



Office of Integrity & Oversight

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

September 14, 2020

**AUDIT OF
PROCUREMENT
PRACTICES AT THE
OFFICE OF
MANAGEMENT AND
ADMINISTRATION**

Report No. 19-01-28 OMA



Highlights

Highlights of Report 19-01-28 OMA, a report to the Executive Director of the Office of Management and Administration.

Why OIO Did This Audit

The Office of Integrity and Oversight (OIO) performed this audit of procurement practices at the Office of Management and Administration (OMA) to: (1) determine whether OMA/Office of Contracts' complied with applicable District's Procurement Laws and Regulations. (2) evaluate whether the OMA's procurement practices are administered efficiently and effectively. This audit was included in the OIO FY 2019 Audit Plan at the request of the agency.

What OIO Recommends

We provided the Office of Management and Administration Office of Contracts with one (1) recommendation for corrective action. Our recommendation centered on:

- Implementing a periodic review of Cobblestone data and the procurement action log to ensure accuracy is maintained.

September 14, 2020

AUDIT OF PROCUREMENT PRACTICES AT THE OFFICE OF MANAGEMENT AND ADMINISTRATION

What Did OIO Find

The Office of Management and Administration (OMA) Office of Contracts (OC) is operating in compliance with the District's procurement laws and regulations for solicitation and awarding of contracts and small purchases. The OC is responsible for bidding, evaluating, awarding and managing all procurements, including small purchases, and contracts on behalf of the OCFO, in accordance with the District of Columbia, Procurement Practices Reform Act (PPRA) and the District of Columbia Municipal Regulations (DCMR) Section 27. OMA developed processes and controls that are documented and in place to ensure compliance with the District's Procurement Laws and Regulations; however, we noted an opportunity to improve the recording of contract data. Addressing the deficiency identified in this report will enhance the control structure and improve data reliability.

There is an opportunity to improve the Recordkeeping of Contract Data. OIO noted discrepancies in reports generated from the Cobblestone database, the Office of Contracts' contract management system. OIO ultimately verified the data through comparison to the manually maintained procurement action log; however, the log also contained duplicates and data entry errors. This indicates that there are internal control weaknesses in the data and recordkeeping that warrant management's attention.

The Scope of the Audit was narrowed due to limitation resulting from the pandemic (COVID-19). Due to building access restrictions, OIO was unable to verify the existence of the documentation necessary to evaluate whether the OMA's procurement practices are administered efficiently and effectively (audit objective 2).

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



Office of Integrity and Oversight

TO: Paul Lundquist, Executive Director
Office of Management and Administration

FROM: Timothy Barry, Executive Director *Timothy Barry*
Office of Integrity and Oversight

DATE: September 14, 2020

SUBJECT: Final Report: Audit of Procurement Practices at the Office of Management and Administration (OIO No. 19-01-28 OMA)

This final report summarizes the results of the Office of the Chief Financial Officer (OCFO)'s Office of Integrity and Oversight (OIO)'s Audit of Procurement Practices at the Office of Management and Administration (OMA). The objectives of the audit were to: (1) determine whether the OMA Office of Contracts complied with applicable District's Procurement Laws and Regulations; and (2) evaluate whether the OMA's procurement practices are administered efficiently and effectively.

OIO provided one (1) recommendation to address the finding cited in the report. The agencies' management concurred with the finding and recommendation and provided corrective actions. The corrective actions planned and taken are responsive and meet the intent of the recommendations.

We appreciate the assistance and cooperation that you and your staff provided to OIO during this audit. Should you have any questions or need additional information, please call me at (202)442-6433, or Tisha Edwards, Director of Internal Audit, at (202) 442-6446.

