

DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

OIG Project No. 16-1-17MA

July 2017



GOVERNMENT OF THE DISTRICT OF COLUMBIA: FISCAL YEAR 2017 PROCUREMENT PRACTICES RISK ASSESSEMENT



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- recommend and track the implementation of corrective actions.

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* Leadership



GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



July 11, 2017

The Honorable Muriel Bowser
Mayor
The District of Columbia
1350 Pennsylvania Avenue, N.W.
Mayor's Correspondence Unit, Suite 316
Washington, D.C. 20004

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue, N.W., Suite 504
Washington, D.C. 20004

Dear Mayor Bowser and Chairman Mendelson:

Enclosed is the Office of the Inspector General's (OIG) final report entitled *Government of the District of Columbia Fiscal Year 2017 Procurement Practices Risk Assessment* (OIG Project No. 16-1-17MA). The OIG contracted with KPMG, LLP (KPMG) to perform a risk assessment of the District of Columbia's procurement practices to meet a statutory mandate.¹ The OIG will conduct further engagements based on the risk areas KPMG identified. Those engagements will be included in the OIG's *Fiscal Year 2018 Audit and Inspection Plan* to be published no later than August 31, 2017.

If you have any questions concerning this report, please contact me or Benjamin Huddle, Acting Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

A handwritten signature in blue ink, appearing to read 'D. Lucas', is positioned above the printed name and title.

Daniel W. Lucas
Inspector General

DWL/fg

Enclosure

cc: See Distribution List

¹ D.C. Code § 1-301.115a(a)(3)(E) (Supp. 2016) requires the OIG to conduct an annual review of procurement practices within the District of Columbia.

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Mr. Gary Engel, Managing Director, FMA, GAO, (via email)
Mr. Joseph E. Seibert, Partner, KPMG, LLP (via email)



District of Columbia

Office of the Inspector General

2017 Procurement Practices
Risk Assessment

June 30, 2017

kpmg.com

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Executive Summary

Background

The Code of the District of Columbia (D.C. Code) §1-301.115a (a)(3)(E) (2016) requires that the Office of Inspector General (OIG) annually conduct an operational audit of procurement activities of the District of Columbia (the District). The OIG engaged KPMG LLP (KPMG) to assist in conducting a three-phase procurement risk assessment to assist the Office with prioritizing their detailed audit effort over the next three years. The assessment provides a review of the District's procurement system, and identifies high-risk systemic issues, practices, and incongruent rules and regulations for subsequent action by the OIG.

Project objectives

The risk assessment of the District of Columbia's procurement system addresses the following objectives:

- Identify District procurement practices subject to the highest risk of corruption, fraud, waste, and abuse (Practices).
- Identify high-risk incongruences in the various procurement rules and regulations (Rules and Regulations).
- Identify high-risk structural issues related to the District's procurement system (Structure).

Results in brief

- **Risk observation 1: Data Integrity** – Procurement systems' data fields do not have standard definitions, which hinders reconciliation efforts and impacts the ability for meaningful portfolio analysis.
 - Inconsistent data fields definitions and data entry practices impact the usefulness of system's content.
 - There are limited capabilities to extract procurement data in intelligible formats to support meaningful analysis.
 - Limited interface functionality appears to exist for reconciling purchase order content between the key purchasing and financial applications Procurement Automated Support System (PASS) and the System of Accounting and Reporting (SOAR).
 - Resolution to define standards for data fields and updates to PASS/SOAR configuration would likely need to be addressed by the Office of the Chief Procurement Officer (OCP) and Office of the Chief Financial Officer (OCFO). Resolution by exempt agencies would require actions by governing boards of directors or agency directors as applicable.
- **Risk observation 2: Surplus Property Disposal Program** – OCP's online property surplus disposal program is not consistently utilized across the District, which reduces potential revenue opportunities, and increases the chance for material obsolescence and opportunities for fraud, waste, and abuse.
 - Awareness of the existence of the program and policies regarding using this resource have not reached all of the District offices.
 - Limited program staff may create risk associated with segregation of duties and reliance on external finance and information technology (IT) support.
 - Centralizing this process may increase opportunities to enhance District recovery of excess property costs.
 - Responsibility for resolution of these program issues should lie with OCP.
 - Resolution of issues related to the Program's design and execution as well as participation for agencies subject to the Procurement Practices Reform Act (PPRA) should be the OCP's

responsibility. Exempt agencies will require action by their governing boards of directors or executive director, depending upon the agency.

- **Risk observation 3: Agency Fiscal Management** – Some District agencies show marked increases in fiscal year-end spending volume, potentially increasing the risk that resources are not being prudently expended.
 - Increases in fiscal year-end spending may be operationally unsupported spend-downs of budgetary authority that could have a significant financial impact to the District.
 - Annual procurement forecasts may not be objectively assessed every year possibly leading to unnecessary expenditures and, ultimately, excess property on hand.
 - Year-end spend-downs of budgetary authority procurements could be seen as wastes of District resources depending on the circumstances of the expenditures.
 - Agency leaders working with their management teams and procurement staff at their respective agencies should address this risk.

- **Risk observation 4: Document Management** – Inconsistent document management practices may increase the likelihood of noncompliance with established procurement procedures, resulting in an inability to validate decisions, including sole source and emergency awards, change orders, and changes to standard terms and conditions.
 - Management of the District’s procurement documentation appears inefficient due to significant labor hours spent to generate and maintain documents in the District’s purchasing applications and hard copy files.
 - User rights to shared local drives housing procurement documentation (e.g., read, write, delete, etc.) may not be compartmentalized, creating a risk of accidental or intentional misuse or deletion of documents.
 - Storage of various documents on multiple network shared drives with limited file structures and supporting naming conventions may adversely impact agency efficiency and employee interoperability.
 - Unsecure storage methods and the lack of configuration control may contribute to opportunities for misuse.
 - Require OCP enforce (with training and compliance monitoring) existing documentation standards and require that independent or exempt agencies address this issue. If a practice standard became uniform across all District agencies, resolution would require action by the Executive Office of the Mayor.
 - Enforcing the existing standard would be at the OCP level for agencies under the PPRA and OCP’s authority and at the governing boards or executive level for agencies exempt from the PPRA and OCP’s authority. If the standard became uniform across all District agencies, resolution would be at the Executive Office of the Mayor level.

- **Risk observation 5: Procurement Governance** – The multiple procurement governance structures in place may increase opportunities for compliance risk and operational inefficiency across District agencies.
 - Opportunities for economies of scale and potential operational efficiencies across procurement practices are impacted by the multiple rules and regulations currently in place (e.g., Home Rule Act, PPRA, etc.).
 - Differing needs for system maintenance, data integrity, and employee training surround the various procurement technology applications used throughout the District.
 - As overall procurement governance sets the tone at the top for District agency purchasing; resolution of component issues and impacts in this area would likely be at the level of Executive Office of the Mayor and the City Council.

- **Risk observation 6: Sourcing Practices** – Current forecasting practices across the District may result in lost opportunities for more competitive sourcing, and, ultimately, pricing which potentially increases the District’s total nonpersonnel spend.
 - Established forecasting and resulting sourcing efforts do not appear to be uniformly conducted by District agencies.
 - Large volumes of unplanned purchases reportedly still occur each year especially during the last fiscal quarter.
 - Agencies with more specialized mission requirements are reportedly challenged to identify and engage Certified Business Enterprises (CBEs) offering the resources necessary to satisfy specific program needs.
 - Awareness and use of some District-wide contract vehicles is inconsistent across agencies.
 - Opportunities to help reduce the potential waste include more effectively grouping like agency needs and negotiating competitive pricing.
 - Enforcing this standard would be at the OCP level for agencies under the PPRA and OCP’s authority and at the agency director level for agencies independent from OCP’s authority or exempt from the PPRA and OCP’s authority.
- **Risk observation 7: Organizational Structure** – Organizational structures in place, including positioning and staffing for District procurement functions, may blur actual lines of authority and adversely impact the control environment and operational efficiency.
 - The CPO’s organizational position does not appear to correspond with his authority over a broad set of procurement activities District-wide.
 - Smaller agencies with remote support may provide more independence over procurement function, and larger agencies with colocated contracting personnel at agency sites increase opportunities for better planning, forecasting, contract execution, and management with agency programs.
 - Resolution would be at the OCP level for agencies under the PPRA and OCP’s authority and at the agency director level for agencies independent from OCP or exempt from the PPRA and OCP’s authority. The location of the OCP within the District’s organizational structure would require resolution by the Mayor and potentially the City Council.
- **Risk observation 8: Vendor Oversight** – Meaningful oversight of District vendors and their delivery of goods and services may not be consistent across District agencies.
 - In 2016, the District procured goods and services from approximately 6,300 different vendors. Given the size of the vendor population, inadequate District agency vendor oversight may create financial and operational risks depending upon contract value and the complexity of the goods or services purchased.
 - Marked variances between Contract Administrator (CA) oversight practices across and within agencies may result in inconsistent vendor monitoring controls.
 - There does not appear to be a risk-based monitoring protocol that considers the volume of goods and services spent with a vendor, prior track record with the vendor, complexity of the goods or services being purchased, and dependency of the District on the vendor.
 - Inadequate vendor oversight can create the risk that the District is not getting what it is paying for, resulting in the inefficient use of resources, a need for rework, or program delays.
 - Independent, exempt agency heads and OCP for agencies under PPRA/CPO authority would likely be required to set and enforce policy to address this issue.

Scope

The scope of the assessment included the eligible District of Columbia agencies as identified by the OIG and reflected in the table below.

TABLE 1: GOVERNANCE MODEL SUMMARY¹

Governance arrangement	Number of subject activities
Agencies under PPRA and OCP	64
Agencies subject to PPRA and independent from OCP	13
Agencies exempt from PPRA and OCP	11
Agencies limited applicability of PPRA and exempt from OCP	1

Our assessment included a review of pertinent rules and regulations- key items are reflected in the following table:

TABLE 2: KEY RULES AND REGULATIONS

Governance arrangement	Version / Effective date
Procurement Practices Reform Act	2001 Edition with 2011 Summer Supplement
Title 27 District Code of Municipal Regulations (DCMR)	See Appendix A for applicable District agency listing
District of Columbia Home Rule Act	January 7, 2013
Agency Policies and Procedures	Various ²

The analytic data reviewed to support this assessment was the District's fiscal years 2014–2016. The assessment procedures (survey and site visits) were completed between January 1 and May 9, 2017.

Methodology

Consistent with the overarching objectives for this procurement system risk assessment outlined above, we seek to relate these objectives to select internal control principles within the United States Government Accountability Office's (U.S. GAO's) Green Book. The Green Book defines the standards through components and principles and explains why they are integral to an entity's internal control system. The Green Book clarifies what processes management considers part of internal control.

Since policymakers and program managers frequently seek ways to improve accountability, a key factor in such efforts is to implement an effective internal control system. Such a system can help an entity adapt to shifting environments, evolving demands, changing risks, and new priorities. As programs change and entities strive to improve operational processes, management continually evaluates its internal control system so that it is effective and updated when necessary.³

¹ Sources included survey responses augmented by the District agency procurement authority listing dated 12/3/13.

² Many agencies under OCP have developed supplemental guides to those published by OCP. Exempt agencies developed their own policies and procedures with some being similar to those published by OCP.

³ U.S. Government Accountability Office, Standards for Internal Control in the Federal Government, September 2014.

For each project objective below, we discuss and characterize the intent of this project's three overarching objectives, citing select relevant principles and share how these concepts helped guide our planning and execution of this project.

Practices

*Principle 8 – Assess Fraud Risk*⁴ contains three attributes: types of fraud (fraudulent financial reporting, misappropriation of assets, and corruption); the risk factors constituting a fraudulent fraud risk (incentives/pressures, opportunity, and attitude/rationalization); and an entity's response to fraud risks through an identification process and design of mitigation, which can include segregation of duties.

