

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

**INDEPENDENT AUDITOR'S REPORT
ON AGREED-UPON PROCEDURES AT THE
OFFICE OF CONTRACTS AND PROCUREMENT (OCP)**

OFFICE OF INTEGRITY AND OVERSIGHT



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



Office of Integrity and Oversight

September 10, 2013

James D. Staton, Jr.
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***Independent Auditor's Report on
Agreed-Upon Procedures***

The Office of Integrity and Oversight (OIO) performed the procedures enumerated below, at your request, solely to assist you in evaluating the progress made to resolve findings reported by the District Government's external auditors in the FY 2012 Independent Auditors' Report on Internal Control and Compliance Over Financial Reporting (Yellow Book).

The management of the Office of Contracting and Procurement (OCP) is responsible for the operation of the system of internal controls over the contracting process and for the documentation supporting the contracts and related purchasing documents. This agreed-upon procedures engagement was conducted in accordance with the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the management of OCP. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The agreed-upon procedures and associated findings are as follows:

1. Testing Records Room Security: OIO inspected the process for employees and others to access the OCP records room and files.

We observed the access process and controls over a non-continuous five-day period. The process used by OCP employees for accessing the records room and files was similar to the process described to us.

2. Testing Records Transfer to the Systematic Asset Management database (SAM): OIO performed procedures validating the accuracy and completeness of the transfer of contract data files from an existing OCP maintained Access™ database to SAM.

To validate the completeness of the SAM database, we selected a statistical sample of 64 contract records¹ out of a population of 1,261 contracts located in the OCP Access™ database and verified that the transfer successfully moved the records to SAM.

The following table summarizes the results of the OIO comparison of the records in both databases.

Status of Selected Records	Number	Percent of Total Sample
Records Not Found in SAM	41	64
Records Located in SAM	23	36
Sample Total	64	100

Source: OIO analysis of OCP Access™ and SAM databases

3. Validating Accuracy and Completeness of the Database Developed by OCP: OIO selected a statistical sample of 118 records² out of a population of 3,578, listed in SAM and traced the individual SAM records to physical contract files.

We found two exceptions as a result of this comparison (see Procedure 4 for additional data). Further, to validate that the SAM database is complete, we selected a non-statistical sample of 49 contract files located in the records room and traced them to the database's records. The following table shows the results from tracing this sample of 49 contract files to the database.

Status of Selected Records	Number	Percent of Total Sample ¹
Records Matched SAM Data	24	49
SAM Contract Value Did Not Agree with Contract File	15	31
SAM Contract Data Screen Blank	6	12
Contract Data Not in SAM	4	8
Total	49	100

Source: OIO analysis of the SAM database

¹ Our sample was based on a population of 1,261 records. Sixty-four records were selected based on a confidence level of 95 percent, an auditor's expected error rate of 3 percent, and a tolerable error rate (materiality level) of 10 percent.

² This sample was selected from the population of 3,578 records in the SAM database using a confidence level of 95 percent an auditor's expected error rate of 5 percent, and a tolerable error rate (materiality level) of 10 percent.

4. Testing the Effectiveness of the Use of Radio Frequency Identification Device (RFID) Locator: OIO used 17 contract files from the SAM database that we were unable to locate visually in the file room, when we initially tested the 118 contract files (see Procedure 3).

Of the 17 files, OIO found 15 files (88 percent) using the RFID locator purchased with the SAM database. OCP staff explained that they were aware that two files, which we selected as part of a random sample (in Procedure 3), did not have the RFID device activated. As a result, OCP could not locate these files in their file room.

5. Determine whether SAM Identified the Correct Contract Location: OIO compared the location of the file as listed in the SAM database with the file's physical location as determined in Procedures 3 and 4.

OIO was unable to verify that 2 of the 118 contract files were located in the file room. Both files did not have their RFID tags activated (see Procedure 4).

6. Reconciling the Payment of Approved Ratification with the Procurement Automated Support System (PASS) data.

The ratification process is used by the District Government to provide payment to a vendor when the goods or services provided by the vendor were not properly procured through the acquisition systems managed by OCP and the District Government's independent procurement authorities. This process allows the District Government to pay the vendor for the goods or services without the vendor filing a law suit. OCP staff members, at the direction of the Chief Procurement Officer, formed a ratification committee. The committee reviews the documentation supporting the procurement and the explanations for the improper procurement provided by the agency. Based on this review, they either recommend to the Chief Procurement Officer the approval or rejection of the ratification request. The Chief Procurement Officer is the approving authority for all ratifications of less than \$1 million. The D.C. Council must approve all ratifications of \$1 million or more.

We were unable to conduct this procedure as planned. Ratifications are not included in PASS and purchase orders issued, as they are improper procurements. Instead of tracing the data supplied with the ratification request to PASS, we selected a non-statistical sample of six ratifications out of thirty-two (32) ratifications for the period October 1, 2012 to June 18, 2013, and the amounts authorized to a listing of Direct Payments provided by the Office of Financial Operations and Systems. We found no exceptions in this test.

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We were not engaged to and did not conduct an examination, the objective of which would be an expression of an opinion on the system of internal control and the operations of the Office of Contracts and Procurement. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that we would have reported to you.

This report is intended solely for the information and use of the Director and Chief Procurement Officer of the Office of Contracts and Procurement and should not be used by anyone other than this specified party.

A handwritten signature in blue ink, appearing to read 'M. Yusuff', with a stylized flourish extending to the right.

Mohamad K. Yusuff
Interim Executive Director