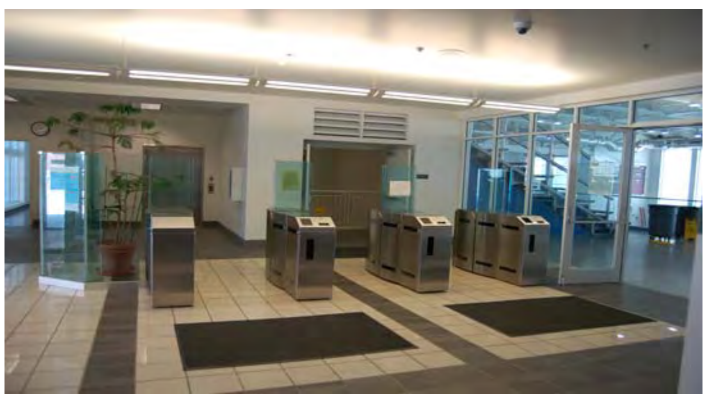
RESULTS OF AUDIT

location said the elevator is not a freight elevator. Additionally, the DPR Capital Projects PM stated that the facility has Americans with Disabilities Act (ADA) compliant ramps that could also be used to transport equipment to the pool equipment level. To access the pool from the parking lot, a disabled or physically-challenged patron has to go around the pool, access the elevator in the main building, and then transverse to the pool area. Based on their review of the pictures and our description of the parking lot, pool area, and facility, the DCRA inspectors stated they were concerned that disabled or physically-challenged patrons cannot access the pool directly from the parking lot. During our follow-up visit, we determined that a passenger and not a freight elevator is available in the facility. Additionally, we did not find any ramps that would allow a disabled patron to go directly from the parking lot to the swimming pool without first entering the facility or that would allow heavy equipment to be brought into the facility.

Newly-Purchased Equipment Not Used - DPR personnel informed us that newly-purchased equipment that should be used to control means of egress was not utilized (see Picture 31). DPR personnel stated that it was a good thought or concept; however, it has not materialized. DPR should formalize facility operational practices and procedures to ensure that funds are not expended unnecessarily and items purchased are used as intended.

Egress Control Equipment

Picture 31



Leaking Plumbing - DPR personnel pointed out that the facility had major plumbing leaks (see Picture 32). A DPR plumber informed us that DPR maintenance staff changed all gaskets and screws on the plumbing; however, the equipment still leaks. The plumber stated that they changed all the plumbing screws because the screws rusted, and the contractor should have used stainless steel screws. The plumber opined that the type of materials the contractor used to construct the plumbing contributed to the leaks.

The Takoma Community Center is a relatively new facility and the plumbing should not be leaking. DPR needs to determine whether the leaky plumbing is a warranty or DPR maintenance issue and take appropriate actions to fix the leaks.

RESULTS OF AUDIT

Leaking Plumbing

Picture 32

COLUMBIA HEIGHTS COMMUNITY CENTER

Background - The Columbia Heights Community Center is located in Ward 1 at 1480 Girard Street, N.W., Washington, D.C. The project was initiated in May 2003, and was completed in March 2007 at a cost of approximately $11.6 million. The Columbia Heights Community Center was opened in late 2007. The facility contains classrooms, athletic facilities, a basketball court, weight room, and exercise room. It also houses offices for DPR staff.

Discussion - We observed that DPR designated a room as a culinary room (see Picture 33); however, the room had only one electrical receptacle (or outlet), and no provisions for plumbing, ventilation, or common kitchen appliances. The contractor installed an electrical distribution box with provisions for kitchen appliances (see Picture 34). The Contractor PM agreed with our observation that to accommodate the installation of stoves, refrigerators, vents, and plumbing, DPR would have to expend additional funds to first deconstruct the room and then install provisions for plumbing, running water, electrical conduits and drops, and venting apparatus and equipment. The Contractor PM stated that the culinary room was built in accordance with DPR specifications. The Contractor PM stated that DPR excluded them from involvement with the purchase, delivery, and installation of furniture, fittings, fixtures, equipment, and other owner-furnished items for the culinary room. The Contractor PM stated that the culinary room was delivered in this manner because during the design and planning phase, DPR could not provide the Contractor PM with the equipment requirements and room layout, and DPR had some funding issues with the culinary equipment purchases.

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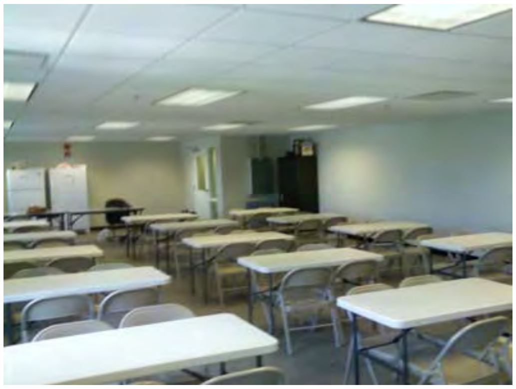
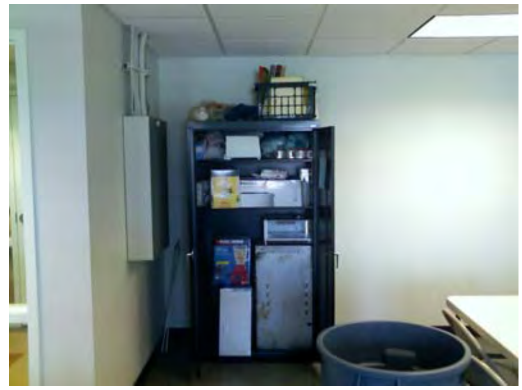
Culinary Room

Picture 33



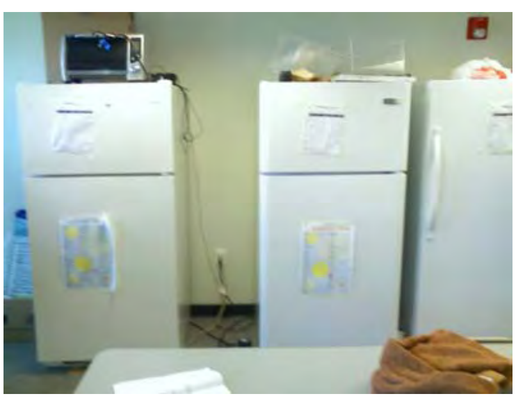
Picture 34



During the follow-up visit, we observed that the culinary room was being used as a break room. The DCRA Chief Electrical Inspector stated that fire inspectors might determine that three refrigerators plugged into one receptacle represent a fire hazard (see Pictures 35 and 36). Further, the DCRA Chief Electrical Inspector stated that as a "general rule," every wall should have a receptacle. Additionally, the DCRA Chief Electrical Inspector stated that the storage cabinet, which is located directly in front of the electrical distribution box, needs to be moved at least 3 feet away to allow emergency access.

Culinary Room (Three refrigerators using one receptacle/outlet)

Picture 35



Picture 36

In summary, because DPR did not specify its culinary equipment requirements and designate their placement in the room, DPR had to temporarily or permanently suspend a program intended to benefit District residents. Further, due to poor planning, the District faces additional expenditures to accommodate the culinary room's intended purpose. Finally,

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because DPR is using the culinary room as a break room and not for its original purpose, the room may present fire hazards to DPR personnel and facility patrons.

CHEVY CHASE COMMUNITY CENTER

Background - The Chevy Chase Community Center is located in Ward 3 at 5601 Connecticut Avenue, N.W., Washington, D.C. The Chevy Chase Community Center is one of DPR's oldest facilities. The Chevy Chase Community Center renovation was initiated in 2003 and completed in the fall of 2007 at a cost of $1.8 million. The facility renovations included renovating the basketball courts, playground area, grounds drainage system, and landscaping.

Discussion - During our first visit, DPR personnel informed us that the Chevy Chase Community Center was plagued by flooding for at least two decades. During our follow-up visit, we determined that DPR had taken action to correct the flooding issue. Additionally, DPR personnel informed us that a contractor poorly constructed a fence around the trash collection point.

<u>Flooding</u> - According to DPR personnel, community complaints regarding the flooding went unanswered for years. DPR personnel informed us that the center would flood when rainfall of 1/4 inch or more occurred (see Pictures 37 - 40). During a heavy rainfall, we observed that floodwater flowed through the parking lot and along the adjoining sidewalk. Eventually, the floodwater flowed into the building entrance and cascaded down the stairwell and walls. The floodwater ran down the walls around electrical equipment and switches (see Pictures 41 and 42). As a result, center personnel have had to shift or cancel activities and events such as child care and band practice. The flooding was a nuisance to facility patrons and staff, and hindered patrons from fully enjoying the facility. Additionally, the combination of water and electricity increased the risk to the health and safety of facility patrons.

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Flooding

Picture 37

Picture 38

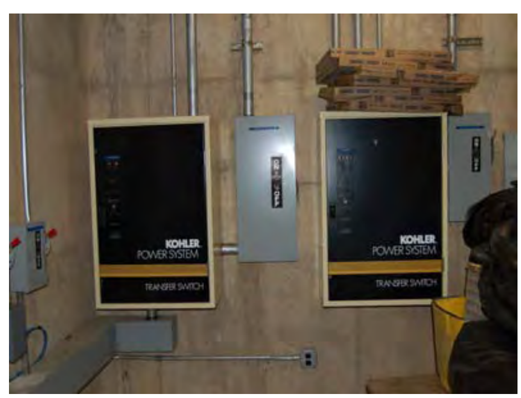
Picture 39

Picture 40

Electrical Equipment and Switches

Picture 41

Picture 42



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We observed water marks on the walls, which indicated that flooding had occurred as high as 6 inches in the basement hallways and the toddlers and senior citizens craft room. DPR personnel showed us areas where furnishings, floor tiles, children's furniture, and musical instruments were damaged by floodwaters. Furniture and other articles in the craft room were stored on radiators to prevent water damage.

The electrical room drain was located on the opposite side of the area that flooded. As such, during a rainfall, the floodwater would have to rise approximately 3 inches in the room before the drain would be effective. Center personnel demonstrated how they used pumps to drain the floodwater away from the electrical room entrance before it reached the drain area. DPR employed temporary measures, such as stacking sandbags and using pumps to draw water out of the basement. However, over the years, the temporary measures became almost permanent fixtures and did not effectively control the flooding. Continual flooding made the center's basement unusable for periods, deteriorated property and equipment, created potentially hazardous conditions, and caused disruption of facility programs and activities.

OPM was the original project manager for facility construction; however, OPM later turned the facility over to DPR. According to the DPR Capital Projects PM, OPM failed to ensure that the facility's drainage was connected to the District's city drainage. Early implementation of corrective measures was impeded by disputes between DPR and WASA regarding the party responsible for fixing the problem. DPR personnel stated that WASA claimed the drain was on DPR property and hence DPR's responsibility. DPR argued that WASA addressed previous drain concerns; therefore, WASA was responsible. Regardless of early impediments, DPR initiated capital improvement projects at the facility that did not include fixing the flooding problem. The capital improvement projects included the construction of a basketball court, improvement of the center's landscaping and lighting, and improvements to the basketball court drainage.

The DPR Capital Projects PM stated that the flooding was not in his scope of responsibility; as such, it was not included in any task orders or projects that he managed. The DPR Capital Projects PM stated that his task order required him to manage the construction of a basketball court and the connection of a drain from the basketball court to another drain on the site. The DPR Capital Projects PM stated that in his opinion, the flooding was a maintenance problem. Considering the length of time the flooding occurred at the facility, it appears that DPR placed low priority on fixing the flooding issues. It was not until District officials exerted political pressure on DPR that DPR expeditiously researched and fixed the flooding problem at the facility. Based on our follow-up visit and discussions with DPR personnel, it appeared that DPR had corrected the flooding problem (see Pictures 43 - 45).

RESULTS OF AUDIT

Follow-up on Flooding

Picture 43

Picture 44

Picture 45

Poor Fence Construction - During our follow-up visit, DPR personnel informed us that a contractor poorly constructed a fence around the trash collection point (see Pictures 46 - 51). The contractor drilled numerous holes through the brick columns and side cement blocks in an attempt to secure the fence gates. Finally, the contractor placed steel beams on the side of the enclosure and secured the gates to the steel beams. Drilling through the brick columns broke bricks and affected the appearance of the columns as well as the strength. Additionally, the wooden gates were not built to accommodate the street curb. As a result, the wood near the bottom of the fence broke when the gates were opened. The fence construction should have been carefully planned to accommodate the support of the gate and to avoid the obstruction. DPR should not have accepted the fence or paid the contractor for substandard construction.

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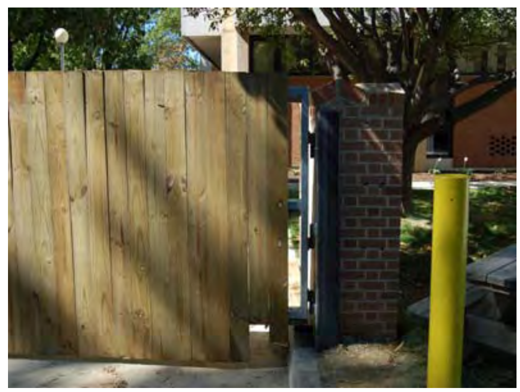
Poor Fence Construction

Picture 46

Picture 47

Picture 48

Picture 49



Picture 50

Picture 51

RESULTS OF AUDIT

HEARST RECREATION CENTER

Background - Hearst Recreation Center is located in Ward 3 at 3950 37th Street, N.W., Washington, D.C. Hearst Recreation Center is adjacent to the Hearst Elementary School. The task order for the design of the Hearst Recreation Center was initiated in December 2003 and is currently scheduled to be completed in 2008. The site design consists of a two-story recreation center, tennis and basketball courts, walking trail, children's playground, and multipurpose field for soccer and baseball.

Discussion - DPR has taken over 2 years and spent approximately $1,000,000 without completing the Hearst Recreation Center construction (see Picture 52). During our follow-up visits, the DPR Capital Project PM stated that the project is still on-going.