Our team used the following methods to help identify how agencies identify, analyze, and respond to fraud instances within the District:

- Nonpersonnel expenditure and vendor-use data analysis for the three-year period ended September 30, 2016. Analysis included high-level procedures, such as inconsistent user roles (originator/approver) and the number and extent of whole number dollar value purchase orders, and spending pattern analysis.
- A procurement survey also included specific questions to assess how agencies assessed themselves on fraud prevention and monitoring measures, such as employee training and access to/use of whistleblower hotlines.
- Site visits efforts inquired about specific practice in place that either presented broader risk across the District or conversely presented tangible opportunities to avoid waste or mismanagement. Our visits included walkthroughs and inspection of multiple associated functions around fiscal management and configurations and retention of supporting documentation.

Rules and regulations

Three Green Book principles are the most closely aligned to the second objective as presented below:

- *Principle 3 – Establish structure, responsibility, and authority* includes three attributes: organizational structure; assignment of responsibility and delegation of authority⁴; and documentation of the internal control system.
- *Principle 12– Management should implement control activities through policies* consists of two attributes: document responsibilities through policies and periodic review of control activities.
- *Principle 14 – Communicate internally* has two attributes: communication throughout the entity and appropriate methods of communication.

Our team employed the following methods to help understand the policies and the internal and external communications practices used to support the District's procurement practices.

- In the course of our data analysis, we reviewed the relevant rules and regulations governing procurement activities within the District. This review considered guidance such as, the Home Rule Act, Title 27 D.C. Municipal Regulations, PPRA, and select District agencies' procurement policies. We sought to assess consistency in guidance offered, with specific focus on levels of authority (e.g., Mayor and CPO) as well as identify potential differences.
- Using the survey, we polled District agencies for the existence of unique delegations of authority for purchasing-related roles. We also solicited examples of local policy, procedures, tools, and templates crafted to help augment established control guidance and/or reinforce practices at specific agencies.
- We looked to identify, gather, and assess the existence of procurement policies that are both formally documented and informally observed. This expressly included agencies outside the authority of the PPRA and/or OCP's authority as well as those charged to follow the PPRA and the OCP's

⁴ The italicized captions refer to the individual U.S. GAO Green Book principles cited to help address the project objectives.

procurement rules and regulations. We looked to gauge the various lines of procurement responsibility in place from one governance model to another.

- Site visits looked to gather additional information on how select organizations disseminate information to agency members or how they communicate among themselves. We inquired about professional forum attendance as well as informal consultations and information exchanges among agency contracting employees.

Structure

Multiple Green Book principles relate to the OIG's objective related to procurement structure; however, the following two appeared most relevant in terms of execution planning for this final objective.

- *Principle 3 – Establish structure, responsibility, and authority* includes three attributes: organizational structure; assignment of responsibility and delegation of authority⁵; and documentation of the internal control system
- *Principle 16 – Perform monitoring activities* outlines three attributes: establishment of a baseline, internal control system monitoring, and evaluation of results.

The following steps during fieldwork assisted our team in assessing risk in the various procurement structure elements among District agencies:

- Reviews of survey results assessed the nature and extent of procurement forecasting and sourcing practices in place at a range of District agencies. We sought to identify and better understand any procedures or enabling tools used to facilitate the processes across all procurement governance models.
- Site visits inquired about the nature and extent of interaction performed by contracting staff with agency program managers on upcoming procurements, the prevalence of early planning for contract re-competition or renewal, and periodic reviews with vendors. We sought to gather insight on oversight practices for vehicles, such as procurement cards and how use of these tools is monitored.

Constraints and limitations

During the course of the project, KPMG encountered constraints and limitations that should be considered in the interpretation of the observations offered in this report.

- Analytics were limited by some incomplete raw procurement data and limitations resulting from data integrity noted in the report.
- Survey response rate of approximately 82 percent, and not all surveys provided supporting documentation.

This engagement did not constitute a financial audit, performance audit, or attestation engagement as defined by Government Auditing Standards. Rather, our work was intended as an assessment of existing practices, policies, and procedures to help identify risks and that should be addressed in development of future detailed audit plans, as well as potential opportunities for improvement for management to consider.

⁵ The italicized captions refer to the individual U.S. GAO Green Book principles cited to help address the project objectives.

Key Risk Areas

Risk Overview

The following section presents the key areas of risk identified during the course of this assessment. As outlined in the objectives for this project, we present each of the key risk areas noted in relation to a specific project objective as well as the federal Green Book principle(s) to which each risk area align(s). In some instances, select risk areas apply to more than one objective.

TABLE 3: PROJECT OBJECTIVE/RISK AREA CROSSWALK

Project objective title	Project objective definition	Risk area
Practices (fraud, waste, and abuse)	Identify District procurement practices subject to the highest risk of corruption, fraud, waste, and abuse	<ul style="list-style-type: none"> — Data integrity — Surplus property disposal — Agency fiscal management — Document management
Rules and Regulations	Identify high-risk incongruences in various procurement rules and regulations	<ul style="list-style-type: none"> — Procurement governance — Document management
Structure	Identify high-risk structural issues related to the District’s procurement system	<ul style="list-style-type: none"> — Sourcing practices — Agency fiscal management — Organizational structure — Vendor oversight

In the balance of this section, we introduce and discuss each topic area using the risk rating criteria and supporting scale developed to support this assessment (See Appendix E). Each topic area includes a general definition of the perceived summary risk followed by supporting analyses presented in the context offered by each of the individual criterion. Discussions of each risk reflect select aspects of our data analysis, procurement survey results, and/or site visit inquiries and observations.

Practices

Risk Definition

Procurement systems' data fields do not have standard definitions, which hinders reconciliation efforts and impacts the ability for meaningful portfolio analysis.

The District procures over \$4.4 billion in goods and services each year across its more than 150 different agencies, funds, transfers, and subsidies. The potential financial impact of the differences in data integrity from information technology systems could be significant. Given that multiple procurement applications are now in use across the District, defining and standardizing data elements and resident fields would require a significant effort to develop and train the personnel using the systems.

Control Environment

During our data analysis efforts, we learned that multiple data fields in various District agencies' procurement applications both within and outside of PASS (e.g., unit price, sum_PO_Count, sum_PO_Quantity, supplier state) are either not used or inconsistently populated (e.g., presence or absence of leading zeros, trailing zeros, haphazard use of commas and periods). This lack of standardization puts at risk the quality of procurement transaction data for reporting, monitoring, and budgeting purposes. The result of consistent use of the fields would likely allow for more robust data analytics on the costs of goods and services, easier matching to invoiced amounts, and easier to maintain compliance routines. In addition, we observed that select PASS users with delegation of procurement authority for some agencies may initiate and approve a requisition in the application (subject to agency budgetary confirmation.)

Economy and Efficiency

For the PASS system, data control and transfer of data are issues that make the procurement management less effective. We discovered during fieldwork that data from PASS can only be extracted as a text file format, making a conversion to another malleable format necessary to perform meaningful analysis. In addition, key data fields in PASS are "unrestricted," allowing the user to enter various types of data in any form, which results in inconsistent and unreliable data entries. Furthermore, the interface between PASS and SOAR (the District's principal financial accounting and reporting system) is limited. For example, there is limited capability to reconcile purchase order data between PASS and SOAR. Select data updates made in SOAR are not revised in PASS. If updates are made in PASS at the purchase order level, it appears that only monetary changes are updated, omitting other revised data content in SOAR. Because of these conditions, a complete reconciliation of purchase order transactions between PASS and SOAR is not feasible.

Fraud, Waste, and Abuse

As part of our data analysis, we compared a sample population of select data attributes in SOAR and PASS. We noted a number of inconsistencies among these vendor data elements between these IT systems in areas such building or unit number, street name, city or town designation, and servicing zip code. These inconsistencies in data field definition and data capture are likely to be even further magnified when considering the other applications in use by exempt and independent agencies such as, Banner, Lawson, and Visual Homes.

In addition, we noted that PASS and SOAR do not record unit price as a data field, making it seemingly impossible to reconcile spend or quantity fields across both applications. Similarly, for one exempt agency's purchasing application, when entering a requisition, a quantity of "one" for unit price is intentionally used because of the system's inherent functional limitations. This condition also makes validating unit prices impossible without having the corresponding vendor quotes available. For agencies under the PPRA and CPO's authority, two types of vendor files are used when sourcing procurements. One vendor file is used when submitting a bid to the District, another vendor file created after awarding the bid, and the two files are not reconciled. The existence of two separate data repositories creates opportunities for inconsistencies of/within vendor data.

Resolution Level

Resolution to define standards for data fields and updates to PASS/SOAR configuration would likely need to be addressed by OCP and OCFO respectively. Resolution by exempt agencies would require actions by their governing boards of directors or agency directors depending upon the agency.

Risk Definition

OCP's online property surplus disposal program is not consistently utilized across the District, which reduces potential revenue opportunities, and increases the chance for material obsolescence, and opportunities for fraud, waste, and abuse.

Financial Impact

Not all agencies throughout the District presently appear to take advantage of the OCP online property disposal auction service, potentially failing to capitalize on opportunities to meaningfully repurpose District assets or benefit from additional public sales revenue. In fact, several of the agencies were unaware of the existence of the program. Excess District property is an asset that should be monetized in a consistent and effective manner.

TABLE 4: PROGRAM REVENUE PROJECTIONS⁶

Fiscal year	Gross revenue
FY 14	\$3,804,000
FY15	\$4,420,879
FY16	\$4,032,775
FY17 (projected)	\$4,000,000 (\$2,338,000 as/of 5/31/17)

Upon further inquiry into the decrease of projected revenue for FY17, the OCP's project manager attributed the decrease to a strong emphasis to reutilize goods across the District before handing them over to the program. This is consistent with the established order of precedence for surplus property disposition.

⁶ Data provided by OCP on June 1, 2017

Control Environment

The program to recapture resources from property no longer needed by the District is relatively new, and the policy and procedures around the program have not been subject to detailed review. Additionally, the existence and details of the program do not appear to have been effectively communicated to all agencies. These factors, combined with the program's limited assigned staff, increase the risk that appropriate items are not identified for auction each year. In addition, the auction itself is managed by external third parties, which requires OCP oversight of the vendor's IT and financial controls. To help mitigate this risk, the OCP compliance unit plans to conduct periodic audits of the program.

Despite being a relatively new program, data OCP provided revealed that the number of auctions held annually for the past three years (including FY17) has increased steadily, and noted that the projection for FY17 is 4,200.

TABLE 5: NUMBERS OF OCP SURPLUS AUCTIONS ANNUALLY⁷

Fiscal year	Auction activity
FY14	3051
FY15	3,694
FY16	4,109
FY17 (projected)	4,200 (3,107 as of 5/31/17)

Economy and Efficiency

As noted above, we identified multiple agencies during our site visits that were not aware of the OCP's online property surplus disposal program. The existence of this service and its potential advantages may benefit from improved marketing and organizational awareness. Conversely, some agencies indicate they were aware of this service and had recently leveraged it to purchase a used and significantly discounted major-end item. Another agency was seeking to essentially replicate key aspects of the OCP program for their agency—until they learned of the OCP's program in the course of our site visit discussions and indicated they would investigate the program.

Fraud, Waste, and Abuse

The proper disposal of surplus property has a higher risk profile because in many instances there is limited centralized documentation that the excess property exists. Centralizing the process may increase the opportunity to maximize the recovery of the cost from the excess property, and minimize the possibility that the property is sold at discounted price. The limited staff associated with the program may also increase the segregation of duties risk.

Resolution Level

Resolution of issues related to the Program's design and execution as well as participation for agencies subject to the PPRA should be the OCP's responsibility. Exempt agencies will require action by their governing boards of directors or executive director depending upon the agency.

⁷ Ibid.

Risk Definition

Some District agencies show marked increases in fiscal year-end spending volume, potentially increasing the risk that resources are not being prudently expended.