Attachment

cc: Jeff DeWitt, Chief Financial Officer, District of Columbia
Angell Jacobs, Deputy Chief Financial Officer and Chief of Staff, OCFO
Marshelle Richardson, Chief Risk Officer, OCRO
Dorothy Whisler-Fortune, Director and Chief Procurement Officer, Office of Contracts

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Abbreviations and Acronyms

CBE	Certified Business Enterprise
COTR	Contracting Officer's Technical Representative
DCMR	District of Columbia Municipal Regulations
DSLBD	Department of Small & Local Business Development
FY	Fiscal Year
IFB	Invitation for Bid
OC	Office of Contracts
OCFO	Office of the Chief Financial Officer
OIO	Office of Integrity and Oversight
OMA	Office of Management and Administration
PASS	Procurement Automated Support System
PPRA	Procurement Practices Reform Act
RFP	Request for Proposal
RFQ	Request for Quotations

Background

The Office of Management and Administration (OMA) Office of Contracts (OC) is responsible for bidding, evaluating, awarding and managing all procurements, including small purchases, and contracts on behalf of the Office of the Chief Financial Officer (OCFO). The OC is independent of the District's Office of Contracting and Procurement; however, they procure goods and services in accordance with the District of Columbia, Procurement Practices Reform Act (PPRA) and the District of Columbia Municipal Regulations (DCMR) Section 27.¹ In addition to these regulations, the office maintains a policies and procedures manual.

The OC procures good and services through contracts, delivery orders, purchase orders, blanket purchase agreements, etc. To maintain a competitive structure, and comply with the PPRA and DCMR, the OC uses specific criteria depending on the dollar value of the purchase.

A small purchase is defined as a procurement in an amount less than or equal to \$100,000. For purchases of \$5,000 or less, a purchase card is the encouraged method of procurement.

A large purchase is defined as a procurement in an amount exceeding \$100,000. Contracts that exceed \$1 million dollars in the base year, or any multi-year contract funded with annual funds must be reviewed and approved by the DC City Council prior to the contract award². If City Council Approval is required, the Contract Specialist must first forward the following information to the OCFO Office of the General Counsel for review and approval.

Competitive Purchasing

To obtain adequate competition the OCFO policy requires the solicitation and consideration of a sufficient number of vendors appropriate for the type and value of the procurement. The competition requirements for small purchases differ from those for large purchases.

Solicitation

¹ <https://cfo.in.dc.gov/page/contracts-and-procurement> as of June 29, 2020

² DC Code §1-204.51; §§2-352.02

For competitive purchases, the OC solicits vendors through formal or informal bidding processes. According to the Office of Contracts Policies and Procedures Manual (Section V. A- Small Purchase Procedures) informal Bids or quotations are required for purchases that are estimated to exceed \$10,000 but are less than the formal purchase threshold of \$100,000. Informal bidding does not require advertising and can be obtained in the form of telephone quotes, faxes, and other electronic or written bids. The OCFO does not require documented competition for small dollar purchases of less than \$10,000; however, OCFO Purchasing Agents are encouraged to solicit vendor quotes to the extent practicable.

Purchases exceeding \$100,000 require formal solicitation of bids or proposals. Formal bids require advertising and cannot be opened by the contract specialist until the specified date.

Competitive Procurement Methods

For the competitive acquisition process, a Contracting Officer may use several procurement methods including:

Requests for Quotations (RFQ)
<i>Evaluation & Award:</i> A Purchase Order will be issued to the lowest priced responsive, responsible vendor whose quotation meets the requirements and criteria set forth in the RFQ.
Invitation for Bid (IFB)
IFBs are the default method and must be used for all competitive contracts expected to exceed \$100,000, unless the procurement requires an evaluation outside of cost. <i>Evaluation & Award:</i> Awards issued to the lowest priced responsive, responsible vendor whose quotation meets the requirements and criteria set forth in the IFB.
Requests for Proposal (RFP)
RFPs are used to secure competitive contracts expected to exceed \$100,000 that require complex services needing technical or professional skills and expertise. <i>Evaluation & Award:</i> The Competitive Sealed Proposal Process is used when price is not the sole determining factor. If method is used, generally, two evaluation teams will be established. A cost or pricing team to evaluate the cost or price proposals and a

Source Selection Evaluation (SSEB) to evaluate the technical proposals. The size and membership of the SSEB depend upon the magnitude and complexity of the proposed contract. The SSEB is appointed by the Contracting Officer and shall consist of at least three voting members, one of whom is designated chairperson.

