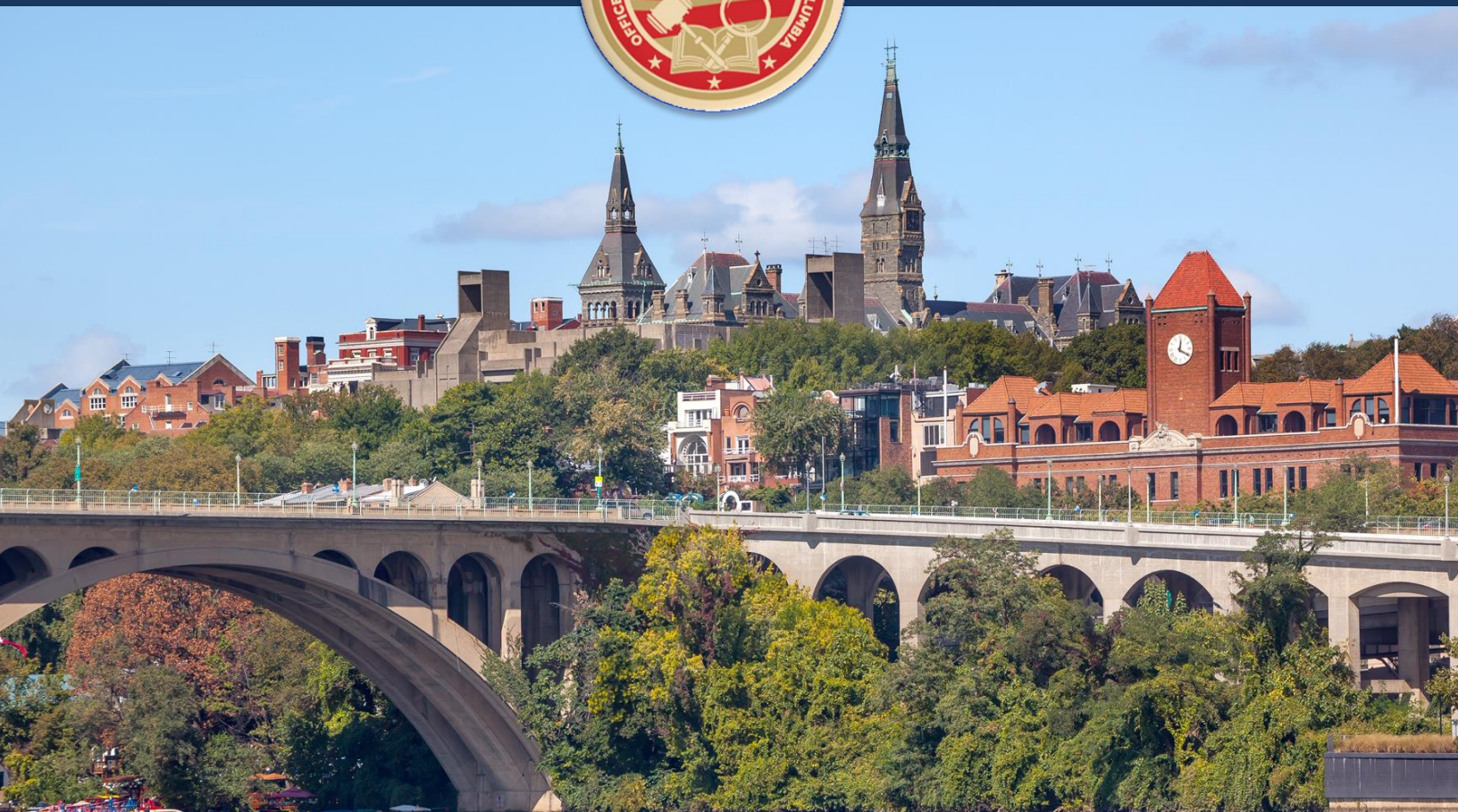


DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

OIG Project No. 2019-1-003TO

January 2020



OFFICE OF THE CHIEF TECHNOLOGY OFFICER

Internal Controls for Pipeline Contract Management Need Improvement

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* Diversity * Measurement * Continuous Improvement*

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EXECUTIVE SUMMARY

WHY WE DID THIS AUDIT

Over the past 15 years, the District has spent millions annually on contracted information technology (IT) personnel to acquire skills that full-time District employees do not provide. District agencies engage the contracted IT staff, known as resources, for temporary, short-term projects. Prior OIG audits have focused on how the Office of the Chief Technology Officer (OCTO) awarded and administered IT contracts.



In implementing OIG recommendations included in these audits, OCTO changed its IT procurement methodology in 2008, removed procurement of IT services from the DC Supply Schedule, and contracted with a Prime Contractor to procure subcontractor vendors, starting with the Information Technology Staff Augmentation contract.

OCTO changed the Prime Contractor in 2017 and entered into a new contract known as the Pipeline contract. OCTO oversees the Prime Contractor's performance. This audit focuses on how OCTO has implemented the current contract to ensure the Pipeline contract is helping the District meet its information technology objectives.

OBJECTIVES

Our audit objectives were to: (1) identify and test key controls related to candidate screening and verification procedures; and (2) determine the accuracy of hours and rates billed and paid under the contract.

WHAT WE FOUND

OCTO did not establish an effective system of internal controls to ensure information used to screen IT candidates was accurate and complete. According to the Pipeline contract terms and conditions, OCTO is responsible for general administration of the contractor's compliance or noncompliance with the contract. OCTO needed to design and implement controls to obtain reasonable assurance the Prime Contractor was performing in accordance with contract terms and conditions the Prime Contractor. In our random sample of 15 IT positions, only 7 percent of the resumes subcontractors submitted for these positions matched the resumes the Prime Contractor reviewed to screen candidates. OCTO relied on the Prime Contractor to screen candidates but did not periodically verify the information the Prime Contractor used for screening — including background check reports¹ — was accurate and complete.

¹ According to contract terms and conditions, “[a] successfully completed background check shall be a condition of that candidate’s working as a resource.”

EXECUTIVE SUMMARY

The Prime Contractor relied on the background check reports subcontractors submitted. The subcontractors relied on reports generated by third-party background check companies. Without periodically verifying and ensuring the Prime Contractor maintains the underlying documentation used to screen IT candidates, the District risks engaging individuals who are technically unqualified or have any other disqualifying background issues, which may compromise the District's IT systems.

OCTO also did not establish an adequate system of internal controls to ensure managers who supervised the contracted IT staff also reviewed and approved the hours the Prime Contractor billed.² District program managers approved timesheets but did not always verify invoices to ensure the hours billed matched the hours worked because OCTO did not provide clear guidelines on how to review and approve invoices. OCTO also did not provide clear guidelines on how to address missing timesheets, how to use the contract's price schedule, and whether resources are responsible for safeguarding the District's networks and equipment when they telework. The lack of invoice verification resulted in the District paying \$1.57 million for 17,779 hours unmatched to hours per approved timesheets. Further, OCTO also risks approving hours for services not received if it does not require District program managers to maintain supporting documentation to validate invoices. Maintaining accurate time and attendance records is also necessary in assessing whether the Prime Contractor is providing the District qualified resources to meet IT objectives.