Financial Impact

Data analysis revealed marked increases in the value of procurements processed during August and September in FY14 through FY16 for a large number of District agencies, potentially having a negative fiscal impact on the District. Total procurements for this set averaged \$111,278,000 per month from October through July in FY16, but August and September procurements totaled \$139,150,000 and \$166,963,000, respectively. While agencies may have reasonable explanations for this pattern of spending due to agency mission or seasonal activity, some of the increased year-end spending may be operationally unsupported spending of budgetary authority that could result in a negative financial impact. As shown in the tables below, we found patterns of agencies markedly increasing their spending in the months of September

TABLE 6: NUMBER OF AGENCIES WITH BUDGET SPENDING GREATER THAN 25 PERCENT IN SEPTEMBER.

September Spend > 25% by Fiscal Year		
Fiscal year	Number of agencies	Total number of agencies considered
FY14	22	89
FY15	18	89
FY16	21	92

TABLE 7: AGENCIES WITH FY16 EXPENDITURES GREATER THAN \$300,000 AND BUDGET SPENDING GREATER THAN 25 PERCENT IN SEPTEMBER.

September spend percentage analysis FY16						
Rank	Agency	Annual expenditure	Annual transaction count	September expenditure	September transaction count	September spend percent
1.	A	\$2,849,000.00	187	\$1,217,000.00	35	43%
2.	B	\$2,782,000.00	446	\$918,000.00	52	33%
3.	C	\$2,174,000.00	531	\$712,000.00	127	33%
4.	D	\$2,142,000.00	583	\$628,000.00	78	29%
5.	E	\$1,428,000.00	376	\$553,000.00	66	39%
6.	F	\$1,215,000.00	638	\$334,000.00	92	27%
7.	G	\$1,090,000.00	77	\$305,000.00	22	28%
8.	H	\$893,000.00	181	\$306,000.00	25	34%
9.	I	\$487,000.00	116	\$176,000.00	22	36%
10.	J	\$330,000.00	183	\$159,000.00	21	48%

Control Environment

According to responses to this risk assessment’s survey, 54 agencies indicated they have visibility into total spend across the agency portfolio, and the agency conducts regular structured reviews of its organizational spend. Although most agencies are reviewing spending throughout the year, there appears to be an inadequate budgeting/planning process in place to support nonpersonnel spending needs. A lack of proper oversight may be incentivizing the purchase of goods and services before they are needed or required. Each of these practices can have a markedly adverse effect on agency fiscal management. Multiple sources indicated that more deliberate consideration during the annual forecasting process is required to help improve fiscal management practices.

Increased fiscal year-end spend could also generate the need for accelerated purchasing action timelines risking potential circumvention of established policies, procedures and component safeguards.

Economy and Efficiency

Marked increases in fiscal year-end spending volume may indicate a practice of spending to budget authority without actual operational need, potentially resulting in inefficient use of District funds. According to one agency, annual needs are not truly assessed every year, but rather an operational budget is often “renewed” along with the supply forecasts from the prior year. Such practices could possibly lead to unnecessary expenditures and, ultimately, excess property.

Fraud, Waste, and Abuse

Year-end spending of budget authority could be seen as a waste of District resources depending on the circumstances of the expenditures. Deliberate focus on these transactions by someone other than the budget owner should be considered.

Resolution Level

Agency leaders working with their management team and servicing procurement staff at their respective agencies should address this risk.

Risk Definition

Inconsistent document management practices may increase the likelihood of noncompliance with established procurement procedures, resulting in an inability to validate decisions, including sole source, emergency awards, change orders, and changes to standard terms and conditions.

Financial Impact

Procurements involving sole source actions, emergencies, and change orders present higher risks and require clear documentation. Information on the volume of these types of transactions was not available in the data provided for electronic analysis. The management of the District's procurement documentation is inconsistent and significant time appears to be spent by operational and procurement staff to generate and maintain procurement documents in PASS and the District's other purchasing systems. This level of effort is compounded by the hard-copy files maintained in addition to electronic files. Similarly, inconsistent configuration practices for document retention, such as multiple agency network "shared" drives, limited standardization of folder structures, and their content may increase costs due to the additional employee time and effort required to maintain, retrieve, and review documentation of procurement decisions.

Control Environment

Per the District of Columbia Office of Contracting and Procurement Procedures Manual – 2017 revision, Section 6.2.1, Creation and Maintenance of Information and Records, contract documents must be saved in PASS and are not to be saved in other media, such as e-mail folders, shared folders, personal drives, and external drives for agencies under the CPO's authority. For agencies independent of the CPO and exempt from the CPO's authority, documentation management guidance appears limited. One agency's procurement manual outlined requirements to maintain separate files for each contract, but was not specific about the configuration format. Conversely, another agency's policies and supporting employee quick reference guide make no mention of document retention requirements except for saving receipts and related documentation for purchases. Site visits revealed that contract documents are not always uploaded into PASS timely and several agencies retain only the final contract instrument in PASS, with supporting documentation housed on agency network drives. Reportedly, access to these shared drives extends to a broad group of employees and is not limited and/or compartmentalized, thereby creating the risk of accidental or intentional misuse or deletion of documents.

One District agency's contracting personnel stated that a user cannot save documents generated by PASS from one area of the application to another unless the document is first saved externally in another system and uploaded into PASS. Other District agencies kept hard-copy contract files in addition to files accessed on shared drives and purchasing systems. For all District agencies, irrespective of procurement governance model, the failure to observe document retention protocols may impair management's ability to properly monitor document procurement decisions and actions. In addition, maintaining multiple sets of contract documentation may increase the risk of version control and require additional employee effort to properly maintain.

In reviewing our procurement survey results, on average, 78 percent of the survey respondents agreed that they accurately maintain/retain the documentation of all contracting actions in accordance with requisite guidelines. However, the methods used to accurately maintain the documentation suggest there is significant variation in how this is accomplished based upon our observations and inquiries of agency staff. There were also instances where agencies could not provide documents to support procurement or contract administration actions and decisions.

Economy and Efficiency

Managing documents throughout the procurement process appears to be a uniform challenge across the District. The current practice of storing various documents on multiple network shared drives with a limited file structure and naming conventions may adversely impact agency efficiency and employee interoperability.

Fraud, Waste, and Abuse

Current document management practices create a risk for fraud, waste, and abuse. The lack of uniformity makes management and oversight of the function much more difficult. In addition, potentially unsecure storage methods, such as saving documents on open access network shared drives, could leave agency programs vulnerable to data theft, destruction, or unauthorized modifications to contract documents. These same risks apply to hard-copy files, because these are portable and easy to confiscate or destroy. In addition to the inefficiencies noted above, the lack of configuration control over file naming conventions and folder structures contributes to opportunities for misuse.

Resolution Level

Enforcing the existing standard would be at the OCP level for agencies under the OCP's authority and at the governing boards or executive level for agencies exempt from the OCP's authority. If the standard became uniform across all District agencies, resolution would be at the Executive Office of the Mayor level.

Rules and Regulations

Risk Definition

The multiple procurement governance structures in place may increase opportunities for compliance risk and operational inefficiency across District agencies.

Financial Impact

Multiple models govern the procurement practices of the District’s component agencies but most agencies are mandated to follow the policies, procedures, and direction of OCP. The following chart shows the governance models and how many District agencies are under each model:

TABLE 8: DISTRICT PROCUREMENT GOVERNANCE ARRAY⁸

Agencies subject to the PPRA and OCP authority	Agencies subject to the PPRA and independent from OCP authority	Agencies exempt from the PPRA and OCP authority	Limited applicability of the PPRA and exempt from OCP authority
64	13	11	1

Despite the procurement authority afforded to select agencies under current District rules and regulations, some independent and exempt agencies often leverage not only OCP guidance in their own policies and procedures, but also the Office’s training courses for its employees. While such actions may generate a positive financial impact through cost savings, other practices by exempt and independent agencies may not. For example, some agencies have sought to hire external parties to provide CA training and assist with property disposal efforts by conducting their own public auctions of obsolete agency assets because they were unaware of OCP’s in-house online auction initiative. An agency that has previously used a third-party auctioneer for disposing of used vehicles, but will now reportedly consider using the OCP auction service instead.

Control Environment

The multiple procurement governance arrangements presently in use may inherently increase control risk across the District.

Currently, District agencies fall under one of four governing models: namely, agencies subject to the PPRA under OCP’s authority; agencies subject to the PPRA but not the authority of OCP; agencies exempt from the PPRA and the OCP’s authority; and those afforded limited applicability under the PPRA and OCP’s authority.

⁸ Sources included survey responses augmented by the District agency procurement authority listing dated 12/3/13.

While most of the control documentation across these entities addressed a similar set of topics, some agency guidance appears to provide broader or narrower mandates on certain topics. For example, agency guidance around types of contracts, procedures for small purchases, and circumstances warranting sole source procurements are addressed in detail by most District agency directives. One independent District agency in particular had a more detailed policy on cost and price analysis than other agencies under other governance arrangements. In addition, due to the perceived risks by one agency, leadership took the initiative to develop targeted checklists to help reinforce internal policies for overseeing contract administration staff.

Additional District regulations (District Home Rule Act, D.C. Code and Title 27 District Municipal Regulations) also play a role in governing the procurement functions of District agencies:

- The District Home Rule Act includes a selected view of purchasing, covering various topics, such as small businesses, special rules regarding contracts, and the independent authority of select agencies.
- The D.C. Code is a codification of all District of Columbia laws, which include laws relating to procurement authority, practices, organization, source selection, and contract formation.
- Title 27 District Municipal Regulations provides a more detailed treatment across a number of procurement topics.

These multiple sets of regulatory directives are uniformly applicable to certain sets of agencies or to select agencies individually to varying degrees. As noted above, the PPRA governs procurement activities for the majority of District agencies. Exempt agencies not bound by the PPRA, however, appear to be charged under various elements of the D.C. Code to craft their own policies and procedures to help manage their procurement needs. Rather than acting at the direction of OCP as in the most common governance model, exempt agency procurement practices are subject to the mandates of a governing board or the direction by a Chief Contracting Officer (CCO) (often in the form of a chief executive). These governing differences appear to generate multiple procurement control environments across the District for essentially the same operational process. The resulting lack of uniformity in these rules and regulations increases the likelihood of non-compliance across the District.

Agency responses to our procurement survey indicated that several agencies maintain customized policies and procedures that are updated every three years and that highlight agency-specific control activities. The bulk of District agencies indicated they follow the guidance promulgated by OCP.

Economy and Efficiency

Opportunities for economies of scale and potential operational efficiency in procurement practices are impacted by the current governance models in use.

As discussed previously, several District agencies afforded autonomy from OCP, the PPRA, or both often reportedly leverage or seek to leverage elements of OCP's policies and procedures for guidance and training courses for their own employees. Even though not mandated, this practice can potentially result in broader efficiencies across the District given the resulting alignment of policies and supporting procedures and associated operational procurement practices.

Another potential inefficiency involves the multiple procurement technology applications employed by District agencies that are independent from the CPO's authority and exempt from the PPRA and CPO's authority. We observed that the procurement systems in use by these agencies have operational or programmatic as well as procurement functionality. The PASS application conversely is oriented solely on purchasing. Applications other than PASS also have various limitations in terms of supplier management and document retention, requiring independent and exempt agencies to leverage other applications for these purposes or rely on manual workarounds to complete procurement-related tasks (supplier listings, etc.). Overall, active use of multiple types of procurement systems creates potential inefficiencies in terms of system maintenance, employee training, and data integrity.

Fraud, Waste, and Abuse

Most District agencies appear to have policies on managing organizational conflicts of interest. The OCP Procurement Procedures Manual, Section 2.4.3, RFP Evaluation Process requires completion of conflict of interest statements as part of each Request for Proposal (RFP) evaluation team. Other exempt agencies also have conflict of interest statements in their policies to help prevent breaches of ethical standards when contracting for goods, services, and construction.