Hearst Playground

Picture 52

The current expenses of approximately $1 million[22] include the playground design, contingency costs, program manager fees, A/E services, surveying, and construction. Under the terms of the contract, the construction management firm awarded an A/E contract to TTGI in the amount of $150,000. This amount was based on an estimated $1,000,000 of construction costs yet to be expended. The purpose of this contract was to develop specific designs, plans, and specifications for construction to follow when design was finalized. During the project's planning phase, the community rejected plans and continues to add input into the project conception.

The Contractor PM stated that the District's indecision contributed significantly to the delays in developing the Hearst Playground. Specifically, the Contractor PM stated that since the Hearst Playground project's inception, DPR halted the project, reassigned the project back to

[22] This figure includes the original task order and modifications 1, 3, and 4; however, we could not obtain the modifications.

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the Contractor PM, significantly delayed funding work required for the project, and failed to finalize plan and design decisions with the community.

DPR needs to manage the communication with the community during the design and concept phase to include definite cut-offs for community input. Otherwise, similar to this situation, future projects will be delayed and experience significant cost growth.

RESULTS OF AUDIT

SECTION III: RECOMMENDATIONS

A draft of this report was issued on March 11, 2008, containing 32 recommendations to four District government agencies and departments that, collectively, represent actions considered necessary to correct the deficiencies described therein. These recommendations provide specifics on improving management oversight, personnel practices, contracting practices, internal controls, and accountability. Further, some recommendations have District-wide implications.

The responses to those recommendations were to provide us with their statements of concurrence or non-concurrence as well as dates of actions taken or planned on the applicable findings and recommendations (alternative solutions could be proposed for careful OIG consideration). Management generally concurred with the recommendations as directed and, in many cases, the actions planned and/or taken generally meet the intent of the recommendations.

Management comments and OIG responses have been incorporated as appropriate. Unless specifically noted, we consider the comments and actions taken to be responsive to the audit recommendations. In this section, we have incorporated details of the responses, as appropriate.

We did not direct recommendations to the two contractors; however, we did provide a courtesy copy of our draft report to each company. Both companies provided responses.

The full text of all responses is included at Exhibits B through G.

RESULTS OF AUDIT

INTERNAL CONTROLS – RECOMMENDATIONS 1 – 4

The Office of the Inspector General recommends that:

1. The Chief Financial Officer, in conjunction with the City Administrator, issue city-wide guidance requiring managers to establish, assess, correct, and report on internal controls. These requirements should be reflected in personnel performance plans. Additionally, the guidance could be patterned after the FMFIA of 1982 and OMB Circular No. A-123.

2. The Director, Department of Parks and Recreation and the Chief Procurement Officer, Office of Contracting and Procurement develop and disseminate the goals and objectives of an Internal Control Program throughout their organizations and emphasize individual accountability for conforming to the control procedures.

3. The Director, Department of Parks and Recreation and the Chief Procurement Officer, Office of Contracting and Procurement assign a senior manager who reports directly to the Directors of DPR and OCP as the Internal Control Officer to manage their respective organizations' Internal Control Program.

4. The Director, Department of Parks and Recreation and the Chief Procurement Officer, Office of Contracting and Procurement, for their respective agencies, schedule periodic evaluations of existing controls to ensure compliance with procedures and discuss the need for revisions when circumstances change. Develop a follow-up system under the direction of the Internal Control Officer or senior manager to review existing internal controls, provide effective oversight, and strengthen measures to review and update written policies and procedures.

HUMAN RESOURCES – RECOMMENDATIONS 5 – 10

The Office of the Inspector General recommends that:

5. The Director, Department of Parks and Recreation prepare position descriptions to recruit, build, and maintain a staff of experienced senior engineers capable of fulfilling the PM's duties and supervising a staff of site inspectors; and implement an aggressive recruitment strategy that includes competitive salaries at appropriate grade levels to attract the best qualified candidates.

6. The Director, Department of Parks and Recreation examine the need for site inspectors to assist the engineering staff in conducting inspections at construction sites and other oversight functions and recruit additional inspectors if deemed necessary.

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7. The Director, Department of Parks and Recreation analyze future annual maintenance needs and determine the number and types of maintenance personnel to maintain highly technical equipment to be installed in existing or planned recreation centers. Determine the least costly and most effective method of providing maintenance services. If in-house personnel are deemed most advantageous, begin plans to recruit and train a competent staff. If outsourcing the maintenance workload is deemed more efficient and cost effective, take steps to ensure that estimated maintenance costs are requested in the budget process.

8. The Chief Procurement Officer, Office of Contracting and Procurement take immediate action to obtain data on the estimated number of Capital Projects customer organizations that anticipate submitting for contract awards, and use this information as a basis for determining staff requirements.

9. The Chief Procurement Officer, Office of Contracting and Procurement implement a contract oversight function to conduct reviews, audits, and other checks for compliance with law, regulations, and contract terms and conditions.

10. The Chief Procurement Officer, Office of Contracting and Procurement maximize potential savings by increasing the Construction, Design, Building, and Renovations Group's full-time staff with qualified, experienced contract specialists and eliminate the number of contract experts hired under the consultant services contract that are performing inherently governmental functions.

CONTRACTING –RECOMMENDATIONS 11 – 14

11. The Office of the Inspector General recommends that the Chief Procurement Officer, Office of Contracting and Procurement establish policies and procedures to preclude OCP contracting officials from awarding cost-plus-a-percentage-of-cost arrangements.

OCP Response

OCP did not concur with Recommendation 11. The response states that OCP does not award cost-plus-percentage-of-cost contracts. OCP followed the existing contract type as outlined in Mod No. 5 under Article III (Compensation), paragraph A (fee schedule), which states "this is an Indefinite Delivery Indefinite Quantity contract with payment based on a cost plus a fixed fee. In developing Mod No. 5, the Office of the Attorney General (OAG) reviewed the terms and conditions of the basic agreement and did not find it to be a cost-plus-percentage-of-cost contract.

RESULTS OF AUDIT

OIG Comments

We consider OCP comments to be non-responsive to Recommendation 11. The OCP response does not acknowledge the basic principles of the cost-plus-fixed-fee contract (CPFF) and the Indefinite Delivery Indefinite Quantity (IDIQ).

The Chief Procurement Officer (CPO) stated that the contracts were an IDIQ contract, with payments based on a CPFF. The DCMR provides guidance on the use of both IDIQ and CPFF contracts; however, the DCMR does not address the use of a combination of both types of contracts in documents. A CPFF contract is a cost-reimbursement contract that provides for payments of a negotiated fee that is fixed at the inception of the contract. The fixed fee does not vary with the actual costs of the contractors' performance. Further, the OCP cost plus fixed fee pricing arrangement is missing one of the most critical elements in awarding a CPFF contract; OCP contracting officials did not use the actual costs (direct labor and other costs) incurred by the contractors that were to perform the services required by the contract. For all the task orders we reviewed, OCP did not use the cost data of the contractors performing the services to determine the allowable cost and a reasonable profit calculation as required when establishing a fixed fee for a CPFF contract. Instead, OCP used a cost-plus-a-percentage-of-cost (CPPC) method when pricing the JLC/A and the TTGI contracts. Title 27 DCMR § 2405.2 provides that the contracting officer may use a cost-reimbursement contract only when the contractor's accounting system is adequate for determining costs applicable to the contract.

The IDIQ contract provides for an indefinite quantity within stated limits for supplies or services during a fixed period. Quantity limits may be set as a number of units or as a dollar amount. The IDIQ contract must, in part, specify the total minimum and maximum quantity of supplies or services the government will acquire under the contract. In Mod No. 5, OCP failed to establish the maximum fixed fees allowed. Also, generally in an IDIQ contract, individual line items have fixed unit prices. The contracting officer orders various quantities of specific line items at the fixed unit prices established when the contract was initially awarded. For JLC/A and TTGI contracts, the more appropriate type of contract would have been IDIQ contract with a time and materials or labor hour pricing arrangements.

Accordingly, we request the CPO reconsider his comments to Recommendation 11 of the final report. If the CPO continues to believe that the contracts are not a cost-plus-a-percentage-of-cost arrangement, we ask the CPO to explain how the JLC/A and TTGI contracts are indefinite delivery indefinite quantity contracts with cost-plus-fixed-fee (CPFF) pricing arrangements when the contractors did not submit their labor costs as a basis for determining the cost reasonableness of a CPFF contract.

RESULTS OF AUDIT

JLC/A and TTGI, in their responses, stated that management fees were based on construction and development costs and a predetermined percentage. Further, JLC/A stated that it is an industry practice to award these contracts based on CPPC.

12. The Office of the Inspector General recommends that the Director, Department of Parks and Recreation and the Chief Procurement Officer, Office of Contracting and Procurement coordinate to determine the amount of overpayments of management fees and take action to recover overpayments made to contractors JLC/A and TTGI.

OCP Response

The CPO agreed to coordinate with DPR to determine if there was an overpayment of management fees and to take actions if necessary to recover over payments.

OIG Comments

We consider CPO comments only partially responsive. The CPO did not state how he would determine if there were any overpayments of management fees and when the action would be completed. Accordingly, we ask that OCP reconsider its position on Recommendation 12, and provide a targeted completion date.

13. The Director, Department of Parks and Recreation and the Chief Procurement Officer, Office of Contracting and Procurement determine and pay the contractors the actual cost of performance plus a fixed, reasonable profit instead of the current Cost-Plus-a-Percentage-of-Cost method of payment.

OCP Response

OCP did not indicate concurrence or non-concurrence with Recommendation 13, but stated "See responses to number 11 and 12 above."

OIG Comments

We consider the CPO comments nonresponsive. Therefore, we ask that OCP reconsider its position on Recommendation 13, and provide a targeted completion date.

RESULTS OF AUDIT

Jair Lynch Consulting/ Alpha Corporation (JLC/A) Response

JLC/A Contract

JLC/A stated that the auditors failed to cite any work aimed at illuminating the Control Board's contractual authority issued by Congress, or any discussion with the Control Board on its decision-making process. The Control Board likely saw an industry standard which was most likely employed on all of the construction and development-focused contracts that they issued for District government projects, including MPD.

JLC/A also stated that IDIQ contracts are not inherently illegal and that the cost plus percentage of cost structure used to determine the fee for JLC/A's services is standard to the building industry for those program management services. JLC/A's fee was calculated based on development costs as well as construction costs.

OIG Comments

We continue to believe that the CPPC arrangements contained in the JLC/A and TTGI contracts are prohibited by both District and federal laws. We did not state that IDIQs are inherently illegal. Both District and federal laws cite that these contracts are legal. However, both laws state that CPPC pricing arrangements are prohibited under any type of contract.

JLC/A Fees

JLC/A stated that the OIG's assertion of the excessive fees was presented without sufficient context, making it difficult to understand what calculations might be the basis for the findings. JLC/A's fees were always consistent with the compensation guidelines in the IDIQ contract for each task order, each of which was approved by DPR, and the City Council for those of more than $1 million.

JLC/A further stated that the not-to-exceed program management fee amount of $1.6 million referenced by the IG as being specified in the IDIQ is, in fact, quite clearly an estimate based solely on available funding in FY 2001 (approximately $36 million). Finally, JLC/A stated that its IDIQ contract never limited the number of task orders that could be issued by the District government and only set limits on the maximum program management fee that could be earned by JLC/A for each project within each executed task order.

RESULTS OF AUDIT

OIG Comments

We disagree with JLC/A's position that IDIQ-type contracts are not required to have a specified minimum and maximum allowable fee because competition between contractors is determined before the IDIQ-type contract is awarded. Allowable fees and unit prices with set minimum and maximum limits must be established during the solicitation process in order for each contractor to have an equal opportunity to bid on the same requirements. The JLC/A process of establishing a maximum allowable fee under each task order, instead of the contract, appears to be more like a basic ordering agreement (BOA). Under a BOAs, the general terms and pricing arrangements are defined in the basic agreement. When a task order is issued, the pricing arrangements should be completed at the time the order is prepared. However, BOAs are not contracts. Since a BOA is not a contract, each order under the agreement must be advertised as a new procurement for full and open competition. Furthermore, it should be noted that the actual costs of JLC/A to perform the statement of work were never included in the CPFF and the District CPFF task order. Management fees were based on a predetermined percentage that was applied only to the direct cost incurred by the general contractor and the architectural and design contractor. Based on this method of developing project management fees, the District has no assurance that excessive management fees and profits were not paid.

The Temple Group Inc. (TTGI) Response

TTGI stated that "The type of contract selected for use in procuring our service was out of our control and as such we defer to OCP's interpretation of its validity. However, TTGI takes exception to the statement 'Temple received excessive management fees'," but we welcome and agree with the recommendation to make the contract comply with the laws of the District of Columbia. We also agree with the IG's recommendation that OCP and DPR should determine and pay TTGI's actual costs of performance plus a fixed, reasonable profit."

OIG Comments

We consider the Temple Group, Inc.'s comments to be responsive.

14. The Director, Department of Parks and Recreation immediately appoint a Contracting Officer Technical Representative (COTR) for every current task order and all future contract actions.

RESULTS OF AUDIT

CAPITAL FUNDING – RECOMMENDATIONS 15 – 17

The Office of the Inspector General recommends that:

15. The Director, Department of Parks and Recreation, in conjunction with the Office of the Chief Financial Officer and the Office of Contracting and Procurement, provide, certify, and maintain sufficient project funding to prevent work stoppages and unauthorized commitments on behalf of the government.

DPR Response

The Director, DPR stated that DPR can only encumber allocated funds. The Director, DPR went on to state that often the yearly allotment amount is "much less than the total authorized funding, allowing DPR to only procure services for certain phases of a project, potentially resulting in work stoppages and inflation costs until future allotments are made available to complete the project." The Director further noted that DPR had no control over the appropriation function. However, the Director, DPR agreed to request all authorized funding in a 1-year allocation.

OCFO Response

The CFO stated that project funding is based on the availability of funds, subject to the appropriation process. The CFO further stated it is within the purview of the Mayor and the District Council to increase or decrease DPR project funds. The CFO added that he and the Director, DPR can request reprogramming of budget authority between projects, "slowing a project in order to shift funds to another at a critical juncture," but cannot unilaterally increase overall budget authority to fully fund a series of projects.