Without reviewing the underlying supporting documentation to justify payments, the District cannot be sure the \$55.6 million spent under the contract has achieved the contract's intended objectives.

WHAT WE RECOMMEND

The OIG made 14 recommendations for OCTO to improve internal controls related to candidate screening and verification procedures, and to ensure the accuracy of hours and rates billed under the contract.

² According to contract terms and conditions, OCTO is required to approve invoices only if resources have provided services and timesheets are approved by District program managers.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Office of the Inspector General



Inspector General

January 9, 2020

Lindsey Parker
Chief Technology Officer
Office of the Chief Technology Officer
200 I Street, S.E.
Washington, D.C. 20003

Dear Chief Technology Officer Parker:

Enclosed is our final report, *Office of the Chief Technology Officer: Internal Controls for Pipeline Contract Management Need to be Improved* (OIG Project No. 2019-1-003TO). We conducted this audit in accordance with generally accepted government auditing standards (GAGAS). Our objectives were to: (1) identify and test key controls related to candidate screening and verification procedures; and (2) determine the accuracy of hours and rates billed and paid under the contract. The audit was included in the *Fiscal Year 2019 Audit and Inspection Plan*.

We provided OCTO with our draft report on October 18, 2019, and received its response on November 22, 2019, which is included as Appendix E to this report. Based on OCTO's response, we re-examined our facts and conclusions and determined that the report is fairly presented. We appreciate that OCTO officials began addressing some of the findings immediately upon notification during the audit.

For Recommendations 1-5 and 7-12, OCTO's actions taken and/or planned are responsive and meet the intent of the recommendations. Therefore, we consider these recommendations resolved but open pending evidence of stated actions. For the remaining Recommendations 6, 13, and 14, OCTO's actions taken and/or planned are nonresponsive and do not meet the intent of the recommendations. Therefore, we consider these recommendations open and unresolved and ask that OCTO reconsider its position. OCTO rejected Recommendations 6 and 14, stating the contract does not require the vendor to maintain supporting documentation for background checks and is silent regarding telework, respectively. To address Recommendations 6 and 14, we request OCTO to consider modifying the contract terms and conditions to require the vendor to maintain underlying documentation for a background check report and establish resources' responsibilities to safeguard District IT systems and equipment when teleworking, as OCTO is responsible for establishing and overseeing technology policies and standards for the District's IT infrastructure. To address Recommendation 13, which OCTO deems inapplicable, we request that OCTO provide additional information to support its position.

We request that OCTO provide additional responses to Recommendations 6, 13, and 14 within 30 days of the date of this final report, and that OCTO decide whether to accept the risks associated with these recommendations or mitigate them through enhanced internal controls to address the intent of the recommendations more effectively or efficiently.

Chief Technology Officer Lindsey Parker
Office of the Chief Technology Officer Pipeline Contract
Final Report OIG Project No. 2019-1-003TO
January 9, 2020
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We appreciate the cooperation and courtesies extended to our staff during this audit. If you have any questions concerning this report, please contact me or Fekede Gindaba, Deputy Assistant Inspector General for Audits, at (202) 727-2450.

Sincerely,



Daniel W. Lucas
Inspector General

DWL/tda

Enclosure

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BACKGROUND

Introduction

Over the past 15 years, the District has spent millions annually on contracted information technology (IT) personnel to acquire skills that full-time District employees do not provide. District agencies engage the contracted IT staff, known as resources, for temporary, short-term projects.

The way OCTO has procured temporary IT resources has evolved, in part, because prior OIG audits focused on how OCTO awarded and administered contracts. During FY 2006 through FY 2008, OCTO worked directly with subcontractor vendors who found candidates for IT positions. In its 2008 audit engagement (OIG Project No. 08-2-06TO(a)), the OIG found a few subcontractors disproportionately received contract payments. Specifically, 7 out of 69 subcontractors received approximately 75 percent of \$94.1 million in contract payments over a 3-year period.

In addressing OIG findings, OCTO made a strategic decision in 2008 to remove the procurement of IT services from the DC Supply Schedule. OCTO contracted with a prime contractor to manage the subcontractor vendors instead of OCTO working directly with subcontractor vendors. OCTO implemented the use of a prime contractor starting with the Information Technology Staff Augmentation contract.

In 2011, the OIG conducted an audit on OCTO's contract award process and found deficiencies in the way the contract payment terms were structured. In particular, the OIG found the tier-based payment to the prime contractor was not in the best interest of the District. In 2017, OCTO changed the prime contractor and addressed OIG's finding by removing the tier-based payment structure.

This audit focuses on how OCTO has implemented the contract to ensure the Pipeline contract is helping the District meet its IT objectives. The Pipeline contract expires in January 2020. Recommendations in this report may inform how OCTO administers the remainder of the Pipeline contract.

The Pipeline Contract

The Office of Contracting and Procurement (OCP) awarded the Pipeline contract on January 3, 2017, on behalf of the Office of the Chief Technology Officer (OCTO). According to the contract, the total duration, including all options, shall not exceed January 2, 2020.³

The Pipeline contract has a not-to exceed (NTE) amount of \$55 million per year. From January 2017 to February 2019, OCTO paid approximately \$55.6 million for 390 resources. The Prime Contractor pays resources based on an NTE fully burdened rate for each labor category and level. The rate includes all direct and indirect costs associated with providing services.

³ Section F.2.4 of the Pipeline Contract.

As part of the candidate staffing request process, the Prime Contractor is responsible as the prime contractor for consulting with District agencies to understand IT initiatives and help create job requirements. The Prime Contractor reviews and posts position requirements in a subcontractor network of staffing agencies who conduct the initial screening of candidates' resumes. The Prime Contractor also manages the subcontractor vendors, administers candidate⁴ offers and on/off-boarding, pays subcontractor vendors, submits reports, and administers the Vendor Management System (VMS).

The Accounts Payable Team within the Office of the Chief Financial Officer (OCFO) receives monthly invoices from the Prime Contractor, uploads the invoices into the District's Procurement Automated Support System (PASS), and approves the invoices for payments.

Audit Approach

We used the *United States Government Accountability (GAO) Office Standards for Internal Control in the Federal Government* (Green Book) to evaluate the design and implementation of OCTO's control activities over IT candidate screening and the vendor invoice approval process. Control activities are a component of internal control system, and the Green Book defines internal control system as "a continuous built-in component of operations, effected by people, that provides reasonable assurance—not absolute assurance—that an entity's objectives will be achieved."⁵

According to the Pipeline contract terms and conditions, OCTO is responsible for general administration of the contractor's compliance or noncompliance with the contract. Therefore, OCTO needed to design and implement control activities to obtain reasonable assurance the Prime Contractor was performing in accordance with the contract terms and conditions.