To protect District employees from retaliation in the event of observing unethical and illegal activities in the workplace, District government has a whistleblower statute in effect for employees under Title 1, Chapter 6, Subchapter XV-A, Whistleblower Protection, of the D.C. Code. While reviewing responses to our procurement survey, 22 percent of respondents to the whistleblower question claimed that they did not have a means to report unethical or illegal activities.

Based on the procurement survey responses, some District agencies indicated they have policies, procedures, and training programs to understand fraud risks throughout the procurement process. Most agencies under the PPRA and OCP's authority report to have/undergo procurement fraud risk training, but reportedly differ in how frequently such training is offered (annually, every three years, etc.). A majority of agencies under the PPRA and OCP's authority indicated they have a dedicated team to review allegations of misconduct and follow up to resolve such incidents.

Resolution Level

As overall procurement governance sets the tone at the top for District agency purchasing, resolution of component issues and impacts in this risk area would likely be at the Executive Office of the Mayor and City Council levels.

Structure

Risk Definition

Current forecasting practices across the District may result in lost opportunities for more competitive sourcing and, ultimately, pricing - potentially increasing the District's total non-personnel spend.

Financial Impact

District agencies under the PPRA and CPO's authority participate in an annual forecasting process during which individual agencies capture and submit their planned procurements for the coming fiscal year. These inputs are captured in the OCP Acquisition Planning Tool (OAPT) and then reviewed by OCP with each agency cluster. While helpful in capturing individual agency procurement planning information, the current process appears to stop short of data aggregation or follow-on analysis. For the independent and exempt agencies, there appears to be limited annual forecasting or deliberate advanced planning for future procurement efforts. The absence of a collective forecasting and sourcing process may result in lost opportunities for meaningful cost savings for like good and service acquisitions throughout the District.

Control Environment

District agencies under the PPRA and OCP's authority follow a sourcing priority that starts with using existing inventory, leveraging existing citywide contracts, referencing the District of Columbia Supply Schedule (DCSS), using cooperative agreements from other states and cities, requesting bids through the General Services Administration (GSA) Schedule, and, ultimately, seeking competitive proposals and bids through RFP and invitations for bids (IFBs). Bidding opportunities are posted on the OCP's (and independent/exempt agency) websites for vendor and public access in an effort to promote competition. Independent and exempt agencies employ other various sourcing outreach. One independent agency is very aggressive with communicating opportunities to potential vendors. In addition to e-mailing upcoming bids to vendors, it advertises in a number of local newspapers to generate supplier interest.

When possible, District agencies reportedly issues service contracts with a base year and up to four option years to help secure vendor support and more favorable pricing. Options in multiyear contracts require similar vendor due diligence measures (such as verifying CBE certification status and filing and payment of District taxes) prior to original contract award in order to extend such contracts. Challenges to this process are the extensive use of manually maintained spreadsheets and e-mail calendar alerts to monitor re-compete and renewal time lines and milestones. Such practices may hinder the ability to collectively and uniformly forecast and plan procurement needs and might account for the volume of expedited purchasing actions and high volumes of year-end annual spend.

Economy and Efficiency

District agencies do not appear to employ formal forecasting and, ultimately, sourcing practices to help plan and streamline their procurement activity. The OAPT is intended to help capture planned future purchases throughout the fiscal year and help minimize the need and frequency of unplanned purchases. CPO staff plan and facilitate briefing sessions to assist relevant agency leaders in completing the OAPT exercise. These sessions provide orientation or updates to the process and communicate changes to the OAPT application from the previous year's effort, etc. Despite this planning and outreach effort, a large volume of unplanned purchases reportedly still occurs each year with greater frequency during the last quarter of the fiscal year. For example, in FY16 the volume of unplanned purchases for agencies using

the PASS application totaled approximately 46% of annual spend.⁹ For some agencies, the OAPT process is viewed as an acquisition “wish list” rather than a deliberate planning tool to more accurately forecast annual procurement needs.

Select agencies with more specialized requirements are reportedly challenged to identify and engage CBEs suitable for their specific program’s needs. One agency that was very familiar with the local market knew that no CBEs possessed the skills necessary for their needs. This agency still had to follow the entire CBE compliance process, even though its procurement staff almost always requested waivers for vendors offering these specialized services. In cases like this, it may be more advantageous to exempt the agency from following the CBE compliance process when it is difficult to source CBE-registered business for niche procurements.

Awareness and use of some District-wide contract vehicles is inconsistent across agencies. For example, one agency CO discussed the use of a citywide IT staff augmentation contract CW46503 entitled “Pipeline” to provide IT staff on programs. We later mentioned this contract vehicle to an exempt agency procurement manager who had reportedly engaged 11 different IT service vendors for similar needs.

We noted some creative actions by one specific agency to consolidate sourcing for a common operational need. This agency solicited and negotiated for copier services for all its various operating locations, reportedly reducing the costs of this shared need. Another agency aggressively uses the DCSS, co-op agreements, other local government agreements, and the GSA Schedule contracts to source vendors and get the best prices possible for their procurements. This agency’s tactic has helped increase the amount of vendors and competition when sourcing procurements. Similar approaches, applied across multiple agencies for other goods and services needs, could represent an opportunity for potential savings increases for the District.

Wide use of the DCSS as a sourcing mechanism also has other implications. Vendors providing goods and services as part of the DCSS incur a one percent service charge of their quarterly sales volume. OCP currently manages this remittance process and associated funds are reportedly reflected in the District’s general fund. (This revenue figure reportedly totaled approximately \$418,467 for FYs 2015-2016.) It appears that OCP spends significant labor hours calculating the obligations for each vendor, billing and collecting the funds from vendors, and overseeing vendors’ quarterly report submissions. This responsibility is reportedly challenging for OCP to administer.

One independent agency is reportedly considering the acquisition of a procurement planning software application to track potential procurement actions beginning with identification of potential need. By using such efforts to support more deliberate forecasting and consequently more meaningful planning, operational program offices may actually benefit from fostering better relationships with their procurement staff since more purchasing actions would already be planned and scheduled.

Considering responses to the procurement survey, approximately 14 percent of survey respondents, mostly under the PPRA and OCP’s authority, rated themselves as inadequate or basic with regard to the transparency of their purchasing forecast practices. Similar feedback indicates that competition may not be maximized under current sourcing practices and that there is no real formal approach to supplier segmentation or diversification of agency supplier bases.

Fraud, Waste, and Abuse

Opportunities to help reduce the potential waste in this area appear to be concentrated in identifying opportunities to group like agency needs, negotiate competitive pricing, and provide the vendor community additional transparency into upcoming procurements. Such actions may allow existing or potential vendors to better plan their contracting pursuits and generate additional vendor competition. A

⁹ Data provided by OCP on May 22, 2017 from the Office of the Chief Technology Officer (OCTO) on the purchase orders issued, District-wide, (for those agencies using PASS) during FY16. Data is comprised of OAPT figures (representing forecast spend), OPIF numbers (unforecasted spend) and no OAPT or OPIF numbers (presumed to be unforecasted spend).

common approach to forecasting and a collective sourcing strategy could help aggregate similar agency purchasing needs and provide increased pricing leverage, potentially limiting wasteful spending. A more collective sourcing approach might help provide a comprehensive view of the District's purchasing needs, allowing consolidation of common goods and services into like purchases, potentially allowing for volume discounts and reducing the number of contracts administered.

Resolution Level

Enforcing this standard would be at the OCP level for agencies under the PPRA and OCP's authority and at the executive director level for agencies independent from OCP's authority or exempt from the PPRA and OCP's authority.

Risk Definition

Organizational structures in place, including positioning and staffing for District procurement functions, may blur actual lines of authority and adversely impact the control environment and operational efficiency.

Financial Impact

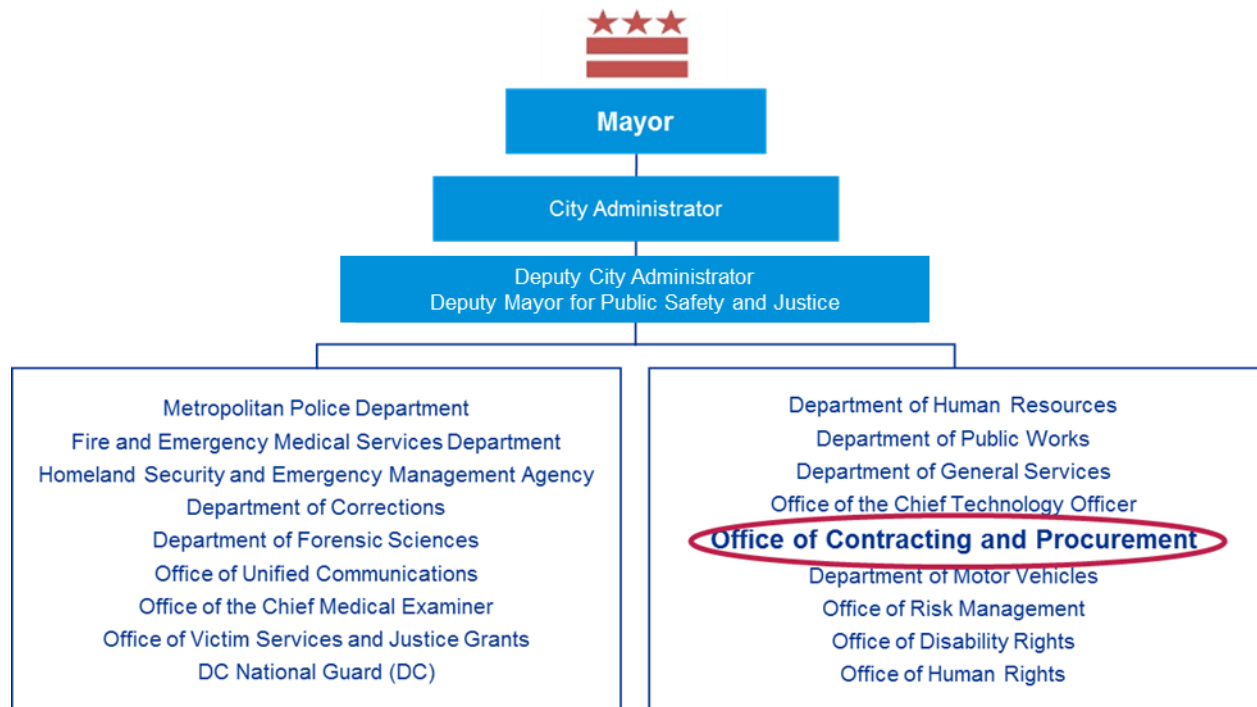
Procurement personnel support of District agencies can vary due to the different organizational structures in place at agencies. Purchasing of the agencies analyzed ranged from 36 agencies with less than \$1,000,000 per year, to 46 agencies with between \$1 million and \$50 million to 10 agencies with more than \$50 million.

Control Environment

OCP's position within the organizational structure of the District government may contribute to the variations in procurement execution. Currently, OCP reports to the Deputy City Administrator Deputy Mayor for Public Safety and Justice cluster. This appears to classify the CPO at a level equal to most District Agency heads. The consequent perception of this level of authority within the executive organizational structure may create conflict around execution and/or resolution of potential sensitive or higher visibility acquisition actions. The OCP's organizational position does not appear to correspond with its authority over a broad set of procurement activity District-wide.

The following excerpt of the District's organizational chart depicts OCP's current reporting relationship with other District agencies:

FIGURE 1: DISTRICT ORGANIZATIONAL CHART (EXTERNAL)¹⁰



¹⁰ Mayor.dc.gov

Assigned staffing complements and supporting organizational structures differ for procurement functions across agencies throughout the District. Smaller agencies are sometimes supported with one CO located in the OCP's office that is shared with other agencies. For larger agencies under this governance arrangement, there is often a team of procurement personnel deployed at the supported agency (e.g., sets of COs and contract specialists (CSs)) that operate under an agency CCO or procurement manager. The inherent risk associated with assigning a sole contracting resource to remotely support a smaller agency may result in less awareness and insight into the agency's procurement needs. Conversely, contracting staff colocated with program staff in supporting a larger agency may risk not maintaining an appropriate degree of professional distance from agency management.

