

PUBLIC HEARING ON
“CONTRACTING AND PROCUREMENT IN THE
DISTRICT OF COLUMBIA”

Before the
Committee on Government Operations
Council of the District of Columbia

The Honorable Vincent B. Orange, Sr., Chairperson

September 29, 2004, 10:00 a.m.
Council Chamber, John A. Wilson Building



Testimony of
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Good Morning, Chairman Orange and members of the Committee on Government Operations. I am Natwar Gandhi, Chief Financial Officer for the District of Columbia. I am here today at the request of Chairman Orange to provide remarks and answer questions regarding “Contracting and Procurement in the District of Columbia.”

Background

Approximately two weeks ago, I asked Ben Lorigo, in his capacity as the executive director of the Office of Integrity and Oversight (OIO) for the OCFO, to review the actions of the OCFO in connection with the recently disclosed unapproved spending in the Administrative Services Modernization Program (ASMP) in the Office of the Chief Technology Officer (OCTO). My testimony today will address the results of his preliminary review, as well as our recommendations for next steps.

The purpose of Mr. Lorigo’s review was to examine the facts and circumstances surrounding the ASMP contract administration and payment approvals processing. In making his assessment, he interviewed key OCTO, OCFO, and Office of Contracting and Procurement (OCP) officials involved in this project. Mr. Lorigo became aware that another review of ASMP was in the audit plan of the Office of the Inspector General (OIG). We determined it was necessary to advise and coordinate with that office, especially because OCTO and OCP investigative matters fall within the purview of the OIG. On September 20, 2004, we shared the

results of our limited review with the interim Inspector General, and we will collaborate on further reviews with the OIG.

Observations

Clearly, there was a breakdown in the administration of the ASMP contract. Corrective actions by those responsible in OCP and OCTO are beyond the scope of our review of OCFO actions. However, broadly speaking, a properly trained contracting officer's technical representative is essential for ensuring proper administration of a wide range of contracting responsibilities. From a finance perspective, the following summarizes what the OCFO has found to date concerning the OCFO's actions in this matter:

- The agency CFO at OCTO relied on the OCP contracting officer's assessment that OCP had the authority to approve these particular ASMP contract modifications over \$1 million without Council approval. As you are aware, OCP has since concluded that their assessment was in error.
- The agency CFO at OCTO relied upon OCTO program staff to certify that goods and services were provided. Before payment of certified invoices was made, the agency CFO confirmed that sufficient funds were available on the purchase order.
- Beginning in October 2003, the agency CFO at OCTO established and provided to OCTO a weekly report ("aging report") to track outstanding invoices and facilitate their timely payment.
- In September 2004, OCTO and OCP requested through a task order the addition of \$500,000 to the contract. The agency CFO denied this request after

determining that there were no funds available under the contract because of outstanding invoices in excess of \$3 million.

Next Steps

Agency CFOs serve as fiscal watchdogs in the agencies throughout the District Government. On the whole, I believe they do that very, very well. However, this review suggests that an even more robust role is warranted. One way we would seek to enhance our performance is to provide the Associate Chief Financial Officers (ACFOs) with timely advice, guidance, and resources to perform financial due diligence in their responsibilities in approving payments under contracts. To support the agency fiscal officers in this expanded enforcement role, the OCFO needs a modest increase in legal and contract expertise. This presupposes that a more rigorous review for legal sufficiency, contract development and administration will be conducted on the program side prior to contract implementation.

Additionally, the OCFO has several staff members who are working in concert with the Contracting and Procurement Continuous Improvement Initiative to reform, streamline, and improve the District's contracting and procurement processes. I have instructed my staff, who are serving on both the working group and steering committee, to explore the expansion and modification of PASS – or develop another appropriate mechanism – in order for PASS or the new mechanism to provide a comprehensive view of each contract. Ideally, when this modification or system development is achieved, the contracting official will be responsible for entering details regarding the contract amount, related task and purchase orders, appropriate funding, etc. Consequently, my agency fiscal officers will be able to review the information in PASS to perform their financial oversight

responsibilities. As evidenced by this recommendation and my staff's involvement with this contracting and procurement reformation process, my office stands ready to work with OCP and others to reform and improve the contract administration and the financial oversight process throughout the government.

Conclusion

We believe these specific actions on the finance side, coupled with improved contract administration, will improve fiscal operations in this area and prevent similar problems in the future.

Mr. Chairman, this concludes my testimony. I am prepared to answer any questions the Committee may have.

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