The Green Book also defines internal control as "a process used by management to help an entity achieve its objectives."⁶ Further, the Green Book explains: "[m]anagement is directly responsible for all activities of an entity, including the design, implementation, and operating effectiveness of an entity's internal control system."⁷ In addition to the federal government, GAO also recommends that state, local, and quasi-governmental entities use internal control standards.

We identified this audit based on OIG's *Fiscal Year 2017 Procurement Practices Risk Assessment*'s finding that "meaningful oversight of District vendors and their delivery of goods and services may not be consistent across District agencies... Poor vendor oversight practices can result in the District not getting the value paid for and, depending upon the nature of the

⁴ A candidate is defined as an individual offered by the Prime Contractor or a subcontractor in response to a candidate staffing request. The candidate becomes a resource once selected by a District program manager to fill a candidate staffing request and a valid purchase order is issued.

⁵ Standards for Internal Control in the Federal Government § OV1.04.

⁶ U.S. GOVERNMENT ACCOUNTABILITY OFFICE, STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT, GAO-14-704G (Sept. 2014), available at, <https://www.gao.gov/products/GAO-14-704G> (last visited Aug. 19, 2019).

⁷ *Id.* § OV2.14.

service arrangement, can result in lost revenue, excess expenses, and contract disputes.”⁸ Accordingly, this report discusses the ineffectiveness of OCTO’s control activities and the risk of poor vendor oversight practices. According to the Green Book, “if a component [control activities] is not effective, or the components are not operating together in an integrated manner, then an internal control system cannot be effective.”⁹

⁸ D.C. OFFICE OF THE INSPECTOR GENERAL, GOV’T OF THE DISTRICT OF COLUMBIA FISCAL YEAR 2017 PROCUREMENT PRACTICES RISK ASSESSMENT 32 (OIG Project No. 16-1-17MA July 2017), *available at* http://app.oig.dc.gov/news/PDF/release10/District_Procurement_Practices_Risk_Assessment.pdf (last visited July 11, 2019).

⁹ Standards for Internal Control in the Federal Government § 3.03 (GAO-14-704G).

FINDINGS

OCTO DID NOT DESIGN EFFECTIVE INTERNAL CONTROLS TO ASSURE ACCURATE AND COMPLETE RESOURCE SCREENING

In accordance with section C.5.2.5 of the contract, OCTO relied on the Prime Contractor to screen candidate resumes but did not periodically verify the underlying support information used to screen candidates — including background check reports — was accurate and complete. The Prime Contractor relied on the background check reports received from its subcontractors. The subcontracted vendors relied on reports generated by third-party background check companies. Administering the Prime Contractor’s performance effectively would include validating candidates’ qualifications and background check reports, which would help the District minimize the risk for engaging individuals who are technically unqualified or have other disqualifying background issues, which may compromise the District’s IT systems.

Candidates’ Resumes were not Accurate and Complete

The resumes the subcontractors submitted to the Prime Contractor were inaccurate and incomplete. The accuracy and completeness of the information in resumes is important because the Prime Contractor uses resumes to rank and select candidates by generating a composite score based on objective qualifications found in the candidate staffing request. Once the subcontractor inputs information from individual resumes into VMS, the system electronically generates the composite score based on how closely the subcontractor input the skills and qualifications required under the requisition.

According to section C.5.2.5 of the contract, “the Prime Contractor shall exclude from further consideration those resumes that do not meet the minimum objective qualifications in the candidate staffing request.” In our random sample of 15 IT positions, we found 10 of the 15 positions were missing the resumes the candidates submitted to subcontractor vendors. We also found that only one resume matched the resumes the Prime Contractor reviewed to screen candidates. The remaining four resumes were unmatched. The Prime Contractor adjusted the composite score for the four resumes based on a review of the candidate’s resume and the responses the candidates provided when interviewed. For instance, if the subcontractor vendor input that the candidate has a certification but the Prime Contractor discovers at the interview the candidate does not have the certification, the Prime Contractor adjusts the subcontractor vendor input to match the candidate’s response, which in turn adjusts the composite score. When the Prime Contractor discovers discrepancies, it should reject the resume instead of adjusting the composite score, and cite the discrepancies as the basis for rejection. The Prime Contractor’s rejection would have been consistent with section C.5.2.6 of the contract, which states, “the Prime Contractor shall exclude from further consideration those Candidates whose minimum requirements and skills cannot be verified.” When the Prime Contractor did reject resumes, it did not maintain documented explanations of why the candidates were rejected given they had the same composite scores as the resources selected.

We discussed the issues related to the accuracy of candidates’ resumes with OCTO officials who said candidate match details may change based on conversations (screening) the Prime

Contractor has with the candidates. OCTO could not explain why the Prime Contractor did not document reasons for composite score changes. Section C.5.2.14 of the contract states “the Prime Contractor shall ensure that the VMS is capable of capturing data concerning the District program manager's reason for rejection of each rejected Candidate.” Although section C.5.2.14 of the contract addresses the Prime Contractor’s role in documenting a District program manger’s reason for rejecting a Candidate as part of the selection process, the contract is silent regarding the Prime Contractor’s responsibilities for capturing data concerning its reason for rejecting candidates in VMS during the screening process.

Ultimately, as part of OCTO’s control activities, it should periodically verify the accuracy of composite score reports used to screen candidates to ensure the Prime Contractor properly vets IT candidates so the District only engages qualified IT candidates.

We recommend OCTO:

1. Develop procedures to ensure subcontractor vendors maintain accurate and complete candidates’ resumes.
2. Develop procedures to ensure resumes the subcontractor vendors submit to the Prime Contractor are accurate and complete.
3. Design additional controls to ensure the Prime Contractor excludes candidates from consideration whose resumes do not match information they provide upon further screening.

Resource Position Re-competition was not Done in Accordance with Contract Requirements

Although contract section C.5.6.1 requires the Prime Contractor to re-compete each resource position annually unless the Contracting Officer (CO) waives the requirement, District program managers selected the same candidates year after year. We note 11 of the 15 positions we reviewed were re-competes for incumbent resources. However, we found no evidence the CO authorized OCTO to retain incumbent resources without competition. Instead, District program managers requested the Prime Contractor to forward incumbent candidates’ resumes for interview irrespective of the screening process, simply because the candidates were known and had already worked for the program managers.

Requests to forward incumbent candidate resumes, regardless of the screening process, adversely affects the re-compete process because they introduce selection bias — the contracting agency already knows who will get the job. Forwarding incumbent candidates’ resumes occurred in part because OCTO did not require District program managers to make a determination and findings (D&F) of whether retaining the existing resource without going through the re-compete process was in the best interest of the District and did not obtain a waiver from the CO as required. The District may have saved money and time had program managers made a determination that re-competing the position was unnecessary.

We recommend OCTO:

4. Develop procedures to ensure candidate screenings are done in accordance with contract requirements for resource extensions.

Background Check Reports were not Accurate and Complete

District program managers engaged resources although their criminal, education, professional licensing, and personal references were pending verifications. Engaging resources without completing required background checks occurred partly because the Prime Contractor relied on subcontractors to provide background check reports from third party background check companies. Completing background checks reduces the risk of engaging candidates with criminal records and those without required educational and professional credentials.