For most District agencies, procurement support is performed by District employees. One agency, however, engaged an outside vendor providing capital program procurement support. This arrangement was recently terminated and the agency added organic and contract staff to perform its construction procurement internally. This organizational change requires establishment of a control environment framework where one previously did not exist. Additionally, depending on the size and transactional volume of the agency, some District agencies have their own in-house internal audit and compliance departments. These departments assist executive leadership in monitoring all of the operational areas of the agency, including procurement.

Patterns for delegating purchasing authority vary across District agencies. During our site visits, one agency in particular stood out for delegation of authority. Usually, purchase requisitions are generated by a user or request, approved by a supervisor with some level of delegated authority, and then approved by a budget employee before releasing funds. For this agency, the agency director reportedly personally approves every requisition, regardless of the amount.

This range of staffing structures in place throughout the District may create certain challenges related to functional spans of control over the number of direct reports management and team leaders supervise. Such conditions coupled with various types of specialization, such as capital and noncapital purchases, specific areas of category focus, and the like, may create organizational challenges.

Supporting organizational structures for procurement functions are also influenced by the governance arrangement of the supported agency. For agencies under the PPRA and OCP's authority, most of the smaller agencies with more modest procurement needs were supported by contracting personnel located at OCP headquarters. Larger agencies with greater budgets and procurement volume often have contracting personnel located in the agencies. Independent agencies house procurement personnel at agency headquarters, with some capital-intensive agencies having contracting personnel posted at select agency offices. Exempt agencies housed most of their contract personnel at the agency headquarters. The resulting control environment may be stronger when all contracting personnel are housed together, but the benefits of close agency working relationships may be lost. Conversely, colocation with the supported agency can foster a better understanding of the agency's needs, but potentially with less associated control.

The table below displays the differences of District contracting personnel staffing by procurement arrangement:

TABLE 9: DISTRICT CONTRACTING PERSONNEL BY STAFFING AND PROCUREMENT GOVERNANCE CATEGORY

Procurement governance category	Smaller agencies PPRA and CPO	Smaller independent, exempt agencies	Larger PPRA and CPO and Independents with specialized needs	Larger PPRA and CPO, independents, and exempt agencies
Staffing complement	One contracting resource supporting multiple agencies remotely	One contracting resource supporting one agency (collocated with the supported agency or supported remotely from OCP)	Multiple contracting personnel (CCO, CO, CS etc.) co-located with supported agency	Multiple contracting personnel managing goods and services and/or capital requests at one agency/agency field sites

Economy and Efficiency

As discussed above, procurement staff are generally deployed under two different physical arrangements: collocation at the supported agency or supporting from OCP. Both models have a number of potential impacts on process economy and efficiency. For example, collocation of contracting personnel at the agency site may facilitate better planning, forecasting, contract execution and management with agency programs. Remote support may provide for more control over procurement functions but potentially at the expense of developing a first-hand understanding of their operations. Not having an OCP resource at the supported agency may also cause operational personnel to seek to perform or expedite procurement efforts on their own instead of adhering to established procedures.

Another aspect to consider is the potential impact of contracting personnel becoming habitually associated with specific agencies or programs. Continually focusing on the same agency or program may promote a degree of specialization for the procurement resource(s) and, ultimately, enhanced operational support. Conversely, such an arrangement may limit the professional development of procurement staff and their overall knowledge of the District’s procurement process. A rotation schedule taking advantage of natural staff advancement and attrition may help expand employee knowledge and provide the subject procurement function irrespective of governance arrangement with more interoperability. Finally, procurement personnel that support multiple agencies may be overworked, where some of the larger agencies may have some staffing redundancy and depth.

Fraud, Waste, and Abuse

The nature of the staffing model can impact potential exposure to fraud, waste, and abuse. Posting contracting staff at agency sites or having such organic assets in-house may create opportunities for improper influence. Less direct oversight by management knowledgeable of procurement regulations could result in failure to properly observe more junior staff's adherence to requisite policies and procedures. Similarly, over-identification with the supported agency and with the component departments or programs may result in a working environment where one is encouraged or even expected to expedite procurement actions outside established norms to compensate for inadequate operational planning and associated forecasting on the part of the agency. This could lead to circumventions of compliance requirements and result in less vendor competition, higher procurement costs, and legal exposure.

Resolution Level

Resolution would be at the OCP level for agencies under the PPRA and OCP's authority and at the agency director level for agencies independent from OCP or exempt from the PPRA and OCP's authority. Escalation of OCP to a higher level within the District's organizational structure would require resolution by the Mayor and potentially the City Council.

Risk Definition

Meaningful oversight of District vendors and their delivery of goods and services may not be consistent across District agencies.

Financial Impact

Based on our review of the procurement data, the District procured goods and services from approximately 6,300 different vendors in FY 2016. Given the size of the population of vendors, inadequate vendor oversight can create significant financial risk depending upon contract value and the complexity of the goods or services purchased. Poor vendor oversight practices can result in the District not getting the value paid for and, depending upon the nature of the service arrangement, can result in lost revenue, excess expenses, and contract disputes.

Control Environment

Marked variances between CA oversight practices across/within agencies may result in inconsistent monitoring controls over the successful vendors in the procurement process. Based on interviews with multiple agencies, several individuals indicated having an issue with the lack of well-trained operational professionals tasked with oversight responsibilities. The policies and practices many District agencies observed reportedly include mandatory formal training of those employees charged to oversee third-party service providers. The most common measure is completion of the OCP training course, but some agencies indicate they seek to augment this session with local training events to address specific agency policies and procedures.

Several agencies that we interviewed indicated a lack of procurement awareness among key personnel related to responsibilities for vendor oversight. The level of knowledge among key personnel (primarily operational/program employees) tasked with procurement responsibilities varies. Some contracting staff shared that District/agency procurement processes are often not well understood. These employees often lack fundamental training on procurement “control basics” essential to satisfying their related responsibilities. One agency official commented that professionals should first learn fundamentals of procurement, such as basic terminology before attending contract administration courses. To address this concern, one agency has designed and delivers an “Introduction to Procurement” course for staff identified to perform any role in its procurement activities.

According to OCP’s current policy, subsection 4.1.3 entitled Contract Administrator Responsibilities, “the CA has the primary responsibility to monitor the performance of the vendor during the period of performance. However, it is critical that the CO and Contract Specialist be apprised of all developments, copied on status reports, and invited to key meetings as OCP plays a more active role to ensure work is adequately performed and that prime vendors are appropriately using subcontractors and meeting utilization goals.” Multiple COs shared that their agencies’ program staff members struggle with this aspect of their duties and often do not properly maintain (or make available) key elements of contract files to help support CCO, CO and CS responsibilities.

We also noted instances where CS practices were inconsistent in how projects were monitored between contract award and closeout. We were told that procurement personnel were not involved during project execution unless there was a need for a change order or other procurement action.

Uniform procedures for vendor evaluation was a risk heard during our fieldwork. Given the size of the population of vendors used by the District, a risk-based approach should be used to guide the vendor monitoring effort. At one agency, the CO’s main concern was vendor performance for contracts under \$100K—since reportedly robust evaluation procedures are not in use. Although there are more robust

procedures in place to monitor vendor performance for higher dollar value contracts, these procedures do not appear to be well documented for contracts of lesser value. There does not appear to be a risk-based protocol in place that considers the volume of goods and services in the vendor relationship, prior track record with the vendor, complexity of the goods or services being purchased, and dependency of the District on the vendor.

Furthermore, lack of timely updates/posting of procurement documentation in the agency’s servicing purchasing system makes effective assessment of vendor oversight practices more difficult. Most agencies use the PASS system for procurement workflow, and it is the responsibility of the CA to maintain the contract file whether it be in PASS, another servicing IT application, or in hard-copy form. As noted above, CAs sometimes fail to post required reports/contract documentation in a timely manner (see “Document Management” section for additional details).

Additionally, controls over an agency’s vendor community are critically important. Too many or too few vendors (fragmentation versus concentration) may create different types of risks. The high volume of vendors engaged by some agencies can potentially lead to increased operational costs due to the need for more contract oversight. Such a condition may inordinately generate needs beyond contract oversight personnel, such as warehousing space and additional resources devoted to materials management, thereby adding to operational costs. Failure to aggressively manage a vendor population can potentially lead to lost opportunities for supplier consolidation and more advantageous pricing to the agency. The table below represents where monitoring and management becomes much more critical due to a high volume of vendors

TABLE 10: TOP TEN AGENCIES WITH MOST VENDORS IN FY16

Agency	Number of vendors	Total spend per agency	Average spend per vendor
1	4,831	\$80,382,789	\$16,639
2	858	\$107,812,957	\$125,656
3	752	\$63,510,081	\$84,455
4	495	\$63,679,513	\$128,646
5	458	\$58,373,858	\$127,454
6	338	\$325,411,934	\$962,757
7	247	\$22,738,668	\$92,059
8	234	\$31,815,025	\$135,962
9	219	\$131,314,883	\$599,611
10	213	\$32,741,687	\$153,717

On the other hand, an insufficient number of vendors may possibly lead to reduced competition and increased costs of goods or services. Further, an agency may not be getting the best value for money spent due to limited competition. The table below represents the top ten agencies in the District that use limited vendors to provide goods and services.

TABLE 11: TOP TEN AGENCIES WITH LEAST NUMBER OF VENDORS IN FY16

Agency	Number of vendors	Total spend per agency	Average spend per vendor
1	1	\$36,850	\$36,850
2	1	\$36,521	\$36,521
3	1	\$3,907,982	\$3,907,982
4	1	\$2,005,079	\$2,005,079
5	1	\$9,184,144	\$9,184,144
6	1	\$9,500	\$9,500
7	1	\$2,428	\$2,428
8	1	\$60,000	\$60,000
9	1	\$10,000	\$10,000
10	2	\$198,398	\$99,199

Economy and Efficiency

Inadequate vendor oversight can create risk that the District is not getting what it is paying for, resulting in the inefficient use of resources, a need for rework, or program delays.

Since most District agencies are subject to the PPRA and the CPO's authority, clear guidance over vendor management exists in current OCP policies/procedures. Although some District agencies are independent from the PPRA and CPO's authority, the majority appear to align their agency policies and procedures with the PPRA and OCP on this topic. Such practices may result in broader efficiencies across the District given the resulting alignment of policies, supporting procedures, and associated operational practices.

Conversely, we noted instances where independent agencies have generated detailed supplemental guidance on oversight activities, such as vendor evaluation, not as detailed in OCP's Procurement Procedures Manual. For example, one agency indicated it was in the process of implementing an online vendor evaluation system intended to help reduce performance risk when considering existing vendors for future agency solicitations.

Fraud, Waste, and Abuse

Inadequate vendor management practices across/within agencies may create opportunities for FWA. If the vendor knows they are not being monitored for contract performance, there is an opportunity to take advantage of the District. Even though most agencies insist upon nonhabitual relationships between contract and program staff, there is a risk that a CS may have an existing relationship with a vendor. The risk associated with program managers increases for longer-term contracts, and CA/vendor relationships should be evaluated on a periodic basis to identify any conflicts of interest.

Responses to the risk assessment survey revealed that some form of fraud risk training related to procurement risk areas, such as conflicts of interest with the vendors subject to oversight, is offered at least once every three years and in some cases annually. In many instances such training, while reportedly offered, is not considered mandatory for agencies subject to the PPRA and under the CPO's authority. Further, a majority of respondents indicated that their agency has and observes a formal documented process to help prevent nepotism and conflicts of interest.

According to an interview at one agency, there is a concern of FWA due to the high reliance on staff augmentation. For example, since contractors are issued government laptops and some have broad access to agency/District networks, there is a concern that sensitive agency information may not be properly safeguarded.

