

DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

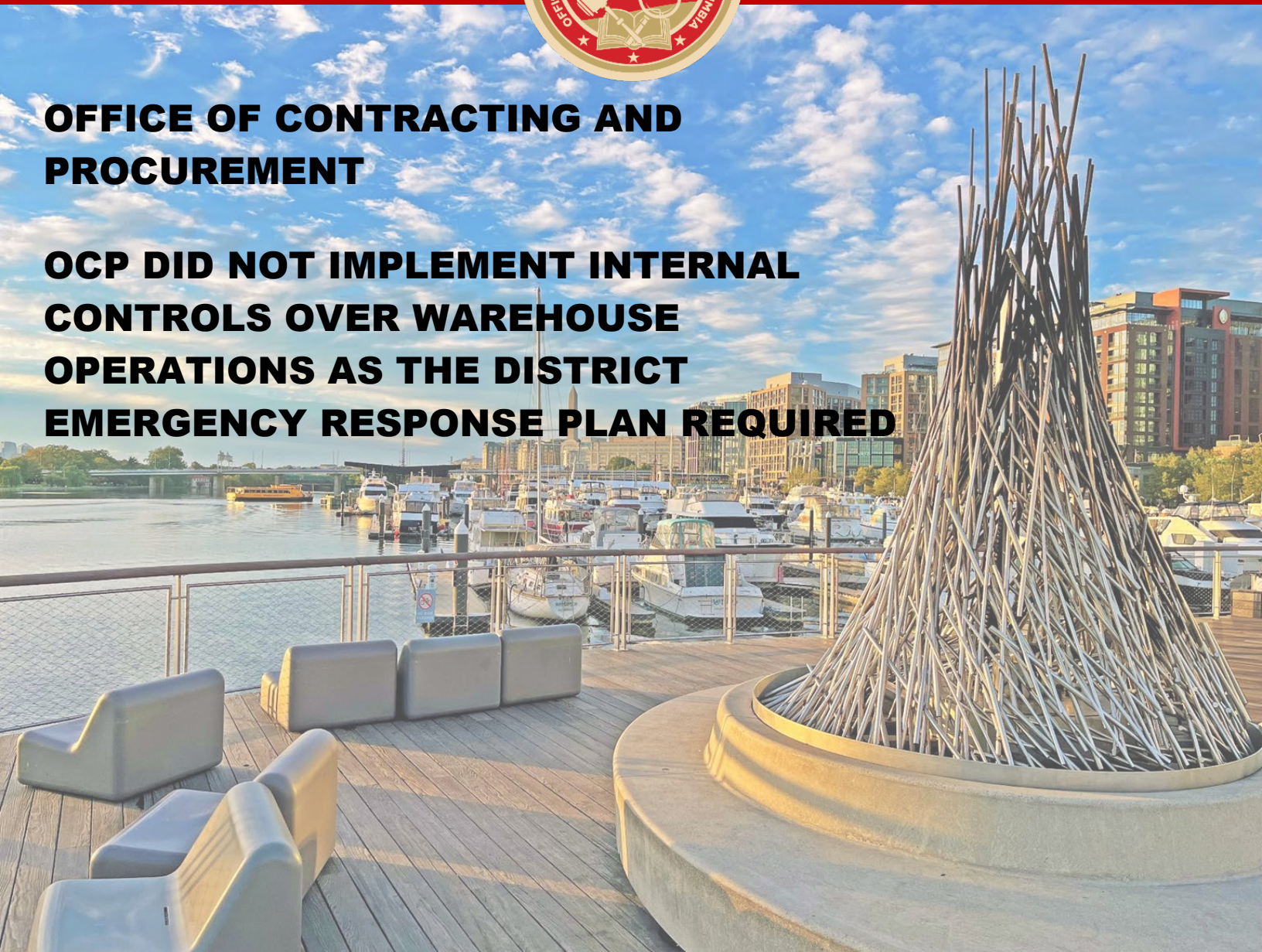
OIG Project No. 21-1-01MA(a)

April 2023



OFFICE OF CONTRACTING AND PROCUREMENT

OCP DID NOT IMPLEMENT INTERNAL CONTROLS OVER WAREHOUSE OPERATIONS AS THE DISTRICT EMERGENCY RESPONSE PLAN REQUIRED



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Our mission is to independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

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- promote economy, efficiency, effectiveness, and accountability;
- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.