The District engaged 4 out of the 15 IT candidates we reviewed while their criminal, education, professional licensing, and personal references were pending verification, despite the Pipeline contract requirement that no candidate may start an assignment prior to the successful completion of a background check.¹⁰ In one instance, the report for the background check indicated the results of the criminal and education reports were pending. In the remaining three instances, the professional license and personal references verifications were pending.

We also found both the Prime Contractor and the subcontractors had summary reports but did not maintain supporting documentation for background check requirements in VMS. OCTO relies on the Prime Contractor's review of the background check reports as confirmation the resource passed the background check. The Prime Contractor relied on subcontractors to provide background check reports from third-party background check companies. We interviewed representatives from 5 third-party background check companies to validate the accuracy of the background check they provided to the subcontracts; however, the representative said they maintain supporting documentation but provide it to the client only upon request.

Finally, we found the third-party background check companies use the information maintained by the National Student Clearinghouse for schools and universities as a tool to verify educational credentials. However, many of the IT professionals we reviewed received their credentials internationally. There were instances where the education verification noted a discrepancy between the information the resource provided and the information the background check company obtained from the school or the National Student Clearinghouse, but the resources were engaged despite the discrepancies.

OCTO's lack of periodic review and validation of background check reports puts the District at risk of contracting with unqualified resources if the Prime Contractor fails to verify the background reports subcontractor vendors submit.

¹⁰ See Section C.5.7.5 of the Pipeline Contract.

We recommend OCTO:

5. Develop internal controls to ensure background checks are accurate and complete prior to engaging a resource.
6. Obtain full access to vendor management system to ensure underlying documentation for background check reports is maintained.

OCTO DID NOT ADEQUATELY DESIGN INTERNAL CONTROLS TO MINIMIZE RISK OF BILLING ERRORS

OCTO did not establish an adequate system of internal controls to ensure District program managers responsible for the work of contracted staff also approved the hours the Prime Contractor billed. Other than specifying when resources should submit timesheets and when District program managers should approve them, OCTO did not specify in the *IT Pipeline Contract Standard Operating and Procedures (SOP) Guide* how the Accounts Payable Team within OCFO should review and approve invoices. OCTO also did not specify how District agencies should track and maintain resources' time and attendance. Maintaining accurate records of time and attendance is necessary to assess the Prime Contractor's performance in helping the District engage contracted staff to meet IT objectives.

Per the contract, the District approves invoices only if resources have provided services and District program managers approved timesheets.¹¹ According to GAO's *Standards for Internal Control in the Federal Government*, § OV3.05, "[w]hen evaluating design of internal control, management determines if controls individually and in combination with other controls are capable of achieving an objective and addressing related risks." OCTO needed to design and implement control activities to obtain reasonable assurance it paid for services rendered and received, as the SOP does not adequately address invoice approval processes.

Billed Hours were not Compared Against Approved Hours

District program managers and the Accounts Payable Team did not compare hours billed to hours worked prior to paying the Prime Contractor. The team processed monthly invoices for payment without first obtaining approval from District program managers. Although contract sections G.9.1.4 and G.9.1.5 require the contract administrator to review and approve invoices before payment, we found the contract administrator did not do so. Instead, the Accounts Payable Team within OCFO receives monthly invoices from the Prime Contractor, uploads the invoices into the PASS for District Program managers to review and approve the invoices for payments. Controls are ineffective because District program managers did not verify the hours the Prime Contractor billed matched the hours approved for the resources (see Appendix D for internal control deficiencies).

OCTO officials stated they expect District program managers and Accounts Payable Team to review and approve invoices from the Prime Contractor independent of OCTO's oversight because they are adequately trained to perform those functions. However, OCTO's expectation

¹¹ See Contract Sections G.1.2 and G.9.1.4.

was not formalized in the SOP to provide clear guidance. The lack of guidance resulted in the Accounts Payable Team's assumption District program managers reviewed and approved the hours billed in the Prime Contractor's invoices before the Prime Contractor submitted invoices for payment. District program managers assumed the Accounts Payable Team would automatically perform a three-way match comparing the vendor invoice, purchase order, and timesheets as required by Section 10402001.10 of OCFO's *Policies and Procedures Manual, Volume I District-Wide* (OCFO manual).

According to the OCFO manual, the three-way match necessary to initiate a payment include:

- a) Goods or services were ordered by an authorized official, evidenced by a purchase order, contract, or other authorization. In this case, service ordered for the Pipeline contract means that a District agency has engaged the resource.
- b) Goods or services ordered have been delivered and accepted, evidenced by receiving reports. In this case, service delivered and accepted for the Pipeline contract means that the resource is working and submitting timesheets to the District program manager and the District program manager has reviewed and approved the hours.
- c) A proper invoice has been received. In this case, the District receives a proper invoice when the agency fiscal officer and the CA receive an invoice from the Prime Contractor in accordance with contract section G.2.2.

District program managers did not ensure invoices were properly received, which resulted in the District paying \$1.57 million for 17,779 hours that did not match approved timesheets. OCTO officials stated District program managers only approved weekly timesheets and did not review monthly invoices until March 2018. To ensure those responsible for supervising the work also have a role in approving payment, the District recently automated this process so monthly invoices first go to District program managers for approval prior to Accounts Payable Team's approval. However, these changes have not been reflected in the SOP.

We recommend OCTO:

7. Reconcile hours approved to the Prime Contractor's aggregated billed hours and recoup overpayments, if any.
8. Enhance controls to ensure District program managers verify the monthly hours the Prime Contractor bills agree with the weekly hours approved.

Time and Attendance Documentation was Not Maintained

OCTO did not provide guidelines to District agencies regarding how District program managers should track and maintain resources' time and attendance records in its SOP. The SOP does not establish the underlying supporting documentation needed for District program managers to

approve time. Consequently, most District program managers we contacted during the audit did not maintain supporting documentation of time and attendance documentation to validate the hours resources submitted.

Table 1 below notes discrepancies in reported hours in PASS in those instances where the District program manager maintained time and attendance documentation.

Table 1: Examples of Unreconciled Hours Reported by District Program Managers

District Program Manager	Total Hours Approved and Paid	Total Hours Per Time and Attendance Documentation	Unreconciled Hours
1	141	65.91	75.09
2	112	103.21	8.79

Source: OIG analysis of internal timesheets District program managers maintained.

Of the two District program managers who maintained time and attendance documentation, only one program manager informed us they used the time and attendance documentation to validate the hours resources entered in PASS. When asked why there was still a discrepancy of nearly 9 hours, the program manager could not explain the discrepancy.

Most of the District program managers we contacted stated they do not track time and attendance because resources work on deadlines to meet project requirements. However, OCTO officials stated the intent of the Pipeline contract is geared to track time and labor and not based on project requirements. However, OCTO’s intent has not been reflected in the contract or SOP.