Resolution Level

Independent/exempt agency heads and OCP for agencies under PPRA/OCP authority would likely be required to set and enforce policy to address this issue.

Appendices

Appendix A:
District Agencies
Subject to
Title 27 DCMR

District agencies subject to Title 27 DCMR

To supplement the governance summary in this report, the following table identifies District agencies subject to Title 27 of the DCMR.

TABLE 12: DISTRICT AGENCIES SUBJECT TO TITLE 27 DCMR

Agency	Governance category	Subject to 27 DCMR/Other
Department of General Services	Under PPRA & Independent of OCP	Yes
Department of Health	PPRA & CPO	Yes
Department of Health Care Finance	PPRA & CPO	Yes
Department of Housing and Community Development	PPRA & CPO	Yes
Department of Human Resources	PPRA & CPO	Yes
Department of Human Services	PPRA & CPO	Yes
Department of Insurance, Securities and Banking	PPRA & CPO	Yes
Department of Motor Vehicles	PPRA & CPO	Yes
Department of Parks and Recreation	PPRA & CPO	Yes
Department of Public Works	PPRA & CPO	Yes
Department of Small and Local Business Development	PPRA & CPO	Yes
Department of Youth Rehabilitation Services	PPRA & CPO	Yes
Department on Disability Services	Under PPRA & Independent of OCP	Yes
District Department of Transportation	PPRA & CPO	Yes
District of Columbia Fire and Emergency Medical Services Department	PPRA & CPO	Yes
District of Columbia Housing Authority	Under PPRA & Independent of OCP	Yes
District of Columbia Housing Finance Agency	Exempt	Other
District of Columbia Judicial Nomination Commission	Exempt	Other
District of Columbia Public Charter School Board	Limited	Other
District of Columbia Public Library	Under PPRA & Independent of OCP	Yes
District of Columbia Public Schools	Under PPRA & Independent of OCP	Yes
District of Columbia Public Service Commission	Under PPRA & Independent of OCP	Yes

Agency	Governance category	Subject to 27 DCMR/Other
District of Columbia Retirement Board	Under PPRA & Independent of OCP	Yes
District of Columbia Water and Sewer Authority	Exempt	Other -
Executive Office of the Mayor	PPRA & CPO	Yes
Events DC	Exempt	Other
Homeland Security and Emergency Management Agency	PPRA & CPO	Yes
Mayor's Office of Veterans Affairs	PPRA & CPO	Yes
Mayor's Office on Asian and Pacific Islander Affairs	PPRA & CPO	Yes
Mayor's Office on Latino Affairs	PPRA & CPO	Yes
Metropolitan Police Department	PPRA & CPO	Yes
Not-for-Profit Hospital Corporation	Exempt	Other
Office of Administrative Hearings	PPRA & CPO	Yes
Office of Cable Television, Film, Music, and Entertainment	PPRA & CPO	Yes
Office of Campaign Finance	PPRA & CPO	Yes
Office of Contracting and Procurement	PPRA & CPO	Yes
Office of Disability Rights	PPRA & CPO	Yes
Office of Employee Appeals	PPRA & CPO	Yes
Office of Human Rights	PPRA & CPO	Yes
Office of Labor Relations and Collective Bargaining	PPRA & CPO	Yes
Office of Planning	PPRA & CPO	Yes
Office of Police Complaints	PPRA & CPO	Yes
Office of Risk Management	PPRA & CPO	Yes
Office of the Advisory Neighborhood Commissions	Exempt	Other
Office of the Attorney General for the District of Columbia	Under PPRA & Independent of OCP	Yes
Office of the Chief Financial Officer	Under PPRA & Independent of OCP	Yes
Office of the Chief Medical Examiner	PPRA & CPO	Yes

Agency	Governance category	Subject to 27 DCMR/Other
Office of the Chief Technology Officer	PPRA & CPO	Yes
Office of the City Administrator	PPRA & CPO	Yes
Office of the Deputy Mayor for Education	PPRA & CPO	Yes
Office of the Deputy Mayor for Greater Economic Opportunity	PPRA & CPO	Yes
Office of the Deputy Mayor for Health and Human Services	PPRA & CPO	Yes
Office of the Deputy Mayor for Planning and Economic Development	PPRA & CPO	Yes
Office of the Deputy Mayor for Public Safety and Justice	PPRA & CPO	Yes
Office of the District of Columbia Auditor	Exempt	Other
Office of the People's Counsel	Under PPRA & Independent of OCP	Yes
Office of the Senior Advisor	PPRA & CPO	Yes
Office of the State Superintendent of Education	PPRA & CPO	Yes
Office of the Tenant Advocate	PPRA & CPO	Yes
Office of Unified Communications	PPRA & CPO	Yes
Office of Victim Services and Justice Grants	PPRA & CPO	Yes
Public Defender Service for the District of Columbia	Exempt	Other
Public Employees Relations Board	PPRA & CPO	Yes
Real Property Tax Appeals Commission	PPRA & CPO	Yes
University of the District of Columbia	Under PPRA & Independent of OCP	Yes
Washington Metropolitan Area Transit Commission	Exempt	Other

Appendix B: Project Approach

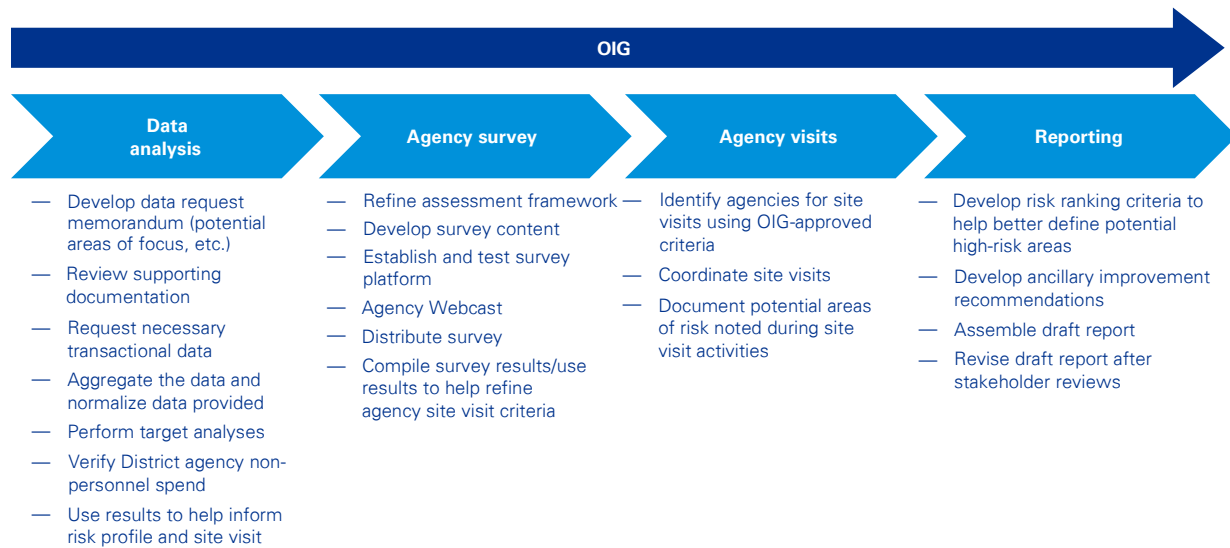
Project Approach

The three phases of this assessment are summarized as follows:

- **Phase one: Project initiation and data gathering** – Phase one consisted of a program initiation, documentation review, analysis of agency spend data using analytic techniques, and an agency self-assessment survey. The survey allowed agencies to provide responses evidencing their current procurement-related practices as well as supporting documentation to help substantiate their responses.
- **Phase two: Fieldwork** – Phase two consisted of agency on-site visits, including functional data gathering, assessment of process level risks, identification of preliminary risk observations, and refinement and validation of risk observations.
- **Phase three: Reporting** – Phase three entailed generating focus areas from the observations noted in the course of Phase two fieldwork.

FIGURE 2: KEY PROJECT STEPS

Presented below in Figure 2 are the key steps of the project:



Data analysis

We obtained the District of Columbia’s Annual Operating Budget and Capital Plans (CFO Budget Book) for fiscal years 2014, 2015, and 2016 and the schedules of nonpersonnel services funding spent by each agency for the past three fiscal years and reconciled the information to the list of agencies included in the scope of this assessment.

We obtained data from the District’s PASS and SOAR systems as well as select data from the purchasing and financial systems of non-PASS/SOAR users seeking to develop a series of routines that sought to gauge specific procurement-related attributes as outlined in the table below.

TABLE 13: DATA ANALYTICS ROUTINES

Routine reference	Routine title	Routine objectives/description
1.	Total Procurement Expenditures by Agency	Aggregates all expenditures by agency and fiscal year.
2.	Total Monthly Expenditures by Agency	Calculates monthly expenditures for each agency. This routine can be used to determine the months with the highest expenditures as well as target agencies that may be abusing spending during certain months.
3.	September Spend Percentage by Agency	Identifies agencies with a majority of budget spending in September.
4.	Commodity Analysis	Identifies commodity concentration by agency.
5.	Vendor Concentration	Calculates the vendor concentration risk by totaling annual vendor expenditure.
6.	Different Supplier Address: PASS v. SOAR	Identifies transactions in which the supplier address in SOAR differs from that in PASS.
7.	Segregation of Duties: VOs	Checks for matching user IDs for both the VO creator and approver roles.
8.	Duplicate Invoices	Identifies duplicate invoices from vendors where the following data elements are identical: Vendor, Invoice #, Amount, and Date
9.	Whole Number Amounts	Identifies all transactions with whole number denominations.

Agency survey

We constructed a survey self-assessment instrument using procurement function leading practice attributes. The resulting agency survey focused on agency governance, strategic sourcing, operational procurement, supplier relationship management, supporting the IT environment, and potential procurement fraud areas. We reviewed the survey responses provided by agencies and considered any supporting documentation provided. We grouped survey responses in specific categories based upon a perceived level of agency maturity against the attributes of the framework.

These criteria were used to categorize agency responses into four main categories for ease of analysis:

- **Insufficient:** Attribute does not appear to meet the basic requirements to properly manage risk to the agency.
- **Basic:** Attribute appears to satisfy the minimum standard to remain in line with the requirements of internal and external stakeholders; however, the attribute is not considered a leading practice and improvements should be considered.
- **Mature:** Attribute appears to operate in line with industry standards but could be improved.

- **Advanced¹¹**: Attribute demonstrates practices or characteristics as a strategic tool to support the agency and exhibits leading practices.

Agency site visits

In order to help identify and prioritize agency site visits, we utilized the outputs of the data analysis, individual agency survey responses, and the supporting documentation received in support of the agency survey responses, as well as the OIG’s prior experience. For the site visit selection criteria, we employed the following:

- **Survey score**: Agencies’ responses were scored using a point system based upon factors such as self-assessed maturity levels and strength of the supporting evidence provided.
- **Vendor fragmentation**: Ranked agencies by the least amount of vendors under contract to the most vendors under contract.
- **Agency nonpersonnel total spend**: Ranked agencies from those having the lowest amount of total yearly spend to those having the highest amount of total annual spend.
- **Agency nonpersonnel fiscal year-end spend**: Ranked agencies based on their nonpersonnel spending in August and September as a portion of the total annual nonpersonnel spend.

Professional judgment based on past experience was also used when rating the agencies.

The table below outlines a summary of these criteria.

TABLE 14: CRITERIA FOR SITE VISIT PRIORITIZATION

Modified self-assessment survey score	Agency self-assessment survey score with modifications applied for no or inadequate supporting documentation.
Vendor fragmentation	Number of agency vendors.
Total agency spend	Total agency nonpersonnel expenditures (FY14, FY15, and FY16).
Total agency spend in August and September	Total agency nonpersonnel expenditures in August and September (as a percentage of total nonpersonnel expenditures).
OIG assessment	Qualitative factors as determined by the OIG not captured through the criteria listed above.