OCP Response

The Director, OCP stated that OCP does not provide, certify, or maintain sufficient project funding.

OIG Comments

The Director, DPR, the CFO, and the Director, OCP neither concurred nor non-concurred with Recommendation 15. Additionally, no alternative solutions were offered, and no estimated dates of completed corrective action were provided.

Respondents appear to view corrective action in response to this recommendation as beyond the scope of their influence or authority to act either in concert with one another or alone. We proposed a joint solution to what is essentially an inefficient use of capital funds. While we firmly believe such remedial joint action is workable and prudent, we recognize the difficulties involved in a multi-departmental solution and reconsidered our position.

Therefore, we have redirected our recommendation to the City Administrator and have added that a project be fully funded at the start and that funding for the project shall be retained until its completion. Partial funding should only be approved after the Mayor and the District Council are fully informed of the cost of such a decision.

16. The Director, Department of Parks and Recreation and the Chief Procurement Officer, Office of Contracting and Procurement evaluate the actions of OCP and DPR contracting personnel for failure to comply with D.C. Code § 2-301.05(d)(2) concerning Council approval of proposals to contract and, if deemed appropriate, take disciplinary actions in accordance with D.C. Code § 2-301.05(d)(3).

17. The Chairman, Board of Review for Anti-Deficiency Violations convene the Anti-Deficiency Review Board and take appropriate action regarding the apparent failure to comply with D.C. Code § 47-355.02 and, if appropriate, take actions in accordance with the District's Anti-Deficiency law.

PAYMENTS – RECOMMENDATIONS 18 – 20

The Office of the Inspector General recommends that:

18. The Director, Department of Parks and Recreation designate personnel as agency certifying officers and establish written procedures that permit only those persons to authorize contractor invoices for payment.

19. The Director, Department of Parks and Recreation investigate and report back to the OIG the circumstances under which all invoices, especially those identified and valued at $16 million (rounded figure), were paid without proper authorization and determine if the goods and services were billed accurately to the District.

20. The Chief Financial Officer assign accounts payable officials more accountability by developing written policies and procedures that require due diligence-type steps prior to payment of invoices, inclusive of, but not limited to, ensuring that the payment of contractors' invoices is done only pursuant to the authorization of authorized agency personnel.

RESULTS OF AUDIT

OCFO Response

The CFO generally agreed with this recommendation and stated that appropriate controls exercising due diligence were established when processing vouchers for payment to vendors. The CFO explained that vouchers were paid through the PASS and that DPR program officials are responsible for the receipt of goods and services. Subsequent authorization for payment of invoices is also the responsibility of program officials. Procedures are established in PASS under the role of receiver or receipt provider, and payments cannot be made without an approved receipt. The CFO responded that he has established policies and procedures for the exercise of due diligence when processing invoices for payment to vendors.

OIG Comments

The OIG understands that program managers are ultimately responsible for the determination of the program official responsible for the receipt of goods and services and the subsequent authorization of invoice payments in PASS. However, during our audit, DPR program officials could only provide a "training" manual for PASS, which emphasizes to the need for the CFO to develop a process that would ensure that only authorized agency personnel authorize payment to vendors and include a provision for a periodic review of approved receipts by CFO officials.

COST ANALYSIS – RECOMMENDATION 21

The Office of the Inspector General recommends that:

21. The Director, Department of Parks and Recreation track costs for all projects to help facilitate ongoing and future management decisions relative to increasing value and lowering costs for products and services.

STANDARDIZATION – RECOMMENDATIONS 22 – 23

The Office of the Inspector General recommends that:

22. The Director, Department of Parks and Recreation examine the benefits of standardization in the construction and major renovation of recreation centers and, where feasible and practicable, standardize center facilities to reduce construction costs and use any savings elsewhere in the DPR Capital Improvement Plan.

RESULTS OF AUDIT

23. The Director, Department of Parks and Recreation develop standard equipment specifications for high dollar value items needed in recreation and aquatic centers and, with the assistance of the Office of Contracting and Procurement, compete the procurement of those items on a volume basis to achieve standardization and substantially reduce future annual maintenance expenses.

LIFE-CYCLE MANAGEMENT– RECOMMENDATION 24

The Office of the Inspector General recommends that:

24. The Chief Financial Officer develop and disseminate guidelines requiring the application of Life-Cycle Management techniques for all Capital Projects in the Capital Improvement Plan and inclusion of the results of those analyses in the Project Description Forms contained in future budget and financial plans.

OCFO Response

The CFO generally concurred with Recommendation 24, stating that life-cycle cost analyses would contribute significantly to the decision-making process for budget and financial planning. However, he questioned whether the OCFO was the appropriate control agency to undertake this initiative on behalf of the District government. The OCFO agrees with the spirit of Recommendation 24, and that it should be a part of the discussion and planning to develop and implement a District-wide initiative on life-cycle management.

OIG Comments

Based on the CFOs response to this recommendation, we have reconsidered our position. Corrective action for a multi-million capital improvement program spanning several fiscal years, and involving many District government agencies and departments should be vested in a level of authority high enough in District government to require and enforce full compliance and implementation. Accordingly, we have redirected this recommendation to the City Administrator and have requested a response to it in the final report.

We retain our conviction though, that the CFO’s Office of Budget and Planning (OBP) should play a strong supervisory or oversight role to ensure that life cycle cost analyses are performed on all projects and that the analyses be subjected to audit, review, or inspection. Life Cycle costs analyses should be validated, without exception, by the OBP before a project is included in the CIP’s decision-making process and approval is given to build or renovate.

RESULTS OF AUDIT

To avoid including a project in CIP before a life-cycle validation is performed, we encourage the City Administrator and the CFO to immediately designate, as a test program, all DPR capital projects and require those projects to be immediately subjected to Life Cycle Management. This would allow one of the District's largest capital projects program to conduct life cycle cost analysis while allowing the time needed to develop a multi-agency approach.

SITE VISITS – RECOMMENDATIONS 25 - 32

The Office of the Inspector General recommends that:

25. The Director, Department of Parks and Recreation develop or adopt a structured project management methodology that the DPR Capital Improvement Division will utilize when managing DPR Capital Projects. This methodology should include reasonable coordination with stakeholders (e.g., definite cut-off dates for community input). Further, the methodology should span from project initiation to project acceptance and include pre-designed forms and templates to document key deliverables and elements of the project management structure.

26. The Director, Department of Parks and Recreation conduct comprehensive assessments (health and safety, regulatory compliance, and maintenance requirements) on all DPR recreational facilities and develop and fund a corresponding corrective action plan to address all deficiencies that result from the assessment.

27. The Director, Department of Parks and Recreation establish policies and guidelines that require DPR maintenance personnel to check applicable warranties prior to paying contractors and releasing contractors from liability or obligation without assurance of work quality.

28. The Director, Department of Parks and Recreation issue policies and procedures to incorporate facility maintenance personnel input when planning recreation facility renovation or new construction. Policies should also include DOH and DCRA inspectors' collaboration before authorization of drawings for new and renovated facilities.

29. The Director, Department of Parks and Recreation perform an assessment on facility equipment to determine whether DPR should purchase extended warranties after the standard warranty period.

30. The Director, Department of Parks and Recreation reinforce latent defect clauses in construction contracts/agreements with general contractors to hold them accountable

RESULTS OF AUDIT

for substandard work and poor quality deliverables. Establish incentive clauses that reward contractors for quality workmanship and early completion dates.

31. The Director, Department of Parks and Recreation establish DPR management procedures to monitor DPR maintenance's response to outstanding maintenance repair requests to include accountability status for each facility so that management is aware of facility needs and conditions.

32. The Director, Department of Parks and Recreation elevate the priority of maintenance efforts to address the upkeep and repair of all DPR facilities, with special attention to funding, personnel, equipment, and potential safety issues detailed in this report.

APPENDIXES

APPENDIX 1. COST ANALYSIS FOR TURKEY THICKET COMMUNITY CENTER

AMOUNT	DESCRIPTION
$6,872,675	**Project Cost Estimate:** The project cost is developed for closing out the original design/build contract and completing the new design/bid/build contract A/E service, procurement, construction, and program management services.
$6,872,675	**Task Order Cost** (02/10/2004)
------	**Modification # 1:** No documents available.
+ $73,160.50	**Modification # 2:** (12/04/2004) Additional fund for management fees adjustment.
+ $2,958,748.93	**Modification # 3:** (02/26/2005) Additional funds requested to compensate the General Contractor for change orders (1 thru 9, 1A, and 2A), and additional fees for the construction manager.
+ $160,125.84	**Modification # 4: (**09/10/2005) Additional funds requested to compensate the A/E for 3 months of additional contract administration services, providing additional field testing and furnishing and installation of furniture, fixtures, and equipment (FF&E) by configurations, which was not originally budgeted.
+ $146,970	**Modification # 5:** (08/02/2007) Additional funds requested to compensate the General Contractor for Change Orders # 10 and 11.
$10,211,680.27	**Total Cost**

APPENDIXES

APPENDIX 2. COST ANALYSIS FOR WILLIAM H. RUMSEY AQUATIC CENTER

AMOUNT	DESCRIPTION
$1,364,307	**Project Cost Estimate** including soft costs of $400,600, hard costs of $821,825, and management fees of $141,881.
$3,294,789	**Task Order Cost** (08/21/2001) including the total additional funds for Modification # 1 ($1,930,482). This modification increased the construction cost to $2,752,308.
+ $158,067.41	**Modification # 2:** (01/14/2003) DPR had requested JLC/A to expand the scope of all FF&E, interior signs, telephone/data system, and security system. This modification also included the cost of Potomac Electric and Power Company (PEPCO) service fees.
+ $51,879.32	**Modification # 3:** (05/15/2003) In order to receive a certificate of occupancy, DCRA requires that all public facilities be equipped with a code approved fire alarm. The original scope of work assumed that the existing fire alarm system would remain. Once construction started, it was determined that the existing fire alarm system was inoperable and would not meet the current code requirement. The modification also covered the permit fees levied by DCRA that exceeded the estimated amount of $19,416.32. The modification costs included management fees of $2,400.
------	**Modification # 4:** Pending
+ $39,641	**Modification # 5:** (05/15/2003) Additional scope of work arising from unforeseen conditions. These conditions included: repairs to floor resisters; stone veneer caulking at exterior of building; acid wash tile floor; demolition of abandoned electrical wiring; and cleaning of brick walls. None of these items were included in the original scope.
------	**Modification # 6:** Rejected.
------	**Modification # 7**: Rejected.
------	**Modification # 8:** Pending ($462,610) A mechanical equipment screen was originally included in the plans for the project, but was deleted as part of value engineering with the expectation that the screen wall would be added during later phases of the project. The configuration of the structures under the roof equipment, the roof parapet details, and the ductwork layout is now different than the original design because the

APPENDIXES

	screen was not built. Connections to roof structures and structural support will need to be modified to accommodate the addition of the screen. Gauthier & Alvarado has determined that part of the original design can be salvaged, but the overall design effort and screen layout will need to be redesigned. The modification cost included $48,960 in management fees.
------	**Modification # 9:** Pending ($15,000).
------	**Modification # 10:** Pending ($45,910).
+ $14,084	**Modification # 11:** (07/31/2003) Pursuant to DPR's reduction of the total TO amount for permit and other fees via interagency transfer to DCRA, JLC/A requested to restore the contingency for construction-related changes.
+ $27,426	**Modification # 12:** (07/31/2003) Cost of additional scope of work requested by DPR. The work requested was not included in the original scope of work. The additional work included: replacement of approximately 300 chipped tiles; removal of decals from interior windows; installation of electric releases for entry doors in cashier's office; installation of electrical outlets at sinks in locker rooms and cashier booth; removal of a water fountain and patch concrete; and the wrapping of wood time clock platforms with break metal. JLC/A management fees of $3,353 were included.
+ $78,758	**Modification # 13:** (08/28/2003) Cost expended during the delay. During the construction, JLC/A incurred a delay by PEPCO and D.C. Water and Sewer Authority (WASA). The initial date of substantial completion was January 15, 2003. This was contingent on new electrical service performed by PEPCO and water service from WASA installed and energized no later than January 15, 2003. Water service upgrade and installation was not completed by WASA until March 5, 2003. As of July 24, 2003, PEPCO had not installed the electrical meter. The WASA and PEPCO delays prevented JLC/A and the contractor from achieving substantial completion.
$3,664,644.73	**Total Cost**

APPENDIXES

APPENDIX 3. COST ANALYSIS FOR TAKOMA COMMUNITY CENTER

AMOUNT	DESCRIPTION
$1,831,902	**Project Cost Estimate** including management fees of $628,000.
$1,831,902	**Task Order Costs** (08/22/2001) including $1,203,902 of soft costs and $628,000 of management fees.
+ $150,000	Takoma DPR Modifications (details not available).
------	**Modification # 1:** (06/07/2003) no costs included.
+ $12,751,650	**Modification #2:** (02/07/2003) Increased total development cost including building and site cost, asphalt courts, site lighting, and environmental hazmat contingency.
+ $183,206.64	**Modification # 3:** (07/21/2003) Cost while project was delayed. In order to minimize additional costs to the project during the delay period, DPR instructed JLC/A to retain a full team of consultants and contractors, Davis Construction and EYP Architects, who issued and reviewed critical submittals. The intent was to retain Davis Construction and keep subcontractors and project staff on the project. These “start up activities” were not the initiation of construction services and were additional costs to the project. The modification includes management fees of $59,656.64.
+ $721,634	**Modification # 4:** (07/23/2003) Guaranteed Maximum Prices (GMP) increase. On February 4, 2003, Davis Construction provided a GMP and was ready to start construction immediately thereafter. JLC/A could not issue notice to proceed to the contractor due to the lack of funding. On July 26, 2003, JLC/A received proof of additional funding from DPR and directed Davis Construction to provide a revised GMP.
+ $91,593	**Modification # 5:** (03/01/2004) The paging system was not part of the development budget for Takoma Community Center, and was not included in the assumptions and qualifications of TO # 3. The paging system was requested by DPR after the design of the project was completed and is now an additional cost to the project.