Ultimately, OCTO should obtain reasonable assurance the Prime Contractor accurately invoiced the District only for hours resources have worked. OCTO risks approving hours for services the District has not received if it does not require District program managers to maintain supporting documentation. Maintaining accurate records of time and attendance is also necessary to assess the Prime Contractor’s performance in helping the District procure staff to meet IT objectives. Without reviewing the underlying supporting documentation to justify payments, the District cannot be sure the total spent under the contract has achieved the intended objectives of the contract.

We recommend OCTO:

9. Develop procedures to ensure District program managers consistently track and maintain time and attendance records.

Time Submission and Approval Requirements were not Followed

OCTO did not provide guidance to District agencies regarding the process for ensuring resources submit weekly timesheets. Contract section G.1.1(b) states “[t]imesheets shall be submitted by each Resource no later than Monday 6:00 PM eastern standard time for the previous week’s

work.” However, there is no requirement for the District program managers to ensure resources submitted their hours timely as required by the contract terms and conditions. Controls are ineffective because District program managers did not ensure resources submitted all hours worked each week (see Appendix D).

District program managers did not always approve the timesheets in a timely manner as required by SOP. The SOP requires program managers to approve the timesheets from the previous week by the close of business on the following Tuesday. Contrary to the SOP, District program managers stated it was acceptable for resources to submit hours before the end of the month. OCTO agreed with District program managers that monthly timesheets are acceptable. However, approving timesheets on a weekly basis reduces the risk of approving inaccurately reported hours and enhances internal controls over time submission.

We recommend OCTO:

10. Develop procedures to enforce timesheet submission and approval requirements in the contract and SOP.

IT Resources Provided Exceeded the Contract Price Schedule

OCTO did not provide clear direction to District agencies about how District program managers should use the contract price schedule. Although OCTO pays resources based on a set NTE, fully burdened hourly rate, we found instances where the billed hourly rates did not match the rates set by the contract.

According to the SOP, District program managers should create purchase requisitions and purchase orders in PASS based on the price schedule found in the contract. We found instances where the rates in the purchase order were higher than the rates in the price schedule. We discussed the instances with OCTO officials who stated a glitch in VMS allowed new, draft, and edited requisitions to exceed the contract NTE rates, and the Prime Contractor is responsible for addressing the glitch.

We recommend OCTO:

11. Compare billed hourly rates to the contract price schedule and recoup excess payments, if any.
12. Develop procedures to ensure the Prime Contractor provides IT services at or below the hourly not-to-exceed rates found in the contract.

Labor Categories were Reclassified without OCTO’s Authorization

OCTO did not provide clear direction to District agencies regarding the conditions under which labor categories can be reclassified. Per the contract, there are four levels of labor categories (entry, journeyman, senior, and master), which are classified based on the resource’s skills and years of service. When the Prime Contractor was unable to provide candidates for the requested

job category, the Prime Contractor instructed District program managers to reclassify the labor category to a higher NTE rate without seeking OCTO's approval.

Section G.9.4 of the contract states:

The contractor will be responsible for any changes not authorized in advance, in writing, by the CO; may be denied compensation or other relief for any additional work performed that is not so authorized; and may also be required, at no additional cost to the District, to take all corrective action necessitated from the unauthorized changes.

Enforcing this section would require OCTO's awareness of when the Prime Contractor adjusts labor categories. The Prime Contractor stated it instructed District program managers to reclassify labor categories because District program managers wanted to increase the resources' pay rates without going through a re-compete process. The Prime Contractor must obtain permission from the CO, not District program managers, when making requests to reclassify labor categories as described in the contract.

We discussed this issue with OCTO officials who said they would require the Prime Contractor to obtain prior authorization from OCTO whenever NTE adjustments are necessary.

We recommend OCTO:

13. Update the SOP to clarify the process for obtaining OCTO's approval to adjust job categories and not-to-exceed rates.

Internal Controls are Insufficient to Protect IT Assets When Teleworking

Working outside the office puts the District at risk of compromising network privacy and systems' security through unauthorized access to data. District agencies did not have telework agreements with IT resources who telework to require they safeguard the District's IT systems and equipment. We identified seven IT resources allowed to telework during our audit period. The resources worked in five District agencies, none of which had telework policies covering IT resources. OCTO was the only agency with a telework policy addressing IT resources.

OCTO officials explained the *District of Columbia Personnel Manual* permits each agency to set and enforce its own telework policy; however, the Pipeline contract is silent regarding telework arrangements.

The *District of Columbia Personnel Manual* specifies when a District agency sets its telework policy, the agency must have a written agreement between the agency and employee.¹² Section G of the policy emphasizes privacy, confidentiality, and security requirements and clarifies:

¹² 6B DCMR § 1211.4.

- All District laws, regulations, and policies concerning privacy, confidentiality, and security of systems and data (in both print and electronic format) apply to telework in the same way as to work on-site at the OCTO office location.
- Staff members must safeguard all confidential work-related information during telework.
- Staff members may take no action during telework that would compromise the privacy, confidentiality, or security of work-related data and systems.¹³

Thus, when contracted IT resources sign a telework agreement with OCTO, the resources acknowledge they will safeguard the District's systems and equipment.

We recommend OCTO:

14. Revise the SOP to include language about resources' responsibilities to safeguard the District's IT systems and equipment when teleworking.

CONCLUSION

OCTO is responsible for ensuring the Prime Contractor provides qualified supplemental IT staff and the District only pays contracted staff based on contract terms. We found, however, OCTO relied on the Prime Contractor to administer its own performance. OCTO also relied on an SOP for the Pipeline contract that is not designed to address key procedures, including invoice approval and pay rate selection procedures.

OCTO cannot ensure the District is receiving the intended outcomes for contracted IT resources without effectively administrating the Prime Contractor's overall performance. Effectively administrating the Prime Contractor would include validating candidates' qualifications and background check reports and reviewing and approving invoices to verify the accuracy of the amounts the Prime Contractor invoiced.

¹³ D.C. OFFICE OF THE CHIEF TECHNOLOGY OFFICER, TELEWORK POLICY, § IV(G) (Feb. 23, 2016).

AGENCY RESPONSES AND OFFICE OF THE INSPECTOR GENERAL COMMENTS

We provided OCTO with our draft report on October 18, 2019, and received its responses on November 22, 2019, which is included as Appendix E to this report. Based on OCTO's response, we re-examined our facts and conclusions and determined that the report is fairly presented. We appreciate that OCTO officials began addressing some of the findings immediately upon notification during the audit.

For Recommendations 1-5 and 7-12, OCTO's actions taken and/or planned are responsive and meet the intent of the recommendations. Therefore, we consider these recommendations resolved but open pending evidence of stated actions. For the remaining Recommendations 6, 13, and 14, OCTO's actions taken and/or planned are nonresponsive and do not meet the intent of the recommendations. Therefore, we consider these recommendations open and unresolved and ask that OCTO reconsider its position. OCTO rejected Recommendations 6 and 14, stating the contract does not require the vendor to maintain supporting documentation for background checks and is silent regarding telework, respectively. To address Recommendations 6 and 14, we request OCTO to consider modifying the contract terms and conditions to require the vendor to maintain underlying documentation for a background check report and establish resources' responsibilities to safeguard District IT systems and equipment when teleworking, as OCTO is responsible for establishing and overseeing technology policies and standards for the District's IT infrastructure. To address Recommendation 13, which OCTO deems inapplicable, we request that OCTO provide additional information to support its position.