¹¹ Term relates to self-assessment only.

The agencies were separated into four groups by procurement governance model, three of which are reflected below. The agencies that were selected for site visits are as follows:

TABLE 15: SITE VISIT SELECTION

Governance arrangement	Agency title
Agencies under PPRA and OCP	<ul style="list-style-type: none"> — Department of Corrections — Department of Energy and Environment — Department of Parks and Recreation — Department of Public Works — Department of Youth Rehabilitation Services — Office on Aging — Office of Chief Technology Officer
Agencies subject to PPRA and independent from OCP	<ul style="list-style-type: none"> — Department of General Services — Child and Family Services Agency — DC Housing Authority — DC Public Schools — University of DC
Agencies exempt from PPRA and OCP	<ul style="list-style-type: none"> — DC Water & Sewer Authority — Washington Convention and Sports Authority

Reporting

We organized this report in the following manner:

- **Executive summary:** Summarizes the key observations from the work conducted and the risk assessment execution procedures performed.
- **Risk areas:** Each risk area discussion begins with a purpose/introduction section that provides some background of the topic. We then discuss each risk in the context of the risk evaluation criteria and the analysis performed in the course of fieldwork.
- **Appendices:** We include multiple appendices at the end of this report offering more details supporting our analysis and areas for additional OIG consideration, such as:
 - **Appendix A: District agencies subject to Title 27 DCMR:** Contains a listing of District agencies subject to Title 27 DCMR.
 - **Appendix B: Project approach:** Provides orientation information to help define our team’s approach to project execution.
 - **Appendix C: Overview of project objectives:** Presents and discusses overarching project objectives with related principles from the U.S. GAO Green book.
 - **Appendix D: Agency responses to survey:** Provides a summary of the agencies that responded to the survey.
 - **Appendix E: Risk criteria and definitions:** An introduction to risk, component criteria, and supporting definitions.
 - **Appendix F: Survey questions:** A listing of questions comprising the Procurement Maturity Assessment survey.

Constraints and limitations

The following constraints and limitations should be considered in the interpretation of the observations offered in this assessment report:

- **Unaudited source material:** We did not audit or research the validity of the information and/or statements provided by the agencies.
- **Survey response rate:** We received completed survey self-assessments from 78 of 92 agencies identified for participation. As such, the observations in this report are limited to feedback offered by these respondents and may not be an all-inclusive representation of the District as a whole.
- **Supporting documentation:** Twenty-four of 78 survey respondents provided documentation to support their responses.
- **Supporting evidence:** Supporting evidence obtained during the conduct of this project is largely observation and inquiry. No substantive test work was performed in the course of fieldwork.
- **Nature of engagement:** This engagement did not constitute a financial audit, performance audit, or attestation engagement as defined by Government Auditing Standards. Rather, the report is intended as an assessment of existing practices and select policies and procedures to help identify potential risk areas for the OIG to consider in its future procurement audit planning.

Appendix C: Overview of Project Objectives

Overview of Project Objectives

Overview

The overarching objectives for the OIG’s risk assessment of the District of Columbia’s procurement system are to: (1) identify District procurement practices subject to the highest risk of corruption fraud, waste, and abuse; (2) identify high-risk incongruences in the various procurement rules and regulations; and (3) identify high risk structural issues related to the District’s procurement system.

Consistent with the overarching objectives for this procurement system risk assessment outlined above, we seek to relate these objectives to select related internal control principles within the U.S. GAO’s Green Book. The Green Book defines the standards through components and principles and explains why they are integral to an entity’s internal control system. The Green Book clarifies what processes management considers part of internal control.

Since policymakers and program managers frequently seek ways to improve accountability, a key factor in such efforts is to implement an effective internal control system. Such a system can help an entity adapt to shifting environments, evolving demands, changing risks, and new priorities. As programs change and entities strive to improve operational processes, management continually evaluates its internal control system so that it is effective and updated when necessary.¹²

For each project objective below, we discuss and characterize the intent of this project’s three overarching objectives, citing select relevant principles, and share how these concepts helped guide our planning and execution of this project.

Objective 1– Identify District procurement practices subject to the highest risk of corruption fraud, waste, and abuse (Practices)

In considering the “Practices” objective, *Principle 8 – Assess Fraud Risk* in the Green Book contains three attributes: types of fraud (fraudulent financial reporting, misappropriation of assets, and corruption); the risk factors constituting fraud risk (incentives/pressure, opportunity, and attitude/rationalization); and an entity’s response to fraud risks through an identification process and design of mitigation, which can include segregation of duties.

Our team used the following methods to help identify the potential for fraud risk and how agencies identify, analyze, and respond to fraud instances within the District:

- Our data analysis efforts in this area included receipt and analysis of nonpersonnel expenditure and vendor use data for the three-year period ending September 30, 2016. Analysis included high-level procedures to identify inconsistent user roles (originator/approver) and the number and extent of whole number dollar value purchase orders and spending pattern analysis. We also evaluated for inconsistency in the data elements captured and retained from agencies’ procurement activity.
- The procurement survey also included specific questions to assess how agencies assessed themselves on fraud prevention and monitoring measures, such as employee training and access to/use of whistleblower hotlines.

¹² U.S. Government Accountability Office, Standards for Internal Control in the Federal Government, September 2014

- Agency site visits included inquiries of agency procurement contracting personnel, including discussion about potential key risk areas around specific systems and processes; and employee-oriented questions around fraud opportunity; and how management seeks to proactively identify and manage the threat of fraudulent activity. In addition to follow-up on the data analytics and survey responses, subjects addressed during site visits include topics such as employee physical locations, prioritization of operational/programmatic work assignments, and associated roles.

Objective 2 – Identify high-risk incongruences in the various procurement rules and regulations (Rules and Regulations)

Two Green Book principles, *Principle 12 – Management should implement control activities through policies*, and *Principle 14 – Communicate internally*, are closely aligned to the second objective as presented below:

- **Management should implement control activities through policies** – This principle consists of two attributes: document responsibilities through policies and periodic review of control activities. Policies should be documented for each unit at the appropriate level of detail to allow management to effectively monitor the control activity. The policies should be reviewed periodically and updated.
- **Communicate internally** – This principle consists of two attributes: communication throughout the entity and appropriate methods of communication. Communication throughout the entity is when quality information is communicated in various ways to all levels of the organization.

Our team employed the following methods to help understand the policies and the internal and external communications practices used to support the District’s procurement practices:

- In the course of the data analysis, we reviewed the relevant rules and regulations governing procurement activities within the District. This review considered guidance, such as the Home Rule Act, Title 27 DC Municipal Regulations, supporting elements of the D.C. Code, the Procurement Practices Reform Act of 2010 (PPRA) and select District agencies’ procurement policies. We sought to assess consistency in this guidance offered with specific focus on levels of authority (e.g., Mayor and CPO) as well as identify potential differences.
- The procurement survey sought to identify and obtain examples of any internal agency supplements in areas such as policies, procedures, desktop guides, and supplemental training materials that may be leveraged by other District agencies. We also inquired on how the policies were communicated and about specific agency practices for contract negotiations and conflict of interest identification and management.
- Our site visits looked to gather additional information on how select organizations disseminate information to agency members or how they communicate among themselves. We sought to identify the existence and use of internal communication media, such as agency internal shared drives and locally created supplemental materials. We inquired about professional forum attendance as well as informal consultations and information exchanges among agency contracting employees.

Objective 3 – Identify high-risk structural issues related to the District’s procurement system (Structure)

Multiple Green Book principles relate to the OIG’s objective pertaining to procurement structure but the following two principles (*Principle 3 – Establish structure, responsibility, and authority*, and *Principle 16 - Perform monitoring activities*) appear the most relevant in terms of execution planning for this final objective.

- **Establish structure, responsibility, and authority** – This principle includes three attributes: organizational structure; assignment of responsibility and delegation of authority; and documentation of the internal control system. Organizational structure is designed when executive management assigns responsibilities to different units of the organization to plan, execute, control, and assess the achievement of objectives. Based on the nature of the assigned responsibilities and level of

authority, management chooses the type and number of discrete units, such as divisions, offices, and related subunits. Management also provides for how the units should interact with each other. Appropriate segregation of duties is considered to prevent fraud, waste, and abuse. The documentation of the internal control establishes the “who, what, when, where, and why” of internal control execution to personnel; it also provides a means to retain organizational knowledge and allow for effective communication.

- **Perform monitoring activities** – The following three attributes: establishment of a baseline; internal control system monitoring; and evaluation of results, comprise this principle. The baseline is the current state of the internal control system, which represents the difference between the criteria of the design and the current condition of the controls. Ongoing monitoring of the design and operating effectiveness should be built into the operations, performed continually, and should be responsive to change. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine activities that may also include automated tools to increase objectivity and efficiency. Separate evaluations should also be performed in the form of self-assessments, including cross-operating unit or cross-functional as well as audits (internal, contract, inspector general reviews). Management should evaluate the results of the various monitoring efforts against the baseline to identify issues that should be addressed.

The following steps during fieldwork assisted our team in assessing risk to the multiple procurement structures among District agencies:

- Site visits sought to assess the existence of monitoring activities noted during the data analysis and survey effort. We inquired about the nature and extent of interaction performed by staff with agency program managers on upcoming procurements, the prevalence of early planning for contract re-competition or renewal, and periodic reviews with vendors. We looked to gauge the potential impact the multiple procurement governance models in use had on intra-agency communication between contracting staff (CCOs, COs, CSs) and the operational/program personnel supported (both co-located and separately housed). We considered the numbers and types of professionals supporting agency procurement functions and the different approaches to task prioritization and staff management employed. Our team gathered information on how vendor performance outcomes were captured and shared internally. We also considered the practices for overseeing designated operational/program contract administration staff. Finally, we sought to gather some insight on oversight practices for purchasing vehicles, such as procurement cards and how use of these tools are monitored.
- Reviews of survey results assessed the nature and extent of procurement forecasting and sourcing practices in place at a range of District agencies. We sought to identify and better understand any procedures or enabling tools used to facilitate the processes across all procurement governance models.

TABLE 16: OBJECTIVE AND IDENTIFIED RISK ALIGNMENT

Project objective title	Project objective definition	Risk area
Practices (fraud, waste, and abuse)	Identify District procurement practices subject to the highest risk of corruption, fraud, waste, and abuse	<ul style="list-style-type: none"> — Data integrity — Surplus property disposal — Agency fiscal management — Document management
Rules & regulations	Identify high-risk incongruences in various procurement rules and regulations	<ul style="list-style-type: none"> — Procurement governance — Document management
Structure	Identify high-risk structural issues related to the District’s procurement system	<ul style="list-style-type: none"> — Sourcing practices — Agency fiscal management — Organizational structure — Vendor oversight

Appendix D:
Agency
Responses to
Procurement
Maturity Survey

Agency Responses to Procurement Maturity Survey

The table below lists the District agencies invited to participate in the project Procurement Maturity Assessment survey and the status of their responses.

TABLE 17: SURVEY RESPONSE SUMMARY¹³

Agency	Submitted	Partially completed; Not submitted	No response
Alcoholic Beverage Regulatory Administration	√		
Board of Elections and Ethics	√		
Board of Ethics and Government Accountability	√		
Child and Family Services Agency	√		
Commission on Judicial Disabilities and Tenure			√
Commission on the Arts and Humanities	√		
Contract Appeals Board	√		
Corrections Information Council	√		
Criminal Justice Coordinating Council	√		
D.C. State Board of Education	√		
DC Lottery and Charitable Games Control Board	√		
DC National Guard (DC employees only)	√		
DC Sentencing Commission and Criminal Code Revision Commission	√		
DC Taxicab Commission/Department of For-Hire Vehicles	√		
Department of Behavioral Health		√	
Department of Consumer and Regulatory Affairs	√		
Department of Corrections	√		
Department of Employment Services		√	
Department of Forensic Services	√		
Department of General Services	√		
Department of Health	√		

¹³ Response totals differ by question as multiple respondents did not answer all survey questions.