APPENDIXES

+ $67,025.25	**Modification # 6:** (05/03/2004) Takoma job site had several break-ins, material and equipment had been stolen, and construction trailers had been damaged. JLC/A and the contractor recommended to have Sentry Security International, Inc. perform site security services. TO # 3 included a $45,000 budget for 4.5 months of security; however, the project was scheduled to be completed in 8 months.
+ $458,197	**Modification # 7:** (date not available) Included the new access control system, lighting control system, timing system, and A/E professional services fee for preparing the scope changes requested by DPR. Due to a misunderstanding during the design process and the preparation of the construction documents, specifications section (Timing System) bore the tab "provided by owner." This made the subcontractor and the contractor exclude this cost from GMP and, therefore, from the cost of work.
+ $190,404	**Modification # 8:** (04/14/2004) consisted of adding a Stainless Steel Bulkhead to Takoma Community Center. The cost of modification also included Davis Construction's 3% fee and an allowance to maintain access and protection of installed materials.
+ $48,661.96	**Modification # 9:** (08/09/2004) The contractor requested to extend the project's duration and the general conditions for 16 working days due to additional work requirements for the Timing System (Mod # 7), the second Stainless Steel Bulkhead (Mod # 8), and to cover delays and time lost at the pool excavation as a result of unsuitable soil conditions encountered at the west end of the main pool. The modification included $2,095.12 management fees at 4.5%.
$16,494,273.85	**Total Cost**

APPENDIXES

APPENDIX 4. COST ANALYSIS FOR COLUMBIA HEIGHTS COMMUNITY CENTER

AMOUNT	DESCRIPTION
$6,270,718.28	**Project Cost Estimate:** The project budget costs include program management fees of $182,642.28.
$6,270,718.28	**Task Order Cost** (date not available): Construction Cost Estimate $5,623,266 A/E Fees $447,100 Soil borings and Investigation $6,090 Constructability Reviews $2,800 Board of Zoning Consultation $9,000 Management fees at 3% $182,462.28
+ $5,107,200.58	**Modification # 1** (06/26/2006) Additional funds requested to compensate the General Contractor for the construction contract, proposals for additional A/E services, WASA permits, abatement, constructability review, material testing, signage, and printing and duplication costs. The modification includes management fees of $335,988.40.
($126,986.16)	**Modification # 2** (02/01/2007) The purpose of this modification is to remove all task orders for purchases of FF&E for the Columbia Heights Community Center project, the systems furniture for the DPR office, and all related program management services. Modification # 2 decreased the scope of work of Modification # 1.
+ $126,986.16	**Modification # 3** (02/23/2007) The purpose of this modification is to increase the scope for all tasks to purchase FF&E for the Columbia Heights Community Center project, the system furniture for the DPR office, and all related program management services. The modification includes management fees of $6,986.16.
+ $208,820.98	**Modification # 4** (03/28/2007) The purpose of Modification # 4 is to increase the scope for all tasks to purchase FF&E, including seats, tables, cabinets, desks, balls, etc. The modification also includes management fees of $11,820.06.
$11,586,739.84	**Total Cost**

APPENDIXES

APPENDIX 5. COST ANALYSIS FOR CHEVY CHASE COMMUNITY CENTER

AMOUNT	DESCRIPTION
$925,986.18	**Project Cost Estimate**
$925,986.18	**Task Order Cost** (06/03/2004) Construction Estimate (including 10% contingency cost): Basketball court $406,426.74 Commons area and landscaping $457,438.97 A/E fees $29,150 Lab testing and control inspections $6,000 TTGI fees at 3% $26,970.47
+ $53,940.94	**Modification # 1:** (04/21/2005) Management fees adjustment from 3% to 9%.
+ $835,281.82	**Modification # 2:** (04/02/2006) Increases the scope of work for Phase II of the construction work for drainage repairs and major external site improvements, to include landscaping, lighting, and cracked concrete. Construction work $766,313.60 Management fees at 9% 68,968.22
$1,815,208.94	**Total Cost**

APPENDIXES

APPENDIX 6. COST ANALYSIS FOR HEARST PLAYGROUND

AMOUNT	DESCRIPTION
$150,000	**Project Cost Estimate**
$150,000	**Task Order** (05/01/2004): includes management fees of $18,678, A/E fees of $100,000, Survey/Building agency fees of $13,000, and contingency fees of 12%, $18,322.
+$654,024.25	**Modification # 1:** (05/24/2004) Additional funds for: Construction costs $607,975 Inspection and testing services $2,000 Architectural fees for additional services for playground design $25,000 Management fees at 3% $19,049.25
------	**Modification # 2:** (no date available) No documents in files obtained from DPR and OCP.
+$54,626.86	**Modification # 3:** (12/04/2004) Increases the management fees from 3% to 12%.
+$138,791.07	**Modification # 4:** (10/20/2006) Additional funds requested to compensate the A/E for additional design services and surveying.
$997,442.18	**Total Cost**

EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT

Recommendations	Agency				Description of Benefit	Amount and Type of Benefit	Agency Reported Estimated Completion Date[24]	Status
	DPR	OCP	OCFO	Bd/ADV[23]				
1			X		Internal Control. Establishes District-wide guidelines relative to internal control.	Non-Monetary	3/27/08	Closed
2	X	X			Internal Control. Takes action to establish individual accountability for internal control.	Non-Monetary	DPR – 3/31/08 OCP – 4/10/08	Closed
3	X	X			Internal Control. Establishes an internal control officer	Non-Monetary	DPR – 3/31/08 OCP – 4/10/08	Closed
4	X	X			Internal Control and Program Results. Establishes a review process over operations.	Non-Monetary	DPR – 3/31/08 OCP – 4/10/08	Closed

[23] Bd/ADV is the Board of Review for Anti-Deficiency Violations.

[24] 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 AUDIT

Recommendations	Agency				Description of Benefit	Amount and Type of Benefit	Agency Reported Estimated Completion Date[24]	Status
	DPR	OCP	OCFO	Bd/ADV[23]				
5	X				Program Results. Sets forth requirements for maintaining a qualified staff.	Non-Monetary	4/17/08	Closed
6	X				Program Results. Recruits needed personnel for site inspections.	Non-Monetary	2/1/08	Closed
7	X				Program Results. Analyzes maintenance workload.	Non-Monetary	3/31/08	Closed
8		X			Program Results. Documents contract workload.	Non-Monetary	4/10/08	Closed

EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT

Recommendations	Agency				Description of Benefit	Amount and Type of Benefit	Agency Reported Estimated Completion Date[24]	Status
	DPR	OCP	OCFO	Bd/ADV[23]				
9		X			Internal Control and Program Results. Implements a contract oversight function.	Non-Monetary	4/10/08	Closed
10		X			Economy and Efficiency. Maximizes potential savings by eliminating use of contract personnel.	$1.8 million	4/10/08	Closed
11		X			Compliance and Internal Control. Establishes policies and procedures for compliance with District of Columbia Municipal Regulations (DCMR).	Non-Monetary	TBD	Unresolved
12	X	X			Economy and Efficiency. Recovers excess management fees.	$2.1 million	DPR – 3/31/08 OCP – TBD	Unresolved

EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT

Recommendations	Agency				Description of Benefit	Amount and Type of Benefit	Agency Reported Estimated Completion Date[24]	Status
	DPR	OCP	OCFO	Bd/ADV[23]				
13	X	X			Compliance. Determines and makes correct payments for contractor costs.	Non-Monetary	DPR – 3/31/08 OCP – TBD	Unresolved
14	X				Program Results and Compliance. Requires appointment of a contracting officer's technical representative (COTR).	Non-Monetary	4/10/08	Closed
15	X, Redirected to OCA	X, Redirected to OCA	X, Redirected to OCA		Program Results and Compliance. Provides sufficient funding for capital improvement program (CIP) projects.	Non-Monetary	TBD	Open
16	X	X			Compliance. Evaluates actions of OCP and DPR personnel as required by District law.	Non-Monetary	DPR – 3/31/08 OCP – 4/10/08	Closed

EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT

Recommendations	Agency				Description of Benefit	Amount and Type of Benefit	Agency Reported Estimated Completion Date[24]	Status
	DPR	OCP	OCFO	Bd/ADV[23]				
17				X	Compliance. Determines appropriate action to be taken with regard to anti-deficiency laws.	Non-Monetary	3/27/08	Closed
18	X				Internal Control. Establishes procedures with regard to authorized payment of invoices	Non-Monetary	9/30/08	Open
19	X				Internal Control. Reviews legitimacy of payments made without authorization.	Non-Monetary	9/30/08	Open
20			X		Internal Control. Establishes due-diligence type procedures prior to authorizing payment of invoices.	Non-Monetary	3/27/08	Closed

EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT

Recommendations	Agency				Description of Benefit	Amount and Type of Benefit	Agency Reported Estimated Completion Date[24]	Status
	DPR	OCP	OCFO	Bd/ADV[23]				
21	X				Program Results. Facilitates management decisions by tracking project costs.	Non-Monetary	3/31/08	Closed
22	X				Economy and Efficiency. Standardizes facilities resulting in reduced costs.	Monetary Benefit; Amount TBD	9/30/08	Open
23	X	X			Economy and Efficiency. Competes procurements on a volume basis to reduce expenses.	Monetary Benefit; Amount TBD	9/30/08	Open
24			X, Redirected to OCA		Program Results. Adopts life-cycle management techniques for capital projects.	Non-Monetary	TBD	Open

EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT

Recommendations	Agency				Description of Benefit	Amount and Type of Benefit	Agency Reported Estimated Completion Date[24]	Status
	DPR	OCP	OCFO	Bd/ADV[23]				
25	X				Program Results. Establishes methodology for managing capital projects.	Non-Monetary	9/30/08	Open
26	X				Program Results. Assesses health and safety and regulatory conditions of recreation facilities	Non-Monetary	3/31/08	Closed
27	X				Program Results and Economy and Efficiency. Establishes policies and procedures regarding enforcement of warranties.	Monetary Benefit; Amount TBD	3/31/08	Closed
28	X				Program Results. Incorporates input from facility personnel regarding facility maintenance.	Non-Monetary	3/31/08	Closed

EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT

Recommendations	Agency				Description of Benefit	Amount and Type of Benefit	Agency Reported Estimated Completion Date[24]	Status
	DPR	OCP	OCFO	Bd/ADV[23]				
29	X				Program Results and Economy and Efficiency. Analyzes the feasibility of using extended warranties on facility equipment.	Non-Monetary	12/31/08	Open
30	X				Program Results and Economy and Efficiency. Strengthens contract terms and conditions.	Monetary Benefit; Amount TBD	3/31/08	Closed
31	X				Program Results and Economy and Efficiency. Strengthens practices over maintenance operations.	Non-Monetary	3/31/08	Closed
32	X				Program Results and Economy and Efficiency. Gives priority to maintenance needs.	Non-Monetary	3/31/08	Closed

EXHIBIT B: DPR MANAGEMENT RESPONSE

District of Columbia Parks and Recreation

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Parks and Recreation

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5/03

March 31, 2008

Charles J. Willoughby, Esq.
Inspector General
District of Columbia Office of the Inspector General
717- 14th Street, NW
Washington, DC 20005

Re: OIG No. 05-1-08HA
Audit of the Department of Parks and Recreation's Capital Projects

Dear Mr. Willoughby:

Your draft report summarizing the results of the Office of the Inspector General's (OIG) *Audit of the District of Columbia Department of Parks and Recreation's Capital Projects* (OIG No. 06-1-08HA) dated March 11, 2008 has been reviewed.

We appreciate the efforts of your Audit Team and we have carefully reviewed the Findings and Recommendations presented. As you are well aware, the projects reviewed and audited by your team were completed prior to my administration. They reflect a number of observations that were made by me within a very short time as Director of the Department of Parks and Recreation. To that end, many of the recommendations offered in your Report include corrective actions that have been underway for several months. To date there is significant improvement over what I met at DPR in August 2007.

Additionally, many of the recommendations made are directed to agencies other than DPR. Notwithstanding this, we believe that as a customer of the Office of Contracting and Procurement (OCP) and the Office of the Chief Financial Officer (OCFO), we must also fully understand and be better involved in the contracting and funding processes. DPR must take greater responsibility for monitoring its capital contracts through all phases in order to preserve the District's fiscal integrity and some of the District's most valuable assets, DPR's recreation facilities.

Join in the Fun!

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EXHIBIT B: DPR MANAGEMENT RESPONSE

Mr. Willoughby
March 31, 2008
Page 2

For ease of review, we have responded to each recommendation as presented in your draft report, *in seriatim*:

INTERNAL CONTROLS

1. This recommendation is not directed to DPR, however, DPR will work with the OCFO to ensure that the necessary guidance is adhered to as required by DPR.

2. DPR is currently developing *Standard Operating Procedures* (SOP) to include policies, goals and objectives for all departments/divisions within the Agency.

3. In February 2008, DPR hired the Chief of Planning and Capital Projects as a member of its Senior Management team. This individual reports directly to me and has overall responsibility for all Capital Projects coordinated by the Department of Parks and Recreation. He also has responsibility for the coordination with other DC Government agencies such as OCP, DCRA, EOM, DMPED, etc.

4. The SOPs mentioned in Question No. 2, will incorporate any monitoring and evaluation of existing controls to ensure compliance with policies and procedures. DPR is always looking for ways to improve upon the way we do business. Any recommendations and changes identified through the evaluation of controls will be reviewed and SOPs will be modified accordingly.

HUMAN RESOURCES

5. Upon my appointment to the Department of Parks and Recreation, I identified Human Resources as one of the areas requiring immediate attention. As a result, key positions were created, recruited for, and filled. Our latest hire, the *Chief of Planning and Capital* comes to DPR with a diverse construction and development portfolio with responsibility for projects in and around the District. To complement the addition of the Chief of Planning and Capital, we hired a *Capital Projects Officer* and a *Planning and Design Officer*. Combined they possess over 27 years of experience in architectural engineering and community design and planning. The Capital Projects Officer is an experienced Architectural Engineer of over 20 years.