ACTIONS REQUIRED

We request that OCTO provide additional responses to Recommendations 6, 13, and 14 within 30 days of the date of this final report, and that OCTO decide whether to accept the risks associated with these recommendations or mitigate them through enhanced internal controls to address the intent of the recommendations more effectively or efficiently.

APPENDIX A. OBJECTIVES, SCOPE, AND METHODOLOGY

We conducted our audit work from November 2018 through July 2019 in accordance with generally accepted government auditing standards (GAGAS). Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit objectives were to: (1) identify and test key controls related to candidate screening and verification procedures; and (2) determine the accuracy of hours and rates billed and paid under the contract.

To accomplish the objectives, we:

- Reviewed and assessed compliance with OCTO's policies, procedures, and applicable District laws and regulations;
- Reviewed prior audits, external or internal audits, pertinent reviews, and investigation reports;
- Interviewed OCTO officials and the Prime Contractor's program managers to gain an understanding of their roles and responsibilities to manage and oversee the contract;
- Interviewed District program managers at various agencies, subcontractor vendors, and resources to gain an understanding of their roles and responsibilities under the Pipeline contract;
- Selected a random sample of 15 transactions to test for compliance with the procedures to verify timesheets, invoices, and candidate screening;
- Obtained the timesheets submitted for our 15 samples and the designated District program manager's approvals from Timesheet eForm in PASS for various pay periods. Determined whether the rates/hours charged/billed per resources agreed to the Not-to-Exceed Fully Burdened Hourly Rate stated in the contract and *the District of Columbia IT Pipeline Contract Agency Standard Operating Procedures (SOP) Guide*. Reviewed the invoices the Prime Contractor submitted for each resource to ensure the accuracy of the hours and rates billed and paid;
- Obtained and reviewed each resource's timesheet to determine whether resources entered and submitted their timesheets promptly per the SOP and if the District program manager approved the resources' timesheets promptly per the SOP;
- After noting no discrepancies in the 15 samples we tested for reconciliation of the total reported hours billed and what the District paid, we extended our testing to 100 percent of the population for the total hours reported from PASS and Vendor Management System from January 3, 2017, to February 23, 2019;

APPENDIX A. OBJECTIVES, SCOPE, AND METHODOLOGY

- Reviewed and electronically reconciled timesheet reports from OCTO for all District agencies to the timesheet reports received from The Prime Contractor for the same time period to determine the accuracy of the hours and rates billed and paid;
- Reviewed the supporting documentation in Vendor Management System to assess compliance with procedures for candidate screening and verification; and
- Selected an additional random sample of 42 transactions to test District program managers' review and approval of monthly invoices.

We assessed the validity and reliability of computer-processed data and performed limited testing to verify the accuracy and completeness of the data. We relied on data generated from CFO Solve to determine the amounts paid to the contractor. We also obtained access to PASS and VMS to conduct our testing.

APPENDIX B. ACRONYMS AND ABBREVIATIONS

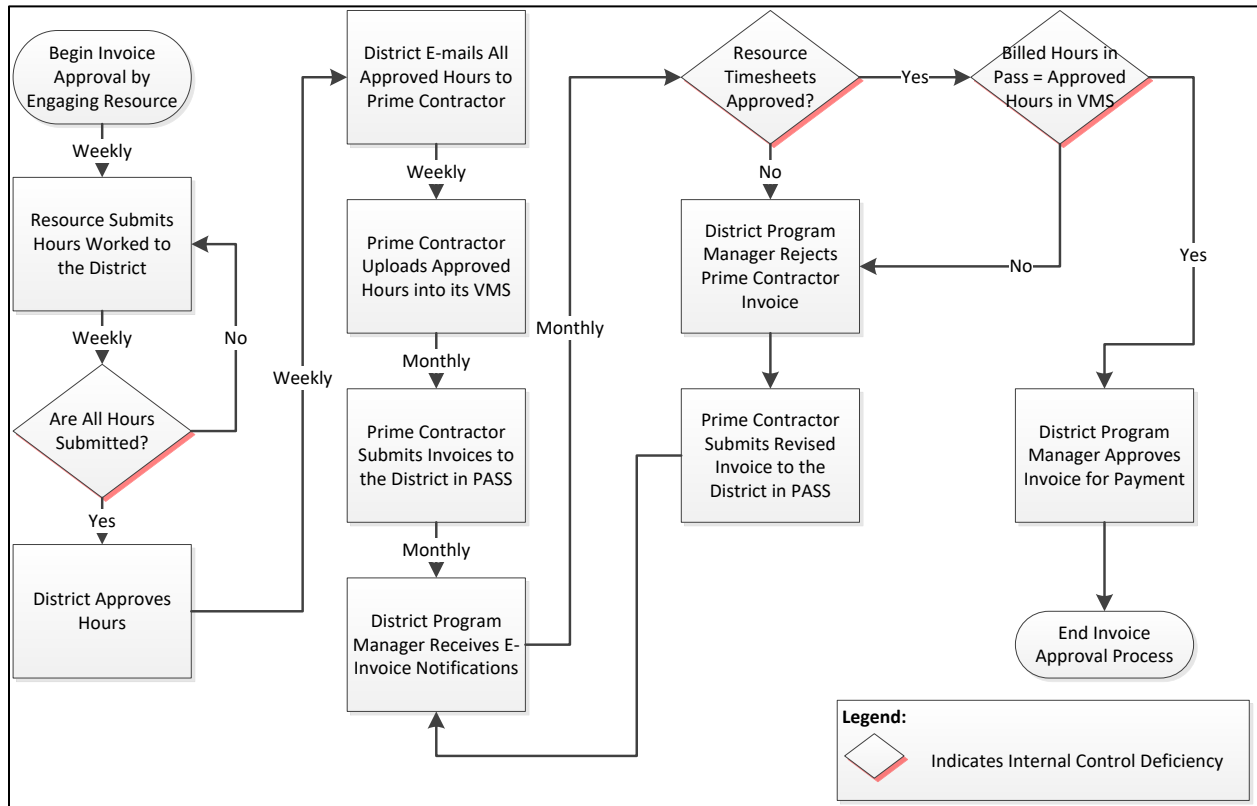
CA	Contract Administrator
CO	Contracting Officer
FY	Fiscal Year
GAGAS	Generally Accepted Government Auditing Standards
GAO	United States Government Accountability Office
IT	Information Technology
NTE	Not-to-Exceed
OCFO	Office of the Chief Financial Officer
OCP	Office of Contracting and Procurement
OCTO	Office of the Chief Technology Officer
OIG	Office of the Inspector General
PASS	Procurement Automated Support System
SOP	Standard Operating Procedures
SOAR	System of Accounting and Reporting
VMS	Vendor Management System