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Accountability * Integrity * Professionalism
Transparency * Continuous Improvement * Excellence





Executive Summary

OCP Did Not Implement Internal Controls Over Warehouse Operations as the District Emergency Response Plan Required

WHY WE DID THIS AUDIT

On March 11, 2020, D.C. Mayor Muriel Bowser authorized the Office of Contracting and Procurement (OCP) to centralize and streamline the process for all procurement requests associated with the COVID-19 response and continuity of government operations. On September 16, 2020, the D.C. Office of the Inspector General (OIG) announced the *Audit of District Procurement During the COVID-19 Public Health Emergency* (OIG No. 20-1-01MA). On May 12, 2021, we issued a [Close-out Letter, for OIG No. 20-1-01MA](#), which concluded that the OIG could not gather sufficient and appropriate evidence to answer audit objectives. During the July 14, 2021, Oversight Roundtable hearing regarding *Emergency Procurements During the Public Health Emergency*, OCP disagreed with the findings and conclusions in the Close-out Letter, indicating that it had maintained all necessary records for audit purposes and had provided the OIG with access to records and databases. Given OCP's disagreement, the OIG initiated this audit on July 27, 2021, to assess the matter further.

OBJECTIVES

The audit objectives were to determine the accuracy and completeness of procured supplies and equipment, including ordering, inspecting, accepting, rejecting, storing, issuing, and valuing processes.

WHAT WE FOUND

Although the OIG could access OCP records and databases, the overall findings and conclusions from our May 12, 2021 close-out letter remained unchanged. OCP needs to ensure processes and IT systems that govern the ordering, receiving, storing, and issuing of goods are fully implemented and integrated; and OCP should consider whether adequate staffing exists at each of its five warehouses to manage its ongoing emergency procurement operations. At the onset of the pandemic, OCP made a strategic decision to procure supplies and equipment in bulk, use existing District-owned facilities as storage and an existing District inventory management system. OCP's broad authority to centralize and streamline the COVID-19 procurement process allowed maximum flexibility for the District to seek and receive federal funding, which enabled the District to continue to support the public health response.

We commend OCP for using the Smartsheet platform, which has helped the agency streamline the process for federal funding requests by allowing OCP to document and search for its COVID-19 procurement actions. Based on our review of contract copies, proof of payments, vendor invoices, and quotes maintained in Smartsheet, the District successfully obtained public assistance funding from the federal government to procure supplies and equipment.

Although OCP's decision to centrally procure and distribute supplies and equipment helped to quickly respond to District agencies' needs during the pandemic, OCP faced challenges in implementing internal controls.

Executive Summary

While the District of Columbia Public Emergency Act of 1980 (PE Act)¹ permits a departure from established operating procedures when purchasing supplies and equipment, the District Response Plan (DRP) emphasizes the need for proper accounting of public funds to promote public accountability and transparency. The DRP “describes the mechanism and structure for mobilization of District resources and conducts activities to address the consequences of any disaster or emergency.”² According to the DRP, OCP must use internal controls to reasonably ensure that resources are used in line with incident objectives; programs and resources are protected from waste, fraud, and mismanagement; and laws and regulations are followed.³

OCP’s internal controls were not designed to ensure all COVID-19 procurement and warehouse transactions between March 2020 and July 2021, valued at \$419.8 million, could be traced to or from inventory records, the general ledger, or source documents (such as bills of lading, vendor invoices, purchase orders, direct vouchers, or purchase cards). We attribute gaps in internal controls to OCP’s lack of experience, expertise, and training in managing warehouse operations, all of which were outside its core functions to purchase quality goods and services in a timely manner and at a reasonable cost.⁴

As a result of the gaps in internal controls, OCP cannot assure it: (1) provided effective control over and accountability for federal public assistance program funding, property, and other assets; and (2) adequately safeguarded all assets to ensure they were used solely for authorized purposes of project work and costs related to the COVID-19 response.