   In addition, we recently hired a *Construction Analyst* with over 6 years of Construction and Project Management experience. Another Construction Analyst, hired effective 3/31/08, will bring to DPR over 17 years of construction,

EXHIBIT B: DPR MANAGEMENT RESPONSE

Mr. Willoughby
March 31, 2008
Page 3

project engineering, and project management experience. On 4/17/08 another *Community Planner* will join DPR. This individual will bring to DPR over 6 years of project management and community planning experience.

6. To correct disparities that I identified in the Planning and Capital Division, I immediately merged the Planning Division and the Capital Projects Division creating a Senior Level Manager – the Chief of Planning and Capital. This position was filled in February 2008 and has oversight, accountability and responsibility for the Planning and Capital Division. We have also acquired key positions in our Capital and Planning Division. Of those, we have experienced engineers, architecture and design professionals and community planners.

   This is the first time in years that DPR's Planning and Capital Divisions, now one unit, have had a full compliment of staff.

7. DPR has begun this assessment consistent with the Master Plan and its general maintenance standards. Once this assessment is complete, determinations will be made as to what is in the best interest of the District.

8. This recommendation is not directed to DPR, however DPR will assist OCP as needed to ensure that DPR's requirements are included in this determination.

9. This recommendation is not directed to DPR, however DPR will work with OCP as required to insure proper oversight and compliance in contracts affecting DPR's capital projects.

10. This recommendation is not directed to DPR, however I have raised concerns internally about this. DPR's preference would be to fund the salary and fringe benefits of dedicated OCP staff required to handle DPR's Capital Projects on a full time basis rather than contractors. DPR will work with OCP and any other District Agency to achieve the right results.

CONTRACTING

11. This recommendation is not directed to DPR however DPR staff will carefully review contracts to ensure that no cost plus arrangements are included in the contracts covering DPR's capital projects.

12. DPR ensured that all deliverables required of general contractors were met prior to approving invoices for payment. DPR has a record of every payment made to

EXHIBIT B: DPR MANAGEMENT RESPONSE

Mr. Willoughby
March 31, 2008
Page 4

JLA and TTG and will coordinate with OCP to review this information. Once this review is complete a determination will need to be made in conjunction with OAG as to how the government can recoup overpayment, if any.

13. See Response to Recommendation No. 11 above. DPR staff will continue to carefully review contract terms and conditions to ensure that no cost plus contracts are awarded. DPR is happy to specify the type of contract to be awarded in the Request for Contract or Statement of Work submitted to OCP, however, the contract award is ultimately made by OCP. It should be noted that DPR staff and OCP staff meet regularly scheduled intervals to review contract and procurement status, which include discussions that would cover this issue.

14. DPR's Planning and Capital Division has confirmed that a COTR has been assigned to every contract as well as every task order within its portfolio. On April 10, 2008, all project managers will attend a mandatory COTR training at the Office of Contracting and Procurement.

CAPITAL FUNDING

15. DPR can only encumber allocated funds for capital projects. Often, the yearly allotment amount is much less than the total authorized project funding. This only allows DPR to procure services for certain phases of a capital project, potentially resulting in work stoppages and inflation costs until future allotments are available for completion. DPR will request that future capital projects receive all authorized funding in a one-year allocation to prevent work stoppages. This will also prevent inflation from impacting government construction projects. It should be noted that DPR has no control over the appropriation function.

16. This recommendation is not directed to DPR to the extent that DPR does not make contract awards. DPR however, will work to ensure that any City Council approvals required be demonstrated prior to the commencement of any work on our facilities. To the extent that a DPR employee authorizes any work to be performed in excess of the contract award, disciplinary actions will follow. The attached memorandum disseminated to all staff on January 15, 2008 in will be redistributed to staff.

17. This recommendation is not directed to DPR, however DPR will take any action as directed once this Review Board has convened.

EXHIBIT B: DPR MANAGEMENT RESPONSE

Mr. Willoughby
March 31, 2008
Page 5

PAYMENTS

18. By September 30, 2008 DPR intends to have written policies and procedures specific to its capital projects. In the interim, DPR's Director will circulate a memorandum to all employees of the Agency advising that only those persons authorized may receive goods and services on behalf of the Agency. (On January 15, 2008 every DPR employee received the attached memorandum, Attachment #1.)

19. DPR intends to comply with this directive and revisit the circumstances under which approximately $16 million invoices, according to the Audit Report, were paid without proper authorization. Once all invoices have been identified and analyzed, DPR will work to determine if the goods and services were billed accurately to the District. We expect this analysis to be completed by September 30, 2008.

20. This recommendation is not directed to DPR, however DPR will work with OCFO to ensure that any corrective action is implemented.

COST ANALYSIS

21. DPR tracks the costs of all capital projects with the assistance of the District's accounting system – SOAR. Additionally, DPR maintains its own records of expenditures related to its capital projects. Both record keeping mechanisms are used as references to determine value and lower costs for subsequent projects.

STANDARDIZATION

22. DPR is currently developing a template to standardize the construction of new recreation centers. The Planning and Capital staff is in the initial development of three building templates. Before finalizing the templates, Planning and Capital, will consult with other District agencies, as well as key community stakeholders. DPR's goal is to have the templates completed by September 30, 2008.

23. DPR will develop standard specifications for high dollar value items needed in recreation centers and aquatic facilities by September 30, 2008. These specifications will be updated at least annually. Additionally, DPR will seek assistance from OCP to establish Indefinite Description, Indefinite Quantity procurements to facilitate this effort.

EXHIBIT B: DPR MANAGEMENT RESPONSE

Mr. Willoughby
March 31, 2008
Page 6

LIFE-CYCLE MANAGEMENT

24. DPR will include life-cycle costs in future budget and financial plans. DPR will also request adequate funding for all future fiscal years. Further, DPR will request three percent of construction costs, the current industry standard, for annual maintenance. This cost should become more exact as DPR moves toward standardization of facilities and equipment.

SITE VISITS

25. DPR Capital Projects is now part of the Planning and Capital Projects Division. Together this division is developing written planning processes, including community stakeholder input, for DPR projects. This process will also include consultation with other District agencies. An inclusive draft will be completed by September 30, 2008. The Planning and Capital Projects Division is working to implement a project management software system that will allow them to efficiently manage all aspects of capital projects.

26. DPR is actively conducting an in-house assessment of all of our facilities. Once OPM's city-wide contract for facilities assessment is awarded, DPR facilities will be assessed by that external contractor. It should be noted that assessments were conducted by DPR in 2005 and 2007. Corrective actions taken in response to these assessments have been contingent on funding over which DPR does not necessarily have control.

27. DPR will establish written policies and guidelines to require personnel to check applicable warranties prior to authorizing payment. Once these verifications occur the contractor will be released from liability except as to latent defects.

28. As part of all capital projects, DPR's Planning and Capital Projects Division consults with all other impacted DPR Divisions, including Facility Management, Athletic Programs Administration, and Recreational Programs. As a part of the written planning policies and procedures discussed in Nos. 25 and 27 above, the Planning and Capital Projects Division will include how DPR coordinates with other agencies, including, DOH and DCRA and other key stakeholder agencies.

29. DPR will inventory facility equipment and assess it in an effort to determine whether DPR should purchase extended warranties after the standard warranty period expires. This assessment should be completed December 31, 2008.

EXHIBIT B: DPR MANAGEMENT RESPONSE

Mr. Willoughby
March 31, 2008
Page 7

30. DPR, in conjunction with the Office of the Attorney General (OAG), will seek to include stronger language in DPR's capital construction contracts such that contractors will be held accountable for substandard work and poor quality deliverables. As necessary, DPR will explore initiating affirmative legal action against general contractors for latent defects that are not cured. DPR will also, with assistance from OCP and OAG seek to use incentive contracts for high quality work and early completion that are consistent with District and federal laws, *e.g.* Anti-Deficiency laws. In order to be able to properly assess general contractor's performance, DPR will need to enhance its monitoring capability as discussed above.

31. DPR utilizes the TMA Work Order Database to monitor its maintenance response to outstanding repair requests. This effective tool affords management the ability to achieve an awareness of facility needs and conditions as well as responsiveness.

32. Beginning in November, 2007, the Director of DPR inaugurated a daily briefing by DPR's Office of Facility Management. The briefing addresses the upkeep and repair of all facilities as well as funding, personnel, equipment and safety issues. Daily, the Associate Director of Facilities Management checks the TMA Work Order Database in order to prioritize the next day's assignments, to follow-up on previous work orders, as well as to mitigate any emergency work order that exist.

    It is DPR's contention that if more staff are making the database an effective tool for use in their daily transactions, this will result in more effective utilization and, thus, better response rates and repair of facilities in DPR's portfolio. On March 31, 2008, an Office of Facilities Management senior manager, along with another staff member are participating in advanced TMA training at a week long conference. Upon their return next week, DPR will create an agency-wide retraining schedule. Thus, DPR is taking proactive steps to meet the need to retrain staff in its usage. Additionally, there is a compelling need to scrub the data that is in the TMA Work Order Database for accuracy. This too will be addressed with alacrity. This effort is a part of DPR's organized campaign to increase TMA usage and enhance maintenance capabilities.

EXHIBIT B: DPR MANAGEMENT RESPONSE

Thank you for the opportunity to respond to your draft Audit report and recommendations. We look forward to your final report.

Sincerely,

Clark E. Ray

Clark E. Ray
Director

Attachment

cc: Mr. Daniel M. Tangherlini
Mr. Robert Andary
Ms. Linda K. Argo
Ms. Brender L. Gregory
Dr. Carlos Cano
Mr. Jair Lynch
[redacted]

EXHIBIT B: DPR MANAGEMENT RESPONSE

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Parks and Recreation

To: All DPR Staff
From: Clark E. Ray Clark Ray
Director

Date: January 15, 2008
Subject: Unauthorized Contracting by DPR Employees

This is official notification to all DPR Staff of your duties and obligations relative to procuring goods and services on behalf of the District Government.

D.C. Official Code § 2-310.05(d) provides that no District employee shall authorize payment for the value of goods and services received without a valid written contract. The only exception to this law is in the instance where a payment is required by a Court Order or by a final decision of the Contract Appeals Board.

More specifically, no District employee shall enter into an oral agreement with a vendor to provide goods or services to the District without a valid written contract. Violations of this provision shall be cause for termination of employment. Any vendor who enters into an oral agreement to provide supplies or services to the District government without a valid written contract shall not be paid. If the agreement was entered into by the District employee at the direction of a supervisor, the supervisor shall be terminated. Additionally, you should be aware that any employee who procures supplies or services without first securing a valid written contract may be personally liable for any payments owed to the vendor. Ignorance of the law on the part of the employee or the vendor is not an excuse.

Given the number of recent ratifications that have been requested on behalf of DPR staff, it is my intention to fully enforce the appropriate level of discipline consistent with the District's procurement laws and regulations and the District Personnel Manual. I value each and every member of the DPR Team and it is my sincere hope that I will never have to initiate any personnel action against any DPR employee for violation of any contracting and procurement law.

cc: David P. Gragan, CPPO
[redacted]

OIG No. 06-1-08HA (DPR Response)
Attachment 1

"Transforming Good into Great"

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EXHIBIT C: OCP MANAGEMENT RESPONSE

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of Contracting and Procurement

Director

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April 10, 2008

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

Dear Mr. Willoughby,

Thank you for the opportunity to respond to draft report OIG No. 06-1-08HA entitled *Audit of the Department of Parks and Recreation's Oversight of Capital Projects.* The Office of Contracting and Procurement (OCP) has reviewed the report and has responded to OCP related findings as follows:

INTERNAL CONTROLS:

2. **The Director, Department of Parks and Recreation and the Chief Procurement Officer, Office of Contracting and Procurement develop and disseminate the goals and objectives of an Internal Control Program throughout their organizations and emphasize individual accountability for conforming to the control procedures.**

The Office of Contracting and Procurement recognizes the need for an internal control program to review, monitor and audit contract related functions to prevent mismanagement, fraud, waste and abuse. In FY 2008, OCP established the Office of Procurement Integrity and Compliance (OPIC), and has charged that unit with monitoring and auditing all OCP contracting functions. This unit will function like OCP's internal branch of the OIG, and will conduct random and frequent audits, in all contracting areas. It will highlight areas of proficiency and deficiency, and recommend changes where necessary to affect policy changes and implementation. This unit will make contracting officers more accountable to organizational improvements. OPIC reports directly to the Chief Procurement Officer and the overall objectives of OPIC audit functions are to:

- Ascertain if agencies are following the basic procurement guiding principles for all District procurements;
- Review agencies' implementation of the basic procurement guiding principles and mandatory procedures;
- Identify procurement high risk issues or areas of special interest of a particular District agency with OCP delegated and exempted delegated procurement authority; and
- Determine whether a procurement office is implementing smart business procurement practices and is making full use of flexibilities available through procurement reform initiatives.

441 4th Street N.W., Suite 700 South, Washington, D.C. 20001
(202) 727-0252 Fax: (202) 727-3229

EXHIBIT C: OCP MANAGEMENT RESPONSE

3. **The Director, Department of Parks and Recreation and the Chief Procurement Officer, Office of Contracting and Procurement assign a senior manager who reports directly to the Directors of DPR and OCP as the Internal Control Officer to manager their respective organizations' Internal Control Program.**

   As stated in question 2 – OCP has implemented a new internal control unit named OPIC. The Assistant Director, who is a senior manager, reports directly to the CPO.

4. **The Director, Department of Parks and Recreation and the Chief Procurement Officer, Office of Contracting and Procurement, for their respective agencies, schedule periodic evaluations of existing controls to ensure compliance with procedures and discuss the need for revisions when circumstances change. Develop a follow-up system under the direction of the Internal Control Officer or senior manager to review existing internal controls, provide effective oversight, and strengthen measures to review and update written policies and procedures.**

   OCP agrees with this recommendation, see response to question 2.

