

PUBLIC OVERSIGHT HEARING
CONTRACTING AND PROCUREMENT IN THE
DISTRICT OF COLUMBIA: THE UTILIZATION OF
LOCAL, SMALL, AND DISADVANTAGED BUSINESS
ENTERPRISES

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

The Honorable Vincent B. Orange, Sr., Chairman

January 28, 2004, 10:00 a.m.
Council Chamber



Testimony of
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Good day, Chairman Orange and members of the Committee on Government Operations. I am Mike Wooten, director for contracts and procurement for the Office of the Chief Financial Officer (OCFO). Also here today is my special assistant, Kevin W. Johnson. I am pleased to appear before you to present testimony on the OCFO's utilization of Local, Small, Disadvantaged Business Enterprises (LSDBE's) in fiscal year 2003.

OCFO Performance in FY 2003

The formula for compliance requires an allocation of 50% of the agency's expendable budget. In our annual allocation letter to the Office of Local Business Development, we documented that our annual goal reserved for small businesses was \$6,944,584. This represents 50% of the expendable budget of \$13,889,167, the difference between our appropriated budget of \$91,041,680 less our operating expenses of \$77,152,513. The OCFO actually awarded \$ 4,296,448 in FY 2003, or 31% of our expendable funds.

During FY 2003, there were special circumstances impacting our ability to fully meet our LSDBE expenditure target. Due to spending pressures on the budget, all contract requests for services and supplies had to be suspended for the third and fourth quarters (April through September 2003). In addition, the Office of Management and Administration's (OMA) complete restructuring during the second quarter temporarily reduced its contracts and procurement staff from 14 to five. During this critical phase of the restructuring, the procurement staff's skill mix was unbalanced; we were without an LSDBE compliance officer and, more importantly, we were without a director for the balance of the fiscal year.

Since that time, our Office of Contracts and Procurement has made considerable progress. I was brought on board as director of the office in November 2003, and our hiring is nearly completed. I am pleased to report that even during the period of transition described previously, employees throughout the OCFO worked diligently to increase our overall contract awards to LSDBEs.

FY 2003 Initiatives

Although we did not meet our FY 2003 goal, Dr. Gandhi and I are fully committed to the spirit of the law, and we continue working to increase our overall procurement awards to LSDBEs. Last year's initiatives reached the vendor community, our customers throughout the OCFO, and our procurement professionals. These efforts included:

- **Annual Small Business Vendor Day:** This four-hour session was held on June 26, 2003, with the purpose of introducing LSDBEs to OCFO procurement operations and to new staff after the OMA restructuring. The acting director, along with the staff, provided a comprehensive overview of the procurement process, including purchase orders and contracts, and responded to questions and answers from the participants. Our office provided the participating small businesses with guidance on how to become certified local businesses and a packet of information for future reference. This packet included an introductory letter and the LSDBE certification application and instruction documents. Two representatives from the Office of Local Business Development were in attendance to lend support. There were 55 small businesses in attendance, and the OCFO is committed to hosting its annual Small Business Vendor Day again in FY 2004. The benefits from this annual

event include an increased awareness within the LSDBE community of OCFO procurement opportunities and expansion of our LSDBE vendor list. In addition to educating vendors, we have provided information for the OCFO through our OCFO Procurement Workshop.

- The OCFO Procurement Workshop: This workshop was held on June 29, 2003, with the purpose of educating OCFO senior executives, managers, and their respective staffs about procurement processes and the District's LSDBE requirements. A key focus during this four-hour workshop consisted of an overview of the Equal Opportunity for Local, Small, and Disadvantaged Business Enterprises Act of 1998. As a result of this workshop, OCFO staff charged with the responsibility of initiating procurement requests now recommend LSDBEs more often than they had in the past. Beyond our efforts to educate our customers throughout the OCFO, our procurement professionals have redoubled their commitment to supporting LSDBEs, in part, through their participation at area procurement expos.
- Participation at Area Procurement Expos: Three representatives from our Office of Contracts and Procurement attended the May 1, 2003, Procurement Expo at the new Washington Convention Center. This participation allowed the staff to meet LSDBE representatives and to share information about current OCFO contracting opportunities. We intend to continue our participation at these important community events.

The OCFO's FY 2003 LSDBE procurements included temporary employment services, office supplies, banking services, moving services, information technology consulting services, financial consultants, financial statements for

college savings plans and pension plans, printing of District tax forms, and temporary employment services.

The OCFO would also like to point out two of our most visible procurements, which are serviced by certified LSDBE vendors:

- The printing and mailing of annual District of Columbia tax forms and packages for 500,000 District residents is done by an LSDBE. These forms include the FP-31, D-40, D-40EZ, D-40ES, D-20, D-20ES, D-30, D-30ES, FR-800A, FR-800M, FR-900A, and FR-900M. The vendor also prints excise, franchise, sales and use, and motor fuel tax forms and publications. This important procurement brings income tax revenue into the District.
- The demand deposit disbursing account that is used in conjunction with a support service for the operation of the Department of Employment Services Disability Compensation Program ensures that prompt payments are made to participants in the program. This account is used primarily for compensation payments to claimants, payment to providers for medical services, and reimbursement of claimants.

Future Plans

The OCFO intends to hold itself to a more rigid standard to ensure progress toward reaching our LSDBE goal. For all procurement requests valued at or below \$100,000, Dr. Gandhi now requires his staff to solicit LSDBE vendors as a first priority. We also will continue with LSDBE outreach efforts, to educate and train representatives on how to do business with the OCFO and to expand our internal

customers' awareness about the LSDBE program. We will also undertake specific activities designed to improve our performance, including:

- exploring the development of subcontracting plans for banking services contracts,
- enforcing the utilization of set-aside contracts with certified small businesses, and
- setting-aside \$2 million in new contract awards for certified LSDBEs.

We will move forward aggressively and monitor our progress carefully. My Special Assistant, Kevin Johnson, will function as our LSDBE compliance officer and will educate our customers on the importance of the LSDBE program. He will solicit bids from LSDBE vendors on OCFO procurement requests, coordinate the annual Small Business Vendor Day program, represent the OCFO at area-wide procurement fairs, and serve as liaison to the Office of Local Business Development.

I thank you, Mr. Chairman, and other members of the committee, for this opportunity to testify on an important policy issue in the District of Columbia. We are prepared to respond to any questions that you may have.

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