WHAT WE RECOMMEND

We made 14 recommendations to improve OCP’s financial management and recordkeeping processes to ensure: (1) expenditures are completely and accurately accounted for; (2) adequate supporting documentation exists to support the proper receipt of all procurements; (3) quality verification of supplies and equipment are performed; and (4) OCP’s inventory management system’s records are accurate.

MANAGEMENT RESPONSE

OCP agreed with seven recommendations, agreed in part with six recommendations, and disagreed with one recommendation.

¹ District of Columbia Public Emergency Act of 1980, D.C. Law 3-149, effective Mar. 5, 1981, <https://code.dccouncil.gov/us/dc/council/laws/docs/3-149.pdf> (last visited Dec. 29, 2022).

² D.C. Homeland Security and Emergency Management Agency, District of Columbia Response Plan, Preface (Mar. 2017), https://hsema.dc.gov/sites/default/files/dc/sites/hsema/page_content/attachments/District%20Response%20Plan.pdf (last visited Dec. 29, 2022).

³ *Id.* § 6.2 at 148.

⁴ OCP website, <https://ocp.dc.gov/page/about-ocp> (last visited Sept. 14, 2022).

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



April 5, 2023

George A. Schutter
Chief Procurement Officer
Office of Contracting and Procurement
441 4th Street, N.W., Suite 330 South
Washington, D.C. 20001

Dear Chief Procurement Officer Schutter:

Enclosed is our final report, *OCP Did Not Implement Internal Controls Over Warehouse Operations as the District Emergency Response Plan Required* (OIG Project No. 21-1-01MA(a)). The audit was included in our *Fiscal Year (FY) 2022 Audit and Inspection Plan*. We conducted this audit in accordance with generally accepted government auditing standards (GAGAS).

We provided the Office of Contracting and Procurement (OCP) with our draft report on February 8, 2023, and received its response on March 15, 2023. We appreciate that OCP officials began addressing some of the findings immediately upon notification during the audit.

Our draft report included seven findings and 14 recommendations to OCP for actions we deemed necessary to correct identified deficiencies. OCP agreed with Recommendations 1, 3, 4, 6, 8, 12, and 14. OCP'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. Although OCP agreed in part with Recommendations 2, 5, 9-11, 13 and disagreed with Recommendation 7, OCP'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.

During the audit, we received OCP's views on our findings, recommendations, and conclusions in writing. We incorporated OCP's views in our draft report if supported by sufficient and appropriate evidence. OCP's March 15, 2023 response did not provide additional evidence to support its disagreements. Based on OCP's response, we re-examined our facts and conclusions and determined that the draft report was fairly presented. OCP's responses to the draft report are included in their entirety at Appendix D.

Chief Procurement Officer Schutter
OCP Did Not Implement Internal Controls Over Warehouse
Operations as the District Emergency Response Plan Required
OIG Final Report No. 21-1-01MA(a)
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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, Assistant Inspector General for Audits, at 202-727-2540.

Sincerely,



Daniel W. Lucas
Inspector General

DWL/rb

Enclosure

cc:

The Honorable Muriel Bowser, Mayor, District of Columbia, Attention: Betsy Cavendish
Mr. Kevin Donahue, City Administrator, District of Columbia
Mr. Barry Kreiswirth, General Counsel, City Administrator, District of Columbia
Mr. Eugene Adams, Director, Mayor's Office of Legal Counsel
Mr. Keith Anderson, Interim Deputy Mayor for Planning and Economic Development
The Honorable Phil Mendelson, Chairman, Council of the District of Columbia
The Honorable Brianne K. Nadeau, Chairperson, Committee on Public Works and
Operations, Council of the District of Columbia
The Honorable Robert C. White, Jr., Chairperson, Committee on Government Operations and
Facilities, Council of the District of Columbia
Ms. Susanna Castillo, Director of Communications, Office of Communications, Executive
Office of the Mayor
Ms. Jennifer Reed, Director, Office of Budget and Performance Management, Office of the
City Administrator
Ms. Nyasha Smith, Secretary to the Council
The Honorable Brian L. Schwalb, Attorney General for the District of Columbia
Mr. Glen Lee, Chief Financial Officer, Office of the Chief Financial Officer
Mr. Timothy Barry, Executive Director, Office of Integrity and Oversight, Office of the
Chief Financial Officer
The Honorable Kathy Patterson, D.C. Auditor, Office of the D.C. Auditor
Mr. Jed Ross, Director and Chief Risk Officer, Office of Risk Management

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BACKGROUND

The OCP's mission is "to partner with vendors and District agencies to purchase quality goods and services in a timely manner and at a reasonable cost while ensuring that all purchasing actions are conducted fairly and impartially."⁵

Mayor's Order 2020-045 Section II(P), dated March 11, 2020, authorized the OCP to centralize and streamline the Emergency Operations Center's (EOC) WebEOC procurement process for all procurement requests associated with the COVID-19 response and continuity of government operations.

OCP used information technology (IT) systems and databases for requesting, ordering, receiving, and issuing inventory items. The list below identifies the IT systems and databases OCP used to carry out these functions:

- WebEOC – manages supplier relationships and centrally tracks and approves requisitions related to the COVID-19 public emergency.
- QuickBase – manages OCP's relationships with District agencies, including receiving agencies' requests, issuing requested items to agencies, and calculating agencies' utilization rates.
- BarCloud – manages warehouse operations, including tracking receipt of goods from suppliers and stored items and calculating inventory balances.
- Smartsheet – tracks and monitors outstanding orders from suppliers.

To facilitate bulk ordering from various suppliers, OCP consolidated District agencies' needs to purchase personal protective equipment (PPE). To manage the receipt and storage of large quantities of ordered goods, OCP needed to expand its capacity by leasing, constructing, and operating the following five warehouse facilities: Strategic Warehouse at the D.C. General Campus, District Logistics Center, Safe Workplace at Adams Place, Safe Workplace Overflow, and Safe Workplace Expansion. OCP also assisted D.C. Health with facilitating its warehouse operations.

A team of 10 staff members was responsible for warehouse operations, all of which were carried out under the supervision of a Chief Logistics Officer. Four managers were responsible for day-to-day activities at the warehouses. Four analysts and one PPE specialist supported daily activities at all five warehouses. The warehouse operations team was also organized as a working group that included the 10 individuals identified above, OCP's Chief Operating Officer, and the Chief Contracting Officer for Public Safety. The working group was responsible for creating procurement specifications in accordance with the latest Centers for Disease Control (CDC) requirements, developing agencies' utilization rates, developing reorder points, managing databases for issuing PPE, developing average lead times, and generating reports. The working group met weekly to discuss critical need items, procurement strategy, and the best way to secure funding. In total, OCP hired or contracted an additional 110 personnel to respond to the District's COVID-19 procurement needs.

⁵ *Id.*

The objectives of this audit were to determine the accuracy and completeness of procured supplies and equipment, including processes such as ordering, inspecting, accepting, rejecting, storing, issuing, and valuing. The audit was included in the OIG’s *Fiscal Year 2022 Audit and Inspection Plan*.⁶ The OIG issued the engagement letter on July 27, 2021, and conducted our audit from July 2021 to October 2022. The scope of the audit was March 2020 through July 2021. We conducted our audit in accordance with generally accepted government auditing standards (GAGAS).