<u>**HUMAN RESOURCES**</u>:

8. **The Chief Procurement Officer, Office of Contracting and Procurement take immediate action to obtain data on the estimated number of Capital Projects customer organizations that anticipate submitting for contract awards, and use this information as basis for determining staff requirements.**

   OCP agrees with this recommendation. OCP engages in an annual procurement plan – the Service Level Agreement (SLA) with its agencies to collect information on agency procurements in the upcoming fiscal year. OCP has realized some level of success with this program. Recently the SLA was linked to the Office of the Chief Financial Officer's annual spending plan. Agencies were able to see in real time their spending plan allocation for the upcoming fiscal year and were able to plan contracts based on the availability of funds. In the last two years this system of collaboration proved to be successful with local funds, however due to unexpected delays with the capital fund spending plan information, the agencies were unable to complete a capital SLA. OCP will work closely with the OCFO to ensure that the capital spending plan information is available in a timely manner.

9. **The Chief Procurement Officer, Office of Contracting and Procurement implement a contract oversight function to conduct reviews audits, and other check for compliance with law, regulations, and contract terms and conditions.**

   OCP agrees with this recommendation, see response to question 2.

10. **The Chief Procurement Officer, Office of Contracting and Procurement maximize potential saving by increasing the Construction, Design, Building, and Renovations Group's full-time staff with qualified, experienced contract specialists and eliminate the number of contract experts hired under the consultants services contract that are performing inherently governmental functions.**

EXHIBIT C: OCP MANAGEMENT RESPONSE

OCP agrees with this recommendation and is in the process of phasing out its consultant service contractors and hiring FTEs who have prior construction contract experience.

CONTRACTING:

11. **The Chief Procurement Officer, Office of Contracting and Procurement establish policies and procedures to preclude OCP contracting officials from awarding cost plus-a-percentage-of-cost arrangements.**

    OCP does not award cost plus percentage of cost contracts. OCP followed the existing contract type as outlined in Mod. No. 5 to the basic contract agreement. Mod. No. 5 under Article III (Compensation), paragraph A (Fee Schedule) states "This is an Indefinite Delivery Indefinite Quantity contract with payment based on cost plus a fixed fee." In developing Mod. No. 5, OAG reviewed the terms and conditions of the basic agreement and did not find it to be a cost plus percentage of cost contract.

12. **The Director, Department of Parks and Recreation and the Chief Procurement Officer, Office of Contracting and Procurement coordinate to determine the amount of overpayments of management fees and take action to recover overpayments made to contractors JLA and TTG.**

    Yes, OCP agrees to coordinate with DPR to determine if there were any overpayments of management fees and if so to take appropriate action to recover the overpayments.

13. **The Director, Department of Parks and Recreation and the Chief Procurement Officer, Office of Contracting and Procurement determine and pay the contractors the actual cost of performance plus a fixed, reasonable profit instead of the current Cost-Plus-a-Percentage-of-Cost method of payment.**

    See responses to number 11 and 12 above.

14. **The Director, Department of Parks and Recreation immediately appoint a Contracting Officer's Technical Representative (COTR) for every current task order and all future contract actions.**

    OCP is responsible for appointing COTRs and OCP agrees that COTRs will be appointed for all future contract actions.

EXHIBIT C: OCP MANAGEMENT RESPONSE

CAPITAL FUNDING:

15. **The Director, Department of Parks and Recreation, in conjunction with Office of the Chief Financial Officer and the Office of Contracting and Procurement, provide, certify, and maintain sufficient project funding to prevent work stoppages and unauthorized commitments on behalf of the government.**

    OCP does not provide, certify, or maintain sufficient project funding.

16. **The Director, Department of Parks and Recreation and the Chief Procurement Officer, Office of Contracting and Procurement evaluate the actions of OCP and DPR contracting personnel for failure to comply with D.C. Code § 2-301.05(d)(2) concerning Council approval of proposals to contract and, if deemed appropriate, take disciplinary actions in accordance with D.C. Code § 2-301.05(d)(3).**

    OCP agrees that Council approval must be sought for appropriate procurements and disciplinary actions should be taken for failure to seek Council approval. Since the DPR procurements were transitioned to CDBR Group in April 2005, Council approval has been obtained for all appropriate procurements.

STANDARDIZATION:

23. **The Director, Department of Parks and Recreation develop standard equipment specifications for high dollar value items needed in recreation and aquatic centers and, with the assistance of the Office of Contracting and Procurement, compete the procurement of those items on a volume basis to achieve standardization and substantially reduce future annual maintenance expenses.**

    OCP is fully prepared to compete for equipment and services on a volume basis, upon development of standards by DPR.

Should you have any questions or require further clarification, please contact [redacted] Chief of Staff at (202) 727[redacted] or [redacted]@dc.gov.

Sincerely,

David P. Gragan

David P. Gragan
Chief Procurement Officer

EXHIBIT D: OCFO MANAGEMENT RESPONSE

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

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Office of Integrity and Oversight

March 27, 2008

Charles J. Willoughby, Esq.
Inspector General
Office of the Inspector General
Government of the District of Columbia
717 Fourteenth Street, NW
Washington D.C. 20005

Dear Mr. Willoughby:

Thank you for the opportunity to respond to the recommendations in your draft audit report, OIG No. 06-1-08HA, Audit of the Department of Parks and Recreation's Oversight of Capitol Projects. Our responses to the issues and recommendations relating to the OCFO are presented below:

Recommendation 1—Internal Controls.

We concur with this recommendation and will coordinate this effort with the City Administrator. The CFO strongly believes in the necessity of an effective internal control structure for the District government. Because accountability is an important factor in any internal control plan, we also concur with your recommendation to link internal controls to individual performance plans.

The CFO has already taken steps to strengthen internal control structures for the District's financial management operations. In December 2007, the CFO announced the establishment of the Audit Committee to Review Financial Management and Internal Controls (Audit Committee). A copy of that announcement is attached to this letter. We will present your recommendation to the Audit Committee, and seek the Committee's assistance in planning to implement city-wide guidance on internal controls.

Recommendation 15—Capital Funding.

Sufficient project funding is based on the availability of funding, which is subject to the District of Columbia's appropriation process. It is in the purview of the Mayor and the Council to increase and or decrease project funding at the Department of Parks and Recreation. The agency director and OCFO staff can request reprogrammings of budget authority between projects, for

1275 K Street, N.W. Suite 500, Washington, D.C. 20005 (202) 442-6433

EXHIBIT D: OCFO MANAGEMENT RESPONSE

example slowing one project down in order to shift resources to another project that is at a critical juncture. But they cannot unilaterally increase overall budget authority to fully fund a series of projects.

Recommendation 17—Capital Funding.

We concur with this recommendation. I will forward your final audit report to the Chairperson of the Board of Review for Anti-Deficiency Violations. The audit report will be reviewed by the Board at an upcoming meeting to determine whether the report discloses potential violations of D.C. Code §47-355.02. Any potential violations will be addressed and resolved according to the Board's established procedures.

Recommendation 20—Payments.

We generally concur with this recommendation. The Associate CFO for Human Services Support has established policies and procedures for the exercise of due diligence when processing invoices for payment to vendors. The processing of invoices for payment is done through the CFO's Procurement Administrative Support System (PASS). The determination of the program official responsible for the receipt of goods and services and subsequent authorization of invoice payments in PASS is made by program management and established in PASS under the role of receiver and or receipt approver. Payments cannot be made in PASS without an approved receipt.

Recommendation 24—Life Cycle Management.

We generally concur with this recommendation. As your draft audit report recommends, life-cycle cost analyses would contribute significantly to the decision-making process and the capital budget, as well as the annual operating budget and financial plan. We question, however, whether the OCFO is the appropriate District agency to undertake this initiative on behalf of the District government.

The OCFO certainly plays a key role in the development and execution of the District's capital budget, but we share this responsibility with the Mayor and the City Administrator and the Council. Agency requests for capital projects are reviewed by the District's Technical Review Team, which is chaired by the City Administrator and includes representatives of the Office of Property Management, the Office of Planning, and the OCFO's Office of Budget and Planning. Ultimately the Mayor and the Council determine the budget that is submitted to Congress. The FY 2009 – FY 2014 capital budget recently submitted by the Mayor to the Council calls for financing $717 million of general capital expenditures in FY 2009 for projects involving 25 District agencies. Moreover, life-cycle costing that may yield benefits in planning projects that have a discernable beginning and end, such as building projects of the sort described in your draft audit report, may have an entirely different application to information technology projects undertaken by the Office of the Chief Technology Officer (OCTO), or to mass transit subsidies costing over $60 million annually.

EXHIBIT D: OCFO MANAGEMENT RESPONSE

Audit of the Department of Parks and Recreation's Oversight of Capitol Projects
March 27, 2008
Page 3

Accordingly, the OCFO agrees with the spirit of the OIG recommendation, but we suggest that this initiative will require more planning and discussion among the interested parties before it can be implemented. The OCFO should be part of this discussion and planning, but should not necessarily be the agency to implement the recommendation in the manner recommended in the draft audit report.

If you have any questions regarding this response, please contact me at (202) 442-6445.

Sincerely,

RGAndary

Robert G. Andary
Executive Director

EXHIBIT E: DCHR MANAGEMENT RESPONSE

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GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Human Resources

Office of the Director

MEMORANDUM

TO: Charles Willoughby
Inspector General
Office of the Inspector General

FROM: Brender L. Gregory
Director

DATE: April 4, 2008

SUBJECT: DCHR Management Response to OIG Draft Report No. 06-1-08HA

The D.C. Department of Human Resources (DCHR) appreciates the opportunity to comment on the findings and recommendations in OIG Draft Report No. 06-1-08HA.

In accordance with the sample provided in the draft report, DCHR's comments are submitted as an Exhibit, and are enclosed as an attachment to this memorandum.

If you have any questions about this transmittal or the response, you may contact me at (202) 442-9600. If I am not immediately available, you may contact Diana Haines-Walton, Deputy Director at (202) 442-9700.

Attachments: DCHR Management Response to Draft Report (Exhibit E)
D.C. Department of Human Resources, District Personnel Manual Issuance System, DPM Instruction No. 8-52 and 38-11 (4 pages)

441 4th Street, NW, Suite 330S, Washington, D.C. 20001

EXHIBIT E: DCHR MANAGEMENT RESPONSE

EXHIBIT E: DCHR MANAGEMENT RESPONSE

April 4, 2008

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

Dear Mr. Willoughby:

The D.C. Department of Human Resources (DCHR) appreciates the opportunity to comment on the draft report of the Audit of the Department of Parks and Recreation Capital Projects, dated March 11, 2008, and addressed to Mr. Ray, Mr. Gragan, Dr. Gandhi, and Ms. Dickerson; respectively, of the Department of Parks and Recreation (DPR), Office of Contracting and Procurement (OCP), Office of the Chief Financial Officer (OCFO) and the Board of Review for Anti-Deficiency violations (BRA) (hereinafter, the subject agencies). You requested comments from the DCHR by March 31, 2008; however, on March 31, 2008 DCHR requested an extension of time via telephone, and Mr. William Di Vello granted an extension to April 4, 2008.

Although none of the findings and recommendations in the draft report are directed to DCHR, DCHR understands that you have asked the DCHR to review and comment on the draft report because the DCHR must necessarily assist the subject agencies to establish and implement some of the recommendations in the draft report. To this end, DCHR acknowledges the key role it plays in achieving the human resources related objectives and meeting the significant challenges set forth throughout the draft report, especially those specifically stated in the *Executive Digest: Summary of Recommendations and Management Actions* section, the *Results of Audit: Section I – Human Resources,* and the *Results of Audit: Section III – Recommendations.*

In addition, from your discussions in the draft report, we accept that DCHR's primary goal is to cooperate with OCP and DPR management as they identify and prioritize their personnel and human resource needs. In this respect, we concur that our role is to facilitate their plans to acquire, develop and maintain a cadre of technically competent senior managers to administer and monitor capital improvement projects and the associated contracts and personnel.

EXHIBIT E: DCHR MANAGEMENT RESPONSE

EXHIBIT E: DCHR MANAGEMENT RESPONSE

To expedite achievement of this goal, the DCHR encourages the subject agencies to utilize the newly established *Applicant Pool*[1] process as an accelerated means to fill high turnover, hard-to-fill, technical and professional positions; for information and convenience, a copy of the official issuance is attached.

Further, and as requested in the draft report, DCHR will endeavor to guide and assist the subject agencies, as necessary, to revise and refine their pertinent statements of work, position descriptions, and performance standards for the purpose of attracting skilled, qualified, and responsible employees who can be held accountable for the internal review functions within each subject agency.

Notwithstanding DCHR's fervor to provide the necessary assistance to the subject agencies, we believe that it is incumbent upon the subject agencies to take proactive initial measures to develop and establish a plan with which DCHR can assist them to implement. Therefore, in accordance with the directives and guidance you provided in the draft report recommendations, DCHR anticipates receiving a management plan from each of the subject agencies that identifies their human resource issues that require DCHR's assistance; including, but not limited to the significant and substantive staffing issues outlined in the draft report.

Currently, we foresee that within 30 days of receiving the management reports from the subject agencies, DCHR can take appropriate actions to coordinate our resources, determine how best to assist the subject agencies, and provide aggressive timelines to expedite compliance with the human resources related recommendations in the draft report.

Again, the DCHR appreciates this opportunity to comment on the draft report. Thank you. If you have questions about this response, you or your designee may contact me at 442-9600.

Sincerely,

Brender L. Gregory
Director

Attachment: DPM Instruction No. 8-52 and 38-11 (4 pages)

[1] Government of the District of Columbia, D.C. Department of Human Resources, District Personnel Manual Issuance System, DPM Instruction No. 8-52 and 38-11; Subject: Establishment of Applicant Pool (March 18, 2008).

EXHIBIT E: DCHR MANAGEMENT RESPONSE

GOVERNMENT OF THE DISTRICT OF COLUMBIA
D.C. Department of Human Resources

District Personnel Manual Issuance System

This instruction should be filed behind the divider for Part III of DPM Chapter(s) **8**

DPM Instruction No. 8-52 & 38-11

SUBJECT: Establishment of *Applicant Pool* — **Date**: March 18, 2008

1. **Purpose**

The purpose of this District Personnel Manual (DPM) instruction is to provide information to agencies and employees on the newly established *Applicant Pool*.