The Office of Contracts policies and procedures manual (Section V. E 4d) requires the Contracting Officer to provide the SSEB with a memorandum that confirms its members. The memorandum also puts forth explicit instructions regarding the conduct including a conflict of interest statement which must be signed by each member.

Certified Business Enterprises Selection Requirements

In addition to a competitive procurement structure, the OC must also consider Certified Business Enterprises (CBE) when selecting a vendor. The District's Department of Small and Local Business Development (DSLBD) certifies a business if it is local, small and disadvantaged. The DSLBD maintains a database of all certified local, small, and disadvantaged business enterprises.

Under the provisions of the "Small, Local, and Disadvantaged Business Enterprise Development and Assistance Act of 2005", as amended, D.C. Official Code §2-218.01 et seq. (the Act), the District shall apply preferences in evaluating bids or proposals from businesses that are small, local, disadvantaged, resident-owned, longtime resident, veteran-owned, local manufacturing or local with a principal office located in an enterprise zone of the District of Columbia. The OC also adheres to this provision when selecting a vendor.

If the OC is unable to obtain bids from a CBE, a waiver can be granted by the DSLBD. If the waiver request is approved, the buyer can obtain quotes from the open market.

Procurement Systems

The Office of Contracts uses Cobblestone, a stand-alone contract management software for the administration and storage of contract files and records except sole source

procurements and small purchases. The Office of Contracts initiates and publishes solicitations and contract records, etc. through this system. Cobblestone allows vendors to view and respond to published solicitations. Once the procurement process is completed, the information is entered into PASS, the District's procurement system to manage the payment process.

Small procurement purchases are not handled in Cobblestone. Instead, the Office of Contracts executes these purchases in PASS. PASS tracks a requisition from the moment the requisition is entered into the system through award.

In addition to Cobblestone, the OC contract assistant maintains a procurement log in Excel for the tracking and issuance of contract and solicitation numbers. The procurement log is used as a tracking tool for the assignment of sequential contract numbers in Cobblestone.

Contract Specialists maintain electronic and hard copy files for each contract that contains documents to demonstrate compliance with procurement laws and regulations.

Objectives, Scope, and Methodology

The objectives of the audit were to: (1) determine whether OMA/Office of Contracts' complied with applicable District's Procurement Laws and Regulations; and (2) evaluate whether the OMA's procurement practices are administered efficiently and effectively. Our audit scope focuses on procurement events surrounding contracting for Fiscal Years 2018 and 2019.

Scope Limitation

OIO was unable obtain sufficient audit evidence to provide a basis for conclusion of objective 2 which was to determine whether the OMA's procurement practices are administered efficiently and effectively due to limitations resulting from the COVID-19 pandemic. As of March 16, 2020, District offices were closed which restricted our access to the records necessary to complete our evaluation; therefore, our audit report summarizes the results of Objective 1.

Methodology

To accomplish audit objective 1, OIO gained an understanding of the procurement process, reviewed laws and regulations, conducted interviews with the OC Staff, requested small purchases and contact data (for the audit period), conducted a data reliability assessment for contract data provided and reviewed competitive purchases and contract files for sampled selections.

OIO reviewed a sample of competitive small purchases and contracts³ (awarded during the audit period) from the following procurement types: Invitation for Bids (IFB), Request for Proposals (RFPs) and Requests for Quotations (RFQs). Sample Attribute Testing was performed to ensure: (1) solicitations and contract awards were administered in accordance with District Procurement laws, practices and regulations; and (2) solicitation and contract evaluation and awards are performed in a fair manner.