APPENDIX C. RECOMMENDATIONS

1. Develop procedures to ensure subcontractor vendors maintain accurate and complete candidates' resumes.
2. Develop procedures to ensure resumes the subcontractor vendors submit to the Prime Contractor are accurate and complete.
3. Design additional controls to ensure the Prime Contractor excludes candidates from consideration whose resumes do not match information they provide upon further screening.
4. Develop procedures to ensure candidate screenings are done in accordance with contract requirements for resource extensions.
5. Develop internal controls to ensure background checks are accurate and complete prior to engaging a resource.
6. Obtain full access to vendor management system to ensure underlying documentation for background check reports is maintained.
7. Reconcile hours approved to the Prime Contractor's aggregated billed hours and recoup overpayments, if any.
8. Enhance controls to ensure District program managers verify the monthly hours the Prime Contractor bills agree with the weekly hours approved.
9. Develop procedures to ensure District program managers consistently track and maintain time and attendance records.
10. Develop procedures to enforce timesheet submission and approval requirements in the contract and SOP.
11. Compare billed hourly rates to the contract price schedule and recoup excess payments, if any.
12. Develop procedures to ensure the Prime Contractor provides IT services at or below the hourly not-to-exceed rates found in the contract.
13. Update the SOP to clarify the process for obtaining OCTO's approval to adjust job categories and not-to-exceed rates.
14. Revise the SOP to include language about resources' responsibilities to safeguard the District's IT systems and equipment when teleworking.

APPENDIX D. TIMESHEET AND INVOICE PROCESS

Deficiencies in Internal Control Design



Source: OIG analysis of invoice review and approval process

APPENDIX E. OCTO'S RESPONSE TO THE DRAFT REPORT

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



November 22, 2019

Daniel W. Lucas
Inspector General
Office of the Inspector General
717 14th Street, NW
Washington, D.C. 20005

**RE: Response to OIG Project No. 2019-1-003TO: Office of the Chief Technology Officer:
Internal Controls for the Pipeline Contract Management Needs to be Improved**

Dear Inspector General Lucas:

The District of Columbia Office of the Chief Technology Officer ("OCTO") is in receipt of the draft report from the District of Columbia Office of the Inspector General ("OIG"), *Internal Controls for the Pipeline Contract Management Needs Improvement* ("Report"). Upon review of the Report, it became apparent that the relevant factual background related to the Pipeline Contract ("Contract") did not inform its conclusions. This response provides context to the factual background, as well as OCTO's response to each of the OIG's recommendations.

I. RESOURCE SCREENING

A. Resumes

The Report contends that candidates' resumes submitted to the Prime Contractor were inaccurate and incomplete, where 10 positions were missing resumes that were submitted to subcontractors, and 4 resumes from the subcontractor did not match those of the Prime Contractor.

In accordance with section C.5.2.5. of the Contract, and as noted in the Report, OCTO relied on the Prime Contractor to screen candidates. Indeed, the Agency Standard Operating Procedure Guide ("SOP") states that the subcontractor submits resumes into the Vendor Management System ("VMS") and that they are "expected to ensure that any submitted candidates match the requirements of the position and comply with any advanced technical screening requirements." SOP at p. 12. Further, [the Prime Contractor] will review all submitted candidates and validate their credentials against the requirements of the position." *Id.* The resumes of record are uploaded into the VMS and accessed in that system by the Prime Contractor.

Resources, however, submit varied resumes due to changes over time in their experience, education, or careers. Additionally, candidates submit different versions of a resume depending on whether the position has specific requirements that require more than a general resume. A single resource, for example, may apply for different positions across the District and have different versions of their resume associated with each application.

When the Prime Contractor reviews the candidates, including interviewing, the composite score may be adjusted based on the candidates' responses to further the evaluative process. As acknowledged in the Report, the reasons for adjustment to the composite scores is not a contractual requirement. The Prime Contractor assesses the resumes against the minimum requirements, and rejection occurs as applicable if the candidate is not qualified.

As acknowledged in the Report, the Prime Contractor is not required to document its reasons for rejection of a candidate. In the VMS, the Prime Contractor notes the reasons from rejection based on a drop-down menu of options: Reject-Duplicate; Reject-Inadequate Info; Reject-Not Available; Reject-Not Qualified; Reject-Rate Issue; Reject-Req Closed/Filled; and Reject-Stronger Cand. The Prime Contractor does not maintain further explanation of the reasons for rejection based on human resources best practices and potential legal implications of those specific

APPENDIX E. OCTO'S RESPONSE TO THE DRAFT REPORT

Government of the District of Columbia

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records, especially as that level of specificity could hinder the candidate or the subcontractor for other opportunities in the future. Even if a candidate is rejected and only a fraction of candidates are forwarded to the District, the rejected candidates remain active for other opportunities. To differentiate among similarly scored candidates, the Prime Contractor evaluates whether the candidate has additional skills or qualifications that are not required but desired.

B. Re-competition

The Report further states that there was no evidence that the Contracting Officer ("CO") waived the requirement for re-competition of resources in accordance with section C.5.6.1 of the Contract.

OCTO, however, did not seek the issuance of waivers, and no such waivers were issued. In fact, all resources were re-competed after 12 months of engagement. Continuation engagements, which crossed fiscal years, were not re-competed because the resources had not been engaged for a full 12 months. When the relevant anniversary date approached, resources were re-competed. In current and last option exercise of the Contract, effective October 1, 2019, the re-compete requirement has been removed.

C. Background Checks

The Report asserts that background checks were not accurate and complete prior to the assignment of a candidate, notwithstanding section C.5.7.5, which states that a candidate may not start an assignment prior to the successful completion of a background check.

Prior to the Contract, OCTO was a party to the Information Technology Staff Augmentation contract ("ITSA"). As the transition occurred from ITSA to the Contract, resources were also transitioned with the intent of avoiding any potential break in service. It appears that the samples selected for the Report were part of that transition. Due to the existence of international credentials, it remained difficult to verify education requirements on transitioned resources and also obviate a break in service. Some limited exceptions were therefore temporarily granted.

When resources were re-competed, however, any information that was previously missing from the background check was verified by a third-party company. If the information provided by the resource could not be verified, the Prime Contractor rejected the resource. Although the Report contends that the Prime Contractor and subcontractor maintained only summary reports and not supporting documentation in the VMS, there is no contractual requirement related to this issue. As noted in the report, responsive documentation may be provided by the third-party company upon demand.

The Report also notes that resources were engaged despite discrepancies between the information submitted by the resource and the information obtained from the third-party background check company. No contractual requirement relates to this issue. Further, when resources were re-competed, any information that was previously missing from the background check was verified by a third-party company. If the information provided by the resource could not be verified, the Prime Contractor rejected the resource.