2. **General**

a. The D.C. Department of Human Resources (DCHR) has established an *Applicant Pool* as a tool for the competitive recruitment of positions in the Career Service and Management Supervisory Service (MSS) in agencies under the personnel authority of the Mayor identified as *"high-turnover," "hard-to-fill," "technical,"* or *"professional,"* for which a ready pool of qualified applicants may be maintained to meet the recruitment needs of these agencies for such positions more expeditiously.

b. All vacancy announcements/requisitions under the *Applicant Pool* will be open continuously for a period of no less than 6 months and not to exceed 1 year.

c. Vacancy announcements for positions in the *Applicant Pool* will be posted on the:

- DCHR website;
- USA Jobs website;
- Department of Employment Services;
- Professional journals, as appropriate; or
- Various HR newsletters, websites, etc.

d. Individuals may apply for consideration by submitting a D.C. 2000 Employment Application (or résumé) and responding to the ranking factors.

Note: DPM Instructions that are strictly procedural in nature have direct applicability only to agencies and employees under the personnel authority of the Mayor. Other personnel authorities or independent agencies may adopt any or all of these procedures or guidance materials for agencies and employee under their respective jurisdictions. [See DPM Chapter 2, Part II, Subpart 1, §1.3]

Inquiries: Workforce Recruiting Administration, DCHR (202) 442-9700
Distribution: Heads of Department and Agencies, HR Advisors, and DPM Subscribers
Retain Until Superseded

O.P. Form 278 (7/99)

EXHIBIT E: DCHR MANAGEMENT RESPONSE

e. All employment applications received for *Applicant Pool* positions will be evaluated to determine whether applicants meet the minimum qualifications requirements and competencies for the position. If qualified, applicants will be referred for employment consideration as vacancies occur.

f. Individuals who apply under an *Applicant Pool* vacancy announcement/requisition will be given a receipt acknowledging that their application has been received, and informing applicants that they will be notified of the results of the evaluation and disposition of their application. The acknowledgement should also inform applicants of the closing date of the applicant pool vacancy announcement for the particular position.

g. Applications received will be maintained on file until the closing date of the applicant pool vacancy announcement/requisition for the particular position.

3. Positions Designated for the *Applicant Pool*

The following positions are currently part of the *Applicant Pool*:

- Civil Engineer, Series 810 – Grade Levels 11, 12, and 13
- Clerical Assistant (OA), Series 303 – Grade Levels 5, 6, and 7
- Electrical Engineer, Series 850 – Grade Levels 11 and 12
- Environmental Engineer, Series 819 – Grade Levels 9, 11, 12, and 13
- General Engineer, Series 801 – Grade Levels 9, 11, 12, and 13
- Hearing Examiner, Series 930 – Grade Levels 11 and 12
- Information Technology Specialist, Series 2210 – Grade Levels 9, 11, 12, and 13
- Investigator, Series 1810 – Grade Levels 9, 11 and 12
- Mechanical Engineer, Series 830 – Grade Levels 9, 11, 12, and 13
- Staff Assistant, Series 301 – Grade Levels 9 and 11

4. Requests for Designation of Positions for the *Applicant Pool*

a. Subordinate agencies may submit a request to the Associate Director, Workforce Recruiting Administration, DCHR, to designate additional positions for the *Applicant Pool*. The form attached, *Request for Designation of Position for the Applicant Pool* has been designed for that purpose.

b. The request must include basic information about the position and a written justification.

EXHIBIT E: DCHR MANAGEMENT RESPONSE

5. **Form**

The *Request for Designation of Position for the Applicant Pool* must be submitted with each request for a position in the Career and Management Supervisory Services.

6. **Effective Date**

This instruction is effective immediately.

Brender L. Gregory
Brender L. Gregory
Director

Attachment: *Request for Designation of Position for the Applicant Pool* Form

EXHIBIT F: TTGI CONTRACTOR RESPONSE

THE TEMPLE GROUP, INC.

March 31, 2008

Mr. William J. DiVello
Assistant Inspector General for Audits
Office of the Inspector General
717 14th Street, N.W., 4th Floor
Washington, D.C. 20005

Re: This Letter Replaces our Letter Dated 3/31/08 Regarding The Temple Group's Response to The Draft Report on the Audit of The Department of Parks and Recreation's Oversight of Capital Projects.

Dear Mr. DiVello:

As a follow-up to our meeting and discussion of the referenced report on March 25, 2008, I provide the following responses to comments included in the report for your consideration:

Reference Page V, Executive Digest, IG Draft Report
"Temple received excessive management fees, which are prohibited by District law, for services provided under a cost-plus and percentage of cost contract arrangement"

The Temple Group, Inc (TTGI) entered into a contract that was prepared in its entirety by the District of Columbia Financial Responsibility and Management Assistance Authority and subsequently modified by the Office of Contracting and Procurement (OCP).

The type of contract selected for use in procuring our services was out of our control and as such we defer to OCP's interpretation of its validity. However, TTGI takes exception to the statement "Temple received excessive management fees"; but, we welcome and agree with the recommendation to make the contract comply with the laws of the District of Columbia. We also agree with the IG's recommendation that "OCP and DPR should determine and pay TTGI's actual costs of performance plus a fixed, reasonable profit".

Reference Page 2, Introduction, IG Draft Report
"Although the two contractors were responsible for tasks involving actual construction, DPR was responsible for monitoring construction activities and final acceptance of each completed construction project."

Several TTGI personnel were assigned to work on approximately 49 task orders including task orders with multiple DPR projects located throughout the District of

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202.822.6600 ■ Fax: 202.822.6603

EXHIBIT F: TTGI CONTRACTOR RESPONSE

Columbia. TTGI's responsibilities included but were not limited to **daily construction inspection** and contract administration for over 64 subcontractors.

Reference Page 17, IG Draft Report
"There were concerns among contracting officers that compliance with the requirements for bonds, insurance and small and minority business participation on capital project contracts was spotty or lacking "

For the record, all requirements for bid, performance and payment bonds and small and minority business participation were adhered to by TTGI and records substantiating this fact are available for your review. TTGI achieved small and minority business participation level in excess of 48% of total contracts awarded.

Reference Page 19, IG Draft Report
"*the management fee percentages increased from 4.5 to 11 percent for JLA and from 3% to 11* percent for TTG"

The actual percentage fees specified in the contract increased incrementally based on total development costs. A fee of 4.5% allowed for projects having development costs of $15,000,001 or more, 6% to 7% for projects with development costs between $5,000,001 and $15,000,000, 7% to 8.5% for projects with development costs between $3,000,001 and $5,000,000, and 9% to 11% allowed for projects with development costs between $1,000,000 and $3,000,000.

Reference Page 21, IG Draft Report
"We also reviewed invoices for 19 task orders valued at about $22 million issued to TTG. We compared about $1.3 million in fees based on a percentage of cost with the maximum total fees allowed ($309,594) to TTGI in the contract, and determined that the District overpaid TTGI at least $1 million of management fees"

The Indefinite Delivery Indefinite Quantity contract type was selected by the District because the Government could not "*predetermine, above a specified minimum, the precise quantities of supplies or services that the Government will require during the contract period, and it is inadvisable for the Government to commit itself for more than a minimum quantity*" [1]

The maximum fee specified in the agreement was based on "Projected Maximum Construction costs" ($2,814,490) estimated in the base contract signed in March 2001. The maximum fixed fee ($309,594) referenced in the agreement is specified in the base contract under the caption ***"Estimated Total Amount of Fee"***. This estimated amount calculated on the basis of projected construction costs of $2,814,490 cannot be considered reasonable compensation or a "*reasonable maximum quantity based on market research, trends on recent contracts for similar supplies or services, or any other*

[1] FAR Subpart 16.5, 6.504 (b)

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EXHIBIT F: TTGI CONTRACTOR RESPONSE

rational basis"[2], when compared to $22,130,328 in actual construction costs incurred in 2004. (See 2004 Construction costs invoiced Table 5 on page 22 of the IG report).

The $22,130,328 in actual construction costs incurred in 2004 is significantly higher than the "Projected Maximum Construction Costs" of $2,814,490 specified in the contract, and the actual management fees of $1,346,256 approximately 6% of the $22,130,328 is not an unreasonable amount for compensation of services performed. This management fee is compensation for significant un-reimbursed expenses including direct payroll, overhead and other direct costs. Further, the maximum fee referenced in the agreement $309,594, represents approximately **1%** of the total construction costs incurred in 2004.

<u>Reference Page 25, IG Draft Report</u>
"TTGI and DPR were aware that the funding had not been approved or appropriated and payment to the consultants was not forthcoming"

Only design services were authorized during this phase and funding was approved for this task under Task Order 26.

<u>Reference Page 25, IG Draft Report</u>
"TTGI had promised the contractors and DPR that the NTP date would be approximately March 22, 2005"

TTGI was not in a position to make any promises regarding the NTP date as the issuance of the NTP was predicated on receipt of the DCRA permit.

<u>Reference Page 28, IG Draft Report</u>

The invoices submitted by TTGI were first reviewed by individual DPR Project Managers who made site visits to verify work in place. Exceptions if any were noted and the invoices were turned over to the COTR. An invoice meeting was held on around the 10th day of each month usually with the COTR, TTGI Senior Project Manager and accounting staff to go over all invoices. At the conclusion of these meetings, a listing detailing all invoices approved and accepted, and invoices rejected was prepared and signed by DPR and TTGI staff.

<u>Reference Page 30, IG Draft Report</u>
"Increases in the Task Order costs were due, in part, to construction delays, management fee increases, and costs of unforeseen conditions. In three instances, the significant cost increases were indicative of ineffective cost management, lack of cost control, inefficient use of economic resources, and less than adequate project planning. For example, costs increased 500 percent for the Hearst Community Center, 49 percent for the Chevy Chase Community Center and 48% for the Turkey Thicket Community Center "

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[2] FAR Subpart 16.5, 6.504 (a)1

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EXHIBIT F: TTGI CONTRACTOR RESPONSE

Hearst and Chevy Chase Community Centers each include two projects with different scopes and periods of performance. Hearst Phase I including design and **construction** was completed on October 10, 2005 at a cost of $778,644.80. Hearst Phase II was funded on 7/13/07 for design services only. Chevy Chase Phase I was completed on 6/7/05 at a cost of $494,034.85. Chevy Chase Phase II was started in April 2007 and completed on 10/31/07 at a cost of $1,321,174.10.

Both projects were funded incrementally and the increases referenced are due primarily to the method of funding and not cost increases. Page 33 of the IG report reflects the incremental funding nature of these projects.

Reference Page 33, Hearst Recreation Center, IG Draft Report
"Construction has not yet started, even though funds of nearly $1 million have been expended, largely for A/E costs. Actual costs have already exceeded the original cost estimate by $193,417."

This statement is inaccurate, as previously discussed Hearst phase I included the following scope of work:
Design / AE costs - $104,318.
Site-work construction included excavation and backfilling, cast in place concrete, unit pavers and asphalt and paving, signage, site furnishings, water fountains and exterior site lighting **($674,326.80.in actual costs)**

The project was completed under budget on October 10, 2005 providing a savings of $80,006.31. On **7/13/07** OCP modified the original task order by adding $138, 791.07 to the unexpended funds from this Phase I to fund design services only for phase II of this project. This phase includes a playground with two play areas, an environmental interpretation area, basketball court relocation, and a paved area for un-programmed activities.

Reference Page 30, IG Draft Report
"costs for the Turkey Thicket Community Center increased by 48 percent"

Cost increases experienced for the Turkey Thicket project were due to extenuating circumstances. First, the design/build project was initially managed by OPM on behalf of DPR. Construction was stopped at the foundation stage because OCP terminated the GC's contract and subsequently transferred the project to DPR. To mitigate the schedule impact, DPR and OCP utilized the original design/build documents in selecting a follow-on contractor and had the additional costs of the project determined after the design/build documents were converted to a design/bid/build approach. This allowed the follow-on general contractor to continue using the existing foundation construction documents while the A/E completed the final design, with minimum time impact on the project completion.

Reference Page 44, IG Draft Report, *Table 8. DETERMINATION ON CONDITIONS IDENTIFIED AT SIX DPR RECREATIONAL FACILITIES.*

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EXHIBIT F: TTGI CONTRACTOR RESPONSE

The responsibilities for the Culinary Room layout and amenities were not in The Temple Group's scope of work. DPR was uncertain as to whether the Culinary Room was to be designed and managed in-house or out-sourced. DPR's final decision was to leave the room for final build-out by others.

The following statements are provided in response to comments concerning the Turkey Thicket Community Center:

- The configuration of the pool was previously managed by OPM and passed on from the design/build contractor to the design/bid/build contractor. This layout was also accepted by DCRA health inspector.
- DPR received conflicting requests from the community regarding whether lockers should be provided for fear of increased theft and vandalism. The size and configuration of the lockers were a result of negotiations with the community.
- The roof leak and dislodged shower seat for Disabled Patrons in the bathroom are covered under warranties administered by DPR's maintenance department.
- During the training program for DPR maintenance staff, a list of all warranties, guarantees and the Operation and Maintenance Manuals were turned over to DPR. Included in these documents are listings and telephone numbers of all subcontractors, suppliers and their respective warranties.
- In the event of any issues, DPR was instructed to contact the respective subcontractor or supplier directly to coordinate replacement or corrective work, as applicable.
- There is a two (2) year workmanship warranty associated with the Roofing work.
- The roof material guarantee is for a period of twenty (20) years.

I hope the responses provided will help clarify our role, fee entitlement and challenges faced by The Temple Group, Inc. in managing capital projects on behalf of the Department of Parks and Recreation.

If you have any questions or require additional documents, please contact Roland Barnes or me.

Thank you for the opportunity to provide our response.

Sincerely,
THE TEMPLE GROUP, INC.