Data Reliability Assessment

OIO audits are conducted in accordance with the Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we perform data reliability assessments when necessary. Data reliability assessments are needed if the data to be analyzed are intended to materially support findings, conclusions, or recommendations. According to GAGAS, auditors should assess the sufficiency and appropriateness of computer processed information.

We relied on computer-processed data from Cobblestone; therefore, we performed a data reliability test of the Cobblestone data.

³ OIO selected a random sample of 40 small purchases for fieldwork testing. Five of the 40 selected purchases were determined non-competitive and ultimately excluded from audit testing; resulting in a sample of 35 small purchases reviewed.

A sample of 20 large purchases was selected for fieldwork testing. For the large purchases, OIO judgmentally selected 8 contracts with a cost in excess of \$1 million. From the remaining purchases, a random sample of 12 purchases was selected for review.

Specifically, we:

- Requested data from PASS (the District's e-procurement system) to match the Cobblestone data and to determine the accuracy and completeness of the data.
- Obtained the procurement action logs (manually maintained by OC).
- Analyzed data for accuracy.

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

RESULTS

Small and Large Purchases were Solicited and Awarded in Compliance with District Laws and Regulations

The Office of Contracts is operating in compliance with the District’s procurement laws and regulations for soliciting and awarding competitive procurements for:

- Small Purchases, and
- Large Purchases
 - Contracts awarded through Invitation for Bids
 - Contracts awarded through Requests for Proposals

Overall, we did not identify any instances of non-compliance with District procurement laws and regulations.

Small Purchases

Our review of a sample of 35 small purchases determined that the goods and services were acquired in accordance with procurement laws and regulations. For the small purchases selected, we reviewed support in PASS to determine whether:

- the required number of quotes were obtained as required;
- the selected vendor met CBE requirements or obtained a waiver as required; and
- the Lowest Responsive Bidder was selected as required.

No exceptions were noted.

Large Purchases

A sample of 20 contracts was selected for competitive awards (awarded during the audit period) from the Invitation for Bids (9) and Request for Proposals (11) procurement types.

Additional testing revealed the following:

Table 1: Sample Testing Results

Attributes	Compliance		Exceptions Noted	
	#	%	#	%
CBE requirements were met or properly waived in accordance with regulations.	20	100%	0	0%
The lowest responsible and responsive bidder was selected for award (IFB) or to the offeror whose proposal was determined, with the specific reason(s) in writing, to be most advantageous to the District (RFP).	20	100%	0	0%
A procurement action submission form was completed and maintained.	20	100%	0	0%
A clean hands certificate was obtained and maintained in the contract file.	20	100%	0	0%

Additionally, of the 12 solicited through a Requests for Proposal (RFP), all required disclosures were signed and maintained in 100% of the contract files reviewed.

Additional Approvals for Contracts Exceeding \$1 million

Of the 20 contracts selected, eight contracts exceeded \$1 million. We noted the eight contracts were reviewed for legal sufficiency by the General Counsel and were properly approved by DC City Council as required.

Scope Limitation:

In addition to testing for compliance with regulations, OIO attempted to test the overall efficiency and effectiveness of the procurement process. We planned to review bid receipt documentation to verify the existence and ensure that only timely bids were evaluated. Additionally, we planned to analyze the procurement completion time rates. The information required to complete our analysis is contained in physical contract files. Due to Covid-19 restrictions, we were unable to obtain and review the documents required to provide a basis for conclusion on our second audit objective. When operations return to normal, OIO will resume our testing to conclude on whether contracts were handled efficiently and effectively.

Finding: Data Integrity Issues Require Management’s Attention

We identified data integrity issues in Cobblestone and the procurement action log that warrant management’s attention. Under Generally Accepted Government Auditing Standards, auditors should assess the sufficiency and appropriateness of computer processed information. Our data reliability assessment revealed:

- Cobblestone data queries yielded inconsistent data sets; and
- The procurement action log contained contract duplicates and data entry errors.