II. INTERNAL CONTROLS ON BILLING

A. Billed Hours and Approved Hours

The Report states that District program managers and the Accounts Payable Team did not compare hours billed to hours worked prior to paying the Prime Contractor. The Report further states that sections G.9.1.4. and G.9.1.5. requiring review and approval of invoices by the Contract Administrator ("CA") prior to payment did not occur.

Invoices submitted to the District are automated, and feature a three-way match by the Accounts Payable Team confirming ordering of services via purchase order; delivery and acceptance of services via timesheets; and receipt of a proper invoice by the CA via vendor invoices. As acknowledged in the Report, District program managers approve invoices prior to the three-way match by the Accounts Payable Team.

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B. Time and Attendance Documentation

The Report states that District agencies did not receive guidelines or SOPs regarding how the time and attendance records of resources should be maintained, including supporting documentation.

In accordance with the Contract, the requirement is that all time must be submitted by resources in PASS and approved by a District program manager. The only system of record within which to track time is PASS in accordance with the SOPs. Managers are provided with guidance regarding documentation supporting time and attendance during on-boarding training for the Contract, including PASS Time Sheet Standard Operating Procedures, which has been provided to OIG.

C. Time Submission and Approval Requirements

The Report also contends that District agencies were not provided guidance regarding the process for ensuring that resources submit weekly timesheets in accordance with section G.1.1. of the Contract.

Timesheets were submitted weekly, consistent with sections C.3. and G.1.1. of the Contract. Indeed, the Prime Contractor reviews time every week for all agencies, and informs agencies about any missing or unapproved time.

D. Resources and the Contract Price Schedule

The Report notes that rates in the purchase orders by District managers were higher than the rates in the price schedule of the Contract.

This issue occurred in limited instances where a District manager selected an incorrect labor category and level when inputting a requisition into the VMS, where the inputted rate was lower than the intended rate. While the VMS is designed to block any rate that exceeds the Contract rate, a glitch in the system allowed the District manager to make this change after saving the requisition as a "Draft" and then editing the rate. Once in edit mode, the VMS allowed a higher rate to be entered but did not allow the District Manager to change the associated labor category and level of the requisition to match. The Prime Contractor rectified this glitch and has since reconfigured the VMS where the draft will be saved, and rate will remain unchanged. It is no longer possible for any rate on a requisition to exceed the Contract rate.

E. Reclassification of Labor Categories

The Report states that the Prime Contractor instructed District managers to reclassify labor category to a higher rate without approval from OCTO, and outside of the requirement of section G.9.4. of the Contract.

However, labor categories were not reclassified invoking section G.9.4. of the Contract. The Prime Contractor and District managers work with existing labor categories to determine appropriate placement of resources based on market rates. The Prime Contractor makes recommendations to District managers, who ultimately determine the relevant labor category and rate for the resource(s) at issue in accordance with the Contract, and input those choices in the VMS.

F. Telework

The Report states that District assets are at risk if resources telework. As noted in the Report, the Contract is silent regarding telework. Each District agency manages its own telework policy, and these issues remain outside of the purview of OCTO.

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While OCTO does not accept all of the conclusions and recommendations encompassed in the Report, it recognizes the need for continual improvement with respect to administration of the Contract, as noted in the response to the Report's Recommendations below. OCTO recently exercised its last option year with the Prime Contractor, and will work as described below to improve processes and controls during this final term. As OCTO works to develop a new contract for these services, OCTO will look to incorporate provisions in the document that will address these identified areas of concern.

RECOMMENDATIONS

1. Develop procedures to ensure subcontractor vendors maintain accurate and complete candidates' resumes.

Accepted. OCTO will work with the Prime Contractor to recommend that procedures responsive to this topic are added to its Subcontractor Agreements. The Prime Contractor will be responsible for enforcing these procedures. Further, these topics will be addressed during the monthly SLA review between OCTO and the Prime Contractor.

2. Develop procedures to ensure resumes the subcontractor vendors submit to the Prime Contractor are accurate and complete.

See response to Recommendation No. 1.

3. Design additional controls to ensure the Prime Contractor excludes candidates from consideration whose resumes do not match information they provide upon further screening.

Accepted in Part. The Prime Contractor currently rejects candidates in the VMS who do not meet minimum qualifications or whose qualifications lack sufficient information. In the VMS, the reasons from rejection based on a drop-down menu of options include: Reject-Inadequate Info and Reject-Not Qualified. OCTO will consider working with the Prime Contractor to develop additional controls around this issue.

4. Develop procedures to ensure candidate screenings are done in accordance with contract requirements for resource extensions.

Accepted. OCTO will work with the Prime Contractor to ensure that candidate screenings align with contract requirements for resource extensions. It should be noted that in current and last option exercise of the Contract, effective October 1, 2019, the re-compete requirement has been removed.

5. Develop internal controls to ensure background checks are accurate and complete prior to engaging a resource.

Accepted. OCTO will work with the Prime Contractor to develop controls in the form of SOPs to address this issue.

6. Obtain full access to vendor management system to ensure underlying documentation for background check reports is maintained.

Rejected. The Contract has no express requirement to maintain supporting documentation for background checks, and such information is available upon demand.

7. Reconcile hours approved to the Prime Contractor's aggregated billed hours and recoup overpayments, if any.

Accepted. The Prime Contractor has only been paid for hours billed by resources and approved by District managers. There are no existing overpayments to recoup.

APPENDIX E. OCTO'S RESPONSE TO THE DRAFT REPORT

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8. Enhance controls to ensure District program managers verify the monthly hours the Prime Contractor bills agree with the weekly hours approved.

Accepted. OCTO will consider enhanced controls in the form of SOPs to ensure verification by District managers.

9. Develop procedures to ensure District program managers consistently track and maintain time and attendance records.

Rejected. The system of records is PASS, and the time and attendance function is already maintained in that system. In response to this issue, however, OCTO will include additional training for District managers that provides specific guidance on tracking and approving time and attendance only in PASS. OCTO will consider enhanced controls in the form of SOPs to ensure consistent tracking by District managers.

10. Develop procedures to enforce timesheet submission and approval requirements in the contract and SOP.

Accepted. OCTO will develop procedures to enforce timesheet submission and approval requirements, and will review the same during its monthly SLA review with the Prime Contractor.

11. Compare billed hourly rates to the contract price schedule and recoup excess payments, if any.

Accepted. OCTO engages in this practice as part of its monthly SLA and Reconciliation exercises with the Prime Contractor.

12. Develop procedures to ensure the Prime Contractor provides IT services at or below the hourly not-to-exceed rates found in the contract.

See response to Recommendation No. 11.

13. Update the SOP to clarify the process for obtaining OCTO's approval to adjust job categories and not-to-exceed rates.

Not Applicable. This issue is inapplicable to the facts presented.

14. Revise the SOP to include language about resources' responsibilities to safeguard the District's IT systems and equipment when teleworking.

Rejected. OCTO does not have the authority to dictate telework practices to other District agencies.

Thank you for your attention to this matter. In the event there are further questions regarding this response, please do not hesitate to contact me at 202.727.2277.

Sincerely,



Lindsey V. Parker