We used federal and District laws and regulations to examine OCP’s use and management of federal and District funds to procure, store, issue, and record purchased supplies and equipment. We also reviewed the Mayor’s Order declaring the COVID-19 public emergency, subsequent orders extending the emergency, and the *District Response Plan (DRP)*.

The District of Columbia Public Emergency Act of 1980 (PE Act), as codified pursuant to D.C. Code §§ 7-2301-2308, states that the Mayor may establish a public emergency preparedness program, including the development of an emergency operations plan. Specifically, D.C. Code § 7 -2304(b), states in relevant part:

Upon the issuance of an emergency executive order the Mayor may: ... (2) Implement those provisions of the District of Columbia response plan as issued by the Mayor, *without regard to established operating procedures* relating to the performance of public works, entering into contracts, incurring obligations, employment of temporary workers, rental of equipment, purchase of supplies and materials, and expenditure of public funds; provided, that this paragraph shall apply only to employees of the District of Columbia government... [emphasis added]

FEMA policy⁷ required OCP, as the federal award recipient, to: (1) provide effective control over and accountability for all funds, property, and other assets; and (2) adequately safeguard all assets to ensure that they are used solely for authorized purposes.⁸

Finally, 2 CFR § 200.303(a) required OCP to:

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that [OCP] is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated

⁶ OIG 2021 Audit and Inspection Plan, https://oig.dc.gov/sites/default/files/DC-OIG-FY21-Audit-and-Inspection-Plan_0.pdf.

⁷ U.S. DEP’T. OF HOMELAND SECURITY, FEDERAL EMERGENCY MANAGEMENT AGENCY, CORONAVIRUS (COVID-19) PANDEMIC: PUBLIC ASSISTANCE PROGRAMMATIC DEADLINES FEMA POLICY # 104-22-0002, https://www.fema.gov/sites/default/files/documents/fema_COVID-19-public-assistance-programmatic-deadlines-policy.pdf (last visited Sept. 15, 2022).

⁸ See 2 CFR § 200.302(b)(4).

Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also used the *United States Government Accountability Office (GAO) Standards for Internal Control in the Federal Government (Green Book)*⁹ to evaluate the design and implementation of OCP’s control activities over warehouse operations. The Green Book defines internal control as “a process used by management to help an entity achieve its objectives.”¹⁰ Moreover, the Green Book explains that: “[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.”¹¹ GAO states that state, local, and quasi-governmental entities may adopt Green Book internal control standards.¹²

FINDINGS

OCP RECORDS FOR PROCUREMENT ACTIONS WERE ACCURATE AND COMPLETE

Our first audit objective was to assess OCP’s ordering process for accuracy and completeness.¹³ To determine the accuracy and completeness of procured supplies and equipment, we requested and obtained a report containing the ordering history from March 2020 through July 2021. OCP submitted project applications for work and costs related to the COVID-19 response in order to receive funding from the federal government. Specifically, OCP provided us with access to review Smartsheet, a tool used to track and monitor outstanding orders from suppliers, which contained 33 projects valued at \$425 million. Our review of the individual Smartsheet folders suggested that OCP documented copies of contracts, proof of payments, vendor invoices, and quotes.

We commend OCP for using Smartsheet to maintain supporting documentation for its COVID-19 procurement actions, which allowed them to streamline the recordkeeping process for federal funding requests. Based on our review of copies of contracts, proof of payments, vendor invoices, and quotes maintained in Smartsheet, the District successfully obtained public assistance funding from the federal government¹⁴ to procure supplies and equipment.

At the onset of the pandemic, OCP determined that it would centralize distribution of supplies and equipment and streamline the COVID-19 procurement process to: (1) procure supplies and

⁹ U.S. GOV’T ACCOUNTABILITY OFFICE, GAO-14-704G, STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOV’T, § OV1.04 at 5 (Sept. 2014), <https://www.gao.gov/assets/gao-14-704g.pdf>, (last visited June 9, 2021).

¹⁰ *Id.* at Title Page.

¹¹ *Id.* § OV2.14 at 11-12.