As a result, of the errors identified, we had to rely on the procurement action log to verify completeness of the OC system of record, Cobblestone. However, this is a manually maintained log and prone to errors. Based on the data integrity issues identified, OMA must take additional action to ensure Cobblestone data is accurate and reliable.

Data Reliability Assessment

To assess the reliability of the Cobblestone data, OIO requested a report for the audit period. We noted the solicitation method was not included and requested a new report for the audit period with the additional information. A review of both reports revealed discrepancies in the data. Specifically, contracts included on the original report were no longer on the secondary report and vice versa. When OIO inquired about the differences, the data administrator stated that the second report was generated by merging two tables to include the solicitation method. OIO could not determine the cause of the discrepancies.

OIO obtained the Excel maintained procurement action log which is supposed to contain all the contract numbers assigned. A review of the procurement action log revealed data entry errors and duplicates. OIO brought the discrepancies to the OC’s attention and worked with the data administrator to remove the duplicates and ultimately match the procurement action log to the Cobblestone data file without exception.

The procurement action log is maintained by the data administrator and is not reviewed or approved for accuracy. Based on the data integrity issues identified, OMA must take additional action to ensure Cobblestone data is accurate and reliable.

Recommendation We recommend the OC Director:

1. Implement periodic reviews of Cobblestone and the procurement action log to ensure accuracy and completeness of data.

MANAGEMENT RESPONSE AND OIO COMMENTS

Management Response (Recommendation 1):

OMA agreed with the recommendation and stated that as Cobblestone does not interface with the ARIBA/PASS system, custom reports must be specifically configured to yield the desired results. The agency stated that there are plans to have a dedicated staff resource in FY 21 with a proposed job title of Program Analyst that would have quarterly compliance checks as a primary duty.

OIO Comments:

The planned corrective action is responsive and meets the intent of the recommendation.

Exhibit A: Summary of Recommendations and Benefits

No.	Recommendation	Type of Benefit	Agency Reported Estimated Completion Date	Status⁴
1	Implement periodic reviews of Cobblestone and the procurement action log to ensure accuracy and completeness of data.	Internal Control & Process Improvement	FY 2021	Open

⁴ This column provides the status of the recommendation as of the report date. For final reports “**Open**” means management and the OIO are in agreement on the action to be taken, but the action is not complete. “**Closed**” means that management advised that the action taken needed to correct the condition is complete. If a completion date was not provided the date of management’s response was used. “**Unresolved**” means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

Appendix 1: OMA Management's Response

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

Office of Management & Administration



September 4, 2020

Timothy Barry
Executive Director
Office of Integrity and Oversight
1100 4th Street SW, Suite 750E
Washington, DC 20024

Dear Mr. Barry,


This letter is in response to the Draft Report of the Audit of Procurement Practices at the Office of Management and Administration (OIO No. 19-01-28 OMA). We appreciate that OIO included this audit in the FY 2019 Audit Plan as we had requested.

I am very pleased -- though not surprised -- at the 100% compliance in the 55 procurement items that were sampled. I am proud of the consistent and diligent efforts of the OMA Office of Contracts team members and I am glad that the success that resulted from those efforts has been documented in this report. I believe that this reflects the SMARTER Values leadership of the OCFO Director of Contracts, Dorothy Fortune, who also brings the attention to detail that is required to achieve excellence in our procurement operations.

Regarding your finding, we concur with recommendation #1. Currently, we conduct periodic review of the Procurement Action Log and the Cobblestone database. As part of the contract award process in Cobblestone, the contracting officers routinely review the data for accuracy. As Cobblestone does not interface with the ARIBA/PASS system, custom reports must be specifically configured to yield the desired results. We plan to have a dedicated staff resource in FY 21 with a proposed job title of Program Analyst that would have quarterly compliance checks as a primary duty.

Thank you for your team's attentiveness and cooperation during this audit period. This periodic review helps to ensure that our internal controls and review processes are effective.

Respectfully,


Paul Lundquist
Executive Director