Michael Osaghae

Michael Osaghae
President

cc: [redacted]
Mr. Charles J. Willoughby
[redacted]

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EXHIBIT G: JLC/A CONTRACTOR RESPONSE

JLC α Jair Lynch Consulting/ Alpha Corporation - A Joint Venture

April 7, 2008

Charles Willoughby, Esquire
Office of the Inspector General for the District of Columbia
717 14th Street, NW, 5th Floor
Washington, DC 20005

RE: Audit of DPR and Oversight of Capital Projects

Dear Mr. Willoughby:

The Jair Lynch Consulting/Alpha Corporation Joint Venture ("JLC/A") was a willing and cooperative participant in the Office of the Inspector General's (IG's) audit of the Department of Parks and Recreation's ("DPR") oversight of Capital Projects, and has reviewed the draft of the audit that was provided for our comment. The audit, in draft form, was made available to the respective companies and JLC/A has reviewed the 101-page document which focuses primarily on DPR's internal controls, human resources, contracting, capital funding, and payment procedures. It includes recommendations about project standardization, life cycle management, and cost analyses. The report also includes examples of projects completed by JLC/A and Temple Group, the other private entity contracted to oversee DPR facility development on behalf of the District of Columbia. JLC/A projects cited in the report are the William H. Rumsey Aquatic Center and the Takoma Aquatic Center.

Context:

The report begins by contextualizing the era of the contract's origin in 2001, explaining that the original request for proposals ("RFP") was issued to the open market in 2000 by the District of Columbia Financial Responsibility and Management Assistance Authority ("Control Board"), under its authority to do so. The RFP resulted in an indefinite delivery /indefinite quantity ("IDIQ") contract that contemplated issuing task orders for specific projects, including recreation centers as needed (a forecast of the DPR budget and potential capital plan allocation was included in the IDIQ contract). A multi-year backlog of DPR capital projects resulted in JLC/A receiving five task orders for five recreation centers (Emery, Takoma, Parkview, Rumsey and King Greenleaf) within months of the award in 2001. These five projects resulted in 100,000 SF in three new centers and nearly 20,000 SF renovated in two existing centers.

When the Control Board was dissolved, the District of Columbia assigned the JLC/A contract to the Office of Contracting and Procurement (OCP). It should be noted that the very reason for the Control Board's inception in the mid-1990's was to correct the lack of controls, infrastructure and financial management in the District of Columbia

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government. When the city re-assumed control of contracting in 2004, the District was still in the process of recreating all of its systems. That said, JLC/A viewed this contract as an opportunity to work with the city, and to help provide recommendations of structure and process where applicable.

For example, DPR initiated a task order to JLC/A specifically to develop architectural standards that would apply to all DPR capital projects. These standards were a response to the first projects, which were designed in a vacuum and suffered from the District pushing to move quickly on development in order to make up for the lack of new recreation centers throughout the 1980s and 1990s. The audit fails to note that JLC/A produced these architectural standards – including standards for facilities maintenance, upkeep, and for environmentally "green" buildings that were then available for use on future DPR projects. The experience of producing such is apparent in the design by Quinn Evans Architects on Lamond Recreation Center, which was delivered in 2005, and the first public LEED Silver building in the District.

The improvements in efficiency and design made since JLC/A delivered its first project (the renovation of Parkview Recreation Center in 2002) and implemented through our last project (Riggs-LaSalle Recreation Center, a LEED Gold building opening in April 2008) have been enormous. JLC/A sees the standards and controls that it developed in concert with DPR as resulting in cost and time savings that go unmentioned in the report, as well as in projects (Lamond and Riggs LaSalle) subsequently delivered in accordance with some or all of these standards.

The response's primary areas of focus, with regard to commentary and the provision of additional information address the following issues: (1) JLC/A's contract with the District of Columbia, which the audit alleges is illegal because it is a "cost plus percentage of cost contract"; (2) the allegation of excessive fees paid to JLC/A, and the recommendation that the District seek its recovery; (3) the alleged cost overruns found by the audit and information that should clarify that much of what is defined as overrun is technically not; (4) JLC/A's interaction with DPR and the ways in which the businesses practices implemented on projects have positively impacted the department and program; and (5) JLC/A's clarification that what are described as examples of poor workmanship are in fact examples of poor facilities and life cycle management.

Findings:

(1) JLC/A's Contract. The audit takes issue with both the IDIQ contract at the root of the program and the resulting fee schedule, describing the contract as illegal because it is based on a "cost plus percentage of cost" fee structure. The audit traces the contract back to the Control Board, stating that the Control Board broke both Federal and District law by issuing such a contract. The audit, however, fails to cite any investigative work aimed

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at illuminating the Control Board's contractual authority issued by Congress. The original contract was issued based on an existing program that the Control Board developed for the Metropolitan Police Department, and that would be the basis for more capital project management contracts in other departments. The audit does not include any discussion with the staff of the Control Board, the same staff who were in charge of such contracting, which seems like a large gap in the information necessary to make a determination about the legality of the contract and the implications for the fiscal impact to the District.

IDIQ contracts are not inherently illegal and are a standard mechanism for developing multiple projects or a "program" that will be initiated by the same owner/end user. The "cost plus percentage of cost" structure used to determined the fee for JLC/A's services is standard to the building industry for these program management services; however it should be noticed that the JLC/A fee was calculated based on development costs and not just construction costs. Without being privy to its total decision-making process, it is easy to speculate that the Control Board likely saw this industry standard, which was also likely employed on all of the construction and development focused contracts they issued, and determined that this standard would be acceptable across the board.

(2) JLC/A Fees. The report asserts that excessive fees were paid to JLC/A:

> "CONTRACTING—Jair Lynch Consulting/Alpha Corporation (JLA) [sic] and the Temple Group (TTG) received excessive management fees, which are prohibited by the District law, for services provided under two cost-plus and percentage-of-cost contract arrangements. As a result District officials improperly paid fees amounting to about $2.1 million."

This assertion is presented without sufficient context, making it difficult to understand what calculations might be the basis for this finding. JLC/A's fees were always consistent with the compensation guidelines in the IDIQ contract for each task order each of which was approved by DPR and the City Council for those more than $1,000,000.00. If the correct interpretation of the audit's assertion is a reference to the total amount of fees paid to JLC/A in a given year, the audit still fails to recognize that JLC/A's compensation was based on task order budgets and schedules for individual projects, not on a comprehensive total or cap per year. Per the audit's own findings, "DPR incurred delays and unnecessary costs on its capital improvement program because DPR did not fully fund the initial task orders issued to contractors for services to support the program." The result of this staggered funding for the budgets of each task order that the total value of purchase orders issued in a given year did not reflect the values of projects initiated in that year. In effect, it fails to take into account the timing of full funding of task orders in comparison to the order in which they were received. Often several projects were funded at the same time or during the same fiscal year but at no point were fees

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earned by JLC/A in a manner inconsistent with the methodology set by the IDIQ contract for every task order. In some cases this had a substantive impact on the full budget of the project.

The purported not-to-exceed program management fee amount of $1,645,919 referenced by the IG as being specified in the IDIQ contract is, in fact quite clearly an estimate based solely on available funding in FY01 (approximately $36M). Immediately following the execution of the IDIQ contract with the Control Board, JLC/A was issued five task orders totaling nearly $35M for the construction and/or renovation of Emery, Parkview, and King Greenleaf Recreation Centers, Takoma Aquatic Center, and Capital East Natatorium. These projects were then made part of the June 2004 bilateral modification of the IDIQ contract by OCP that adjusted all program management percentage fee amounts based on the development costs of the projects. These projects released over $330,000 of savings – after use of the contingency post-completion for small owner-directed modifications of the program and other requests (including the addition of an automatic ticketing system for the Takoma Aquatic Center and additional training for DPR maintenance staff at Emery and other facilities).

JLC/A's IDIQ contract never limited the number of task orders that could be issued by the District Government and only set limits on the maximum program management fee that could be earned by JLC/A for *each project* within *each executed task order*. Because JLC/A was contracted by the District under an IDIQ contract whereby the basis for quantity, performance, and cost are established via task orders issued to JLC/A by the recognized authority, the District subsequently authorized such several additional task orders for new projects which were executed by the contracting officer and approved by the City Council. This resulted in six additional task orders totaling over $26M for projects such as Georgetown Pool, Lamond and Riggs LaSalle. Any measurement of JLC/A's fee as a percentage of contracted work must take into consideration the total value of all the task orders for which JLC/A was contracted and not just the initial five projects.

Finally, it should also be noted that every single contract, as with the budgets and approvals for each recreation center, was viewed and approved through the appropriate chain of command, as befits an excess of $1M contract in the District of Columbia. That is, the JV payments were made in accordance with a valid Purchase Order, which were viewed and approved up the chain of command in the Executive Branch, ending with the Mayor of the District of Columbia, and then turned over to the Legislative Branch. The Council of the District of Columbia approved all of the payments in accordance with the laws of the District of Columbia.

(3) Scope Changes, not Cost Overruns. The report asserts that there were cost overruns on the projects:

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> "COST ANALYSIS—Our cost analysis concludes that, for the six projects, there were significant increases in task order costs, with some cost increases as high as 500 percent. These additional costs resulted from delays, management fee increases, and unforeseen conditions, and indicate, in some instances, ineffective cost management, lack of cost control, inefficient use of economic resources, and less than adequate project planning."

JLC/A made every effort to track and manage costs, providing a constant flow of such information to DPR explaining the fiscal impact of District delays and changes. It should be noted that these changes fell into three categories, whose distinct nature should not be discounted:

- **Change Orders:** actual changes to a facility's program or design necessitated by a inspector or architectural feature change;
- **Modifications:** the direct result of an order from the Executive or Legislative branch, usually in response to community input;
- **Unforeseen Conditions:** pre-existing conditions in the terrain which needed to be mitigated, but were only anticipated by the funding of a contingency budget.

The IG's audit does not make clear the types of delays that resulted in the changes that were made to programs; further it does not parse out the impetus for these changes. It is important to note that contingency exists, in part, to allow the budget to accommodate unforeseen conditions. That said, over the course of the IDIQ contract period, both JLC/A and DPR developed strategies and a process to deal with modification requests. The overages and changes seen early in the program are virtually non-existent at the end of the contract period; Riggs-LaSalle Recreation Center will be delivered with only two modifications made throughout the entire project.

Notwithstanding these improvements, DPR often initiated JLC/A work on a particular project via a task order with only partial funding (i.e. funding only for design phase, with construction funding to be provided through a DPR-initiated modification). The addition of monies to fully fund the project was categorized as "modification" and thus skews the perception of the changes on the projects. Of the eleven task orders for new or renovated recreation centers, which would total 11, only 3 were fully funded at the onset of the projects with 8 added in subsequent years to fully fund the original plan.

(4) DPR Business Practices. The audit calls into question the business practices of DPR.

> ". . . Savings could be realized for the District by developing standard equipment specifications and designs for recreation and aquatic centers." The report also

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> says that "internal controls over this important program, one of the largest of its kind in the District, were nonexistent."

The program's inception should be contextualized, once again, in the era immediately following the tenure of the Control Board—an era in which, it should be remembered, the District had regained financial solvency but core-level function of agencies had just been revamped and restored. This project, an ambitious, albeit much needed attempt to invest in the city's neighborhoods by giving residents state-of-the-art recreational facilities that could become valuable assets, was undertaken at the same time that the systems were being revamped, revitalized and reworked. In anticipation of this, one of the DPR-issued task orders included developing a set of design standards, which JLC/A attaches to this letter, to use throughout the life of the program and to leave with the department for its referral and use.

Looking at the program in total shows a tremendous gain in terms of bringing cost saving and efficiency to the development of these facilities, with clear budget targeting as well as the implementation of standard operating procedures and standardization of equipment. Without such, it is JLC/A's contention that state of the art, LEED® Silver and Gold facilities at Lamond and Riggs-LaSalle respectively would not have been delivered on time and on budget, with similar specifications and a clear understanding of the equipment needs and requirements passed from one job to the next.

(5) DPR Controls. Finally, the report asserts that the DPR's lack of controls precluded " . . . timely detection of poor workmanship . . . and in some instances resulted in unsafe environments for District residents."

> The same audit concludes, however, "DPR did not employ life-cycle management techniques such as the use of cost models for various elements of ownership for a given recreation facility." It says, "during the course of our review, we noted that DPR recreation centers were state of the art facilities with the most up-to-date machinery such as pumps, compressors, generators . . . while the installation of the most modern equipment available . . . is laudable and will serve District communities and citizens well over the years, equipment warrantees generally cover only a 12 to 24 month period after installation."

The findings about "poor workmanship" fall directly at the feet of the same agency faulted for failing to employ life-cycle management. That is, the agency received state-of-the-art ultra modern neighborhood assets that are designed to serve the people in them for upwards of 30 years when maintained properly. JLC/A's consistent experience is on a par with the report's findings: that the total of 12 maintenance positions authorized in the department are woefully inefficient when it comes to maintaining even the most basic of recreation centers, let alone an aquatic center with an Olympic sized swimming pool intended to house regular meets and practices *and* serve a neighborhood.

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Case in point—as an exhibit, the report cites the chemical room at Takoma Aquatic center, and alleges that it is improperly vented. Attached to this letter is a copy of the "as built" schematic, showing that the room was delivered with ventilation properly installed, allowing for the circulation of air. The same photograph furnished as an exhibition of an improperly ventilated room shows improperly stored chemicals. It is JLC/A's contention that the room, like the rest of the facility, suffers from a lack of proper management and maintenance, and that rather than being an example of "poor workmanship" it is, instead, an example of the need for facilities management that includes the appropriate level of expertise.

JLC/A employed many techniques to supplement the lack of maintenance staff, creating myriad training opportunities for staff and eventually video recording all of them on DVD, making them easily accessible and re-usable as new staff is hired. After initial frustrations about lack of attendance, JLC/A was able to improve attendance and also provide permanent records that could be kept on site at the facilities so that future trainings could be easily undertaken. That said, JLC/A principals have been on record, since the program's inception, about the need for line item maintenance funding and new position creation, and have strongly urged DPR to buy and use extended warranties for all of the purchased facility equipment.

It is important to note that the totality of this undertaking resulted in city-wide improvement to the overall quality of recreational facilities enjoyed by District residents: the first public-use Olympic size swimming pool at Takoma Aquatic Center; the award winning design of King Greenleaf Recreation Center, by Deveraux & Purnell; over $20M in contracts to LSDBEs; and LEED® certified recreation centers that will be the standard for public facility development in the District of Columbia.

Sincerely,
Jair Lynch Consulting/Alpha Corporation a Joint Venture

Jair Lynch, As Agent

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