Agency	Submitted	Partially completed; Not submitted	No response
Department of Health Care Finance	√		
Department of Housing and Community Development	√		
Department of Human Resources	√		
Department of Human Services		√	
Department of Insurance, Securities and Banking	√		
Department of Motor Vehicles	√		
Department of Parks and Recreation	√		
Department of Public Works	√		
Department of Small and Local Business Development	√		
Department of Transportation	√		
Department of Youth Rehabilitation Services	√		
Department on Disability Services	√		
Deputy Mayor for Greater Economic Opportunity	√		
District Department of the Environment	√		
District of Columbia Advisory Neighborhood Commissions		√	
District of Columbia DC Auditor	√		
District of Columbia Housing Authority	√		
District of Columbia Housing Finance Agency	√		
District of Columbia Office of Risk Management	√		
District of Columbia Public Charter School Board	√		
District of Columbia Public Library	√		
District of Columbia Public Schools	√		
District of Columbia Retirement Board	√		
District of Columbia Water and Sewer Authority		√	
District Public Defender Review Service		√	
Fire and Emergency Medical Services Department	√		
Health Benefits Exchange Authority	√		
Homeland Security and Emergency Management Agency	√		
Judicial Nomination Commission	√		

Agency	Submitted	Partially completed; Not submitted	No response
Metropolitan Police Department	√		
Metropolitan Washington Council of Governments			√
Not-For-Profit Hospital Corporation			√
Office of Administrative Hearings	√		
Office of Cable Television	√		
Office of Campaign Finance	√		
Office of Contracting and Procurement	√		
Office of Disability Rights	√		
Office of Employee Appeals	√		
Office of Human Rights	√		
Office of Labor Relations and Collective Bargaining		√	
Office of Planning	√		
Office of Police Complaints	√		
Office of the Attorney General	√		
Office of the Chief Financial Officer	√		
Office of the Chief Medical Examiner	√		
Office of the Chief Technology Officer	√		
Office of the City Administrator	√		
Office of the Deputy Mayor for Education		√	
Office of the Deputy Mayor for Health and Human Services	√		
Office of the Deputy Mayor for Planning and Economic Development	√		
Office of the Deputy Mayor for Public Safety and Justice	√		
Office of the People's Counsel	√		
Office of the Secretary - Executive Office of the Mayor	√		
Office of the Senior Advisor	√		
Office of the State Superintendent of Education	√		
Office of the Tenant Advocate	√		
Office of Unified Communications	√		
Office of Veterans' Affairs	√		
Office of Victim Services and Justice Grants	√		
Office of Zoning	√		
Office on Aging	√		

Agency	Submitted	Partially completed; Not submitted	No response
Office on Asian and Pacific Islander Affairs	√		
Office on Latino Affairs	√		
Public Employees Relations Board	√		
Public Services Commission	√		
Real Property Tax Appeals Commission	√		
Uniform Law Commission			√
University of the District of Columbia	√		
Washington Convention and Sports Authority	√		
Washington Metropolitan Area Transit Authority			√
Washington Metropolitan Area Transit Commission		√	

Appendix E: Risk Criteria and Definitions

Risk Criteria and Definitions

The purpose of this assessment is to help the District of Columbia OIG identify the principal body of procurement risks facing the District. As we conducted this assessment, we sought to focus on potential risk factors critical to the achievement of District agency objectives. Summarizing and analyzing the details gathered during this effort into a prioritized risk profile should help inform the Office's future procurement-related audit activities. As an orientation for this effort, we begin with introducing and outlining the key concepts around risk and the rating criteria and supporting scheme employed for this assessment.

What is risk?

- Risk identifies the potential of an event or action that may adversely affect an organization's ability to achieve its organizational objectives and execute its strategies successfully. This does not mean the condition operationally exists or that the agency is unaware or has not taken actions to mitigate the risk. Understanding risk in the context of a related operational area should help the subject agency address events or actions through risk management activities and hopefully minimize the probability of occurrence and consequences of an adverse event. Additionally, risk can be associated and identified for new opportunities the organization is exploring so that a more informed assessment of the success of the initiative can be considered. Every organization has risk and there are fundamental risks and uncertainties that are common to all organizations.

How are risks mitigated?

- Risks are mitigated by internal controls—as defined in the GAO's *Internal Control Framework Green Book*, comprising 17 principles that include the entire system of (1) establishing the control environment, (2) assessing risk, (3) developing control activities and policies, (4) providing internal and external information and communication, and (5) monitoring and follow-up. The mitigating influence of controls is considered in determining the residual risks. The risk assessment process does not include testing of or a judgment on the effectiveness of internal controls.

How are risks identified and categorized?

The risk assessment process sought to identify and gather the body of higher-level, portfolio-level procurement risks facing the District. These potential risks include those risks germane to this specific operational process are grouped using the attributes below:

- **Gross risk:** the threat that an event or action may adversely affect an organization's ability to achieve its organizational objectives and execute its strategies successfully or the positive opportunity that may be present. Business risk is a measure of risk before taking into consideration an evaluation of risk control techniques that are employed by management. Gross risk has two components: (1) the likelihood of occurrence or probability; and (2) the impact that the event or action would have on the organization.
- **Potential probability:** the likelihood of a risk occurring. The potential probability considers external and internal risk factors and is ranked from "Almost Certain" to "Rare."
- **Potential impact:** The type and magnitude of impact. The potential impact considers external and internal risk factors, such as finance, controls, fraud, economy and efficiency, and resolution level and is ranked from "Critical" to "Insignificant."

- **Risk Management Techniques (Controls):** the system of policies, methods, and procedures that reportedly, via inquiry, encompass the control environment instituted to manage the organization’s activities and risks.
- **Residual Risk:** The risk remaining after considering the mitigating influence of the control environment/risk management techniques.

TABLE 18: RISK RATING CRITERIA – LIKELIHOOD MEASURES

Almost certain (5)	<ul style="list-style-type: none"> — Event is expected to occur in most circumstances — More than a 90 percent chance of occurring in any year-long period
Likely (4)	<ul style="list-style-type: none"> — Event will probably occur in most circumstances — 50–90 percent chance of occurring in any year-long period
Moderate (3)	<ul style="list-style-type: none"> — Event should occur at some time — 20–50 percent chance of occurring in any year-long period
Unlikely (2)	<ul style="list-style-type: none"> — Event could occur at some time — 5–20 percent chance of occurring in any year-long period
Rare (1)	<ul style="list-style-type: none"> — May occur but only in exceptional circumstances — Less than a 5 percent chance of occurring in any year-long period

TABLE 19: RISK RATING CRITERIA – IMPACT MEASURES

<p>Critical (5)</p>	<ul style="list-style-type: none"> — Critical impact on financial condition — Material weakness in internal controls — Significant risk of fraud exists — Material weakness noted in economy/efficiency — Assigned to the board or agency head for resolution
<p>Major (4)</p>	<ul style="list-style-type: none"> — Major impact on financial condition — Significant deficiency in internal controls — Significant risk of fraud exists — Significant deficiency noted in economy/efficiency, not reportable conditions — Delegated to board/agency head and senior management for resolution
<p>Moderate (3)</p>	<ul style="list-style-type: none"> — Moderate impact on financial condition — Deficiency in internal controls — Medium risk of fraud exists — Deficiency noted in economy/efficiency — Delegated to senior and middle management for resolution
<p>Minor (2)</p>	<ul style="list-style-type: none"> — Minor impact on financial condition — Process improvement opportunity noted in internal controls, not a reportable condition — Minimum risk of fraud exists — Process improvement opportunity noted in economy/efficiency, not a reportable condition — Delegated to middle management for resolution
<p>Insignificant (1)</p>	<ul style="list-style-type: none"> — Insignificant impact on financial condition — No gap in internal controls — No risk of fraud — No risk of inefficiency — Delegated to junior management and staff to resolve

Using the risk areas presented in the body of this report and the likelihood and magnitude assessment criteria outlined above, the table below depicts the risk scale ratings for the individual risk areas discussed earlier in this document.

TABLE 20: SUMMARY RISK AREA RATINGS

Risk Area	Likelihood	Impact	Total rating
Data integrity	5	4	20
Surplus property disposal	5	3	15
Agency fiscal management	5	4	20
Document management	5	4	20
Procurement governance	4	3	12
Sourcing practices	5	4	20
Organizational structure	4	3	12
Vendor oversight	4	4	16

Appendix F: Survey Questions

Survey Questions

The table below reflects the elements of the Procurement Maturity Survey conducted as part of this risk assessment effort.

TABLE 21: SURVEY QUESTIONS

#	Attribute
1.	Apart from mandated and formally documented District procurement regulations or guides required for use by the agency, does your agency have internal customized policies/procedures/user reference guides to help manage its procurement processes?
2.	Does the agency maintain supplier requirements defined in a way to help maximize competition?
3.	Does the agency have a formally documented delegation of authority to conduct procurements including contract awards that separate the roles of initiator, approver, monitoring, increasing competition, etc.?
4.	Does the agency have a formally documented resolution process for contractual disputes that arise during performance of a contract?
5.	Does the agency have and observe formally documented rules and procedures to prevent nepotism and conflict of interest in public procurement?
6.	Does the agency outsource its procurement management function to another District agency or to a third-party vendor?
6b.	Describe your agency's outsourcing procedure.
7.	Does the agency have visibility into and does it practice formal monitoring of its total spend by category of goods or services?
8.	Does the agency have a formal negotiation and approval process for contract terms and conditions?
9.	Does the agency regularly analyze and refine the relationships with its suppliers?
10.	Does the agency accurately maintain/retain the documentation of all contracting actions in accordance with requisite guidelines?
11.	How does the agency manage between its various types of contracts (e.g., goods vs. services, capital, multiyear, fixed price, time and materials, etc.)?
12.	How does the agency manage its procure-to-pay process?
13.	Does the agency have a policy and supporting organizational resources to help ensure a diverse supplier base?
14.	Does the agency have a process in place to help identify new qualified suppliers and vendors for procurement opportunities unique to the agency?

#	Attribute
15.	Does the agency have a process to solicit and obtain feedback on the quality of products/services received from suppliers?
16.	Does the agency pursue/practice segmentation of its supplier base (e.g., strategic suppliers – 5 percent, critical suppliers – 10 percent, operational suppliers – balance of suppliers) and have a process to help achieve supplier segmentation?
17.	Does the agency maximize use of available technology to help optimize the collaboration with the suppliers, e.g., responding to proposals, online ordering, assessing user satisfaction?
18.	Does the agency maintain transparency with its suppliers on issues such as forecasting, communicating future procurement needs, announcing upcoming bids, providing timely feedback on winners, and outlining key selection criteria?
19.	Do the agency's supporting systems have working interfaces with SOAR (i.e., do the personnel and payroll, procurement, and tax systems have an electronic interface with SOAR)?
20.	Does the agency have well-documented standards addressing system access and database management (e.g., system and database user access rights and has rights to change access)?
21.	Does the agency have deliberate procedures (pre-award reviews of high-risk contracts, multiple signature requirements, employee codes of conduct, and associated certifications) that are performed to address fraud risks?
22.	When was the last time the agency had a procurement-related audit or assessment performed? What were the results? What is the normal frequency of such audits?
23.	Does the agency have policies and procedures to help manage conflicts of interest (e.g., employee certifications, training programs to understand fraud risks throughout the procurement process)?
24.	Does the agency employ and actively use an anonymous whistleblower reporting mechanism (e.g., hotline, Web portal, drop box)?

Contact us

Joseph Seibert
Partner, Advisory
717-260-4608
jseibert@kpmg.com

David Gmelich
Director, Advisory
617-988-1047
dgmelich@kpmg.com

www.kpmg.com

kpmg.com/socialmedia



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