¹² *Id.* Forward at 1.

¹³ GAO defines “accuracy” to mean “the extent that recorded data reflect the actual underlying information” and “completeness” as “the extent to which relevant data records and fields are present and sufficiently populated.” U.S. GOV’T ACCOUNTABILITY OFFICE, ASSESSING DATA RELIABILITY 4, GAO-20-283G (Dec. 2019), <https://www.gao.gov/assets/gao-20-283g.pdf>, (last visited Sept. 14, 2022).

¹⁴ FEMA considers Public Assistance as obligated funds based on proposed projects but are subject to close out procedures to ensure funds were used solely for authorized purposes.

equipment in bulk; (2) use existing District-owned facilities as storage;¹⁵ and (3) use an existing District inventory management system. OCP's broad authority to centralize and streamline the COVID-19 procurement recordkeeping process allowed maximum flexibility for the District to seek and receive federal government funding.

OCP engaged in significant initiatives, including:

- researching and documenting procurement records to seek funding from the federal government;
- developing standard operating procedures (SOPs) for the use of a newly acquired inventory management system; and
- training staff on newly developed SOPs.

Finally, OCP constructed three warehouse facilities, acquired a new inventory management system, and hired or contracted 110 additional personnel (41 full-time employees and 69 contractors) to perform recordkeeping activities and overcome the influx of ordering and receiving bulk purchases.

Although OCP's decision to centrally procure and distribute supplies and equipment helped to quickly respond to District agencies' needs, OCP faced challenges in implementing internal controls. The following section discusses our findings, recommendations, and conclusions to address poor recordkeeping and procedural failures; and to prospectively improve warehouse operations.

OCP DID NOT ESTABLISH EFFECTIVE INTERNAL CONTROL OVER WAREHOUSE OPERATIONS

OCP did not establish effective internal controls to ensure that warehouse staff inspected, accepted (or rejected), stored, issued, and valued procured supplies and equipment. According to the DRP, OCP must use internal controls to reasonably ensure that resources are used consistent with incident objectives; programs and resources are protected from waste, fraud, and mismanagement; and laws and regulations are followed.¹⁶

OCP was unable to accurately and completely demonstrate whether it received procured supplies and equipment. OCP's inventory processes did not allow inventory tracing for specific procurement and warehouse transactions to and from inventory records, the general ledger, or source documents such as bills of lading (BOL), receiving reports, vendor invoices, purchase orders, direct vouchers, and purchase cards.

We attribute the gaps in inventory processes to OCP's lack of experience, expertise, and training in warehouse management, all of which were areas outside OCP's core functions. Moreover, OCP failed to consult with the Office of the Chief Financial Officer (OCFO) for guidance on

¹⁵ OCP converted facilities used to store surplus items.

¹⁶ DRP, *supra* note 2.

tracing specific procurement and warehouse transactions between inventory records, the general ledger, and source documents, which contributed to poor recordkeeping practices.¹⁷

As a result, OCP can neither assure that it provided effective controls over and accountability for resources, property, and other assets, nor that it adequately safeguarded all assets to make sure they were used solely for authorized purposes related to the COVID-19 response. In the subsequent sections of this report, we discuss internal control weaknesses over OCP's warehouse operations and recommendations for corrective action.

OCP Was Unable to Accurately and Completely Account for the Receipt and Acceptance of \$419.8 Million Worth of Supplies and Equipment

To assess OCP's acceptance of supplies and equipment received in its warehouses, we reviewed the warehouse and procurement tracking records maintained on OCP's Smartsheet platform.

We found weaknesses where procurement records did not reconcile to warehouse records. From March 2020 through July 2021, OCP expected delivery of 6,000 transactions valued at \$424.8 million. OCP's warehouse and procurement tracking records designed to track the status of outstanding orders did not include the acceptance of 5,923 transactions valued at \$401.3 million. Although OCP noted (by annotation) in the warehouse and procurement tracking records that 77 transactions valued at \$23.5 million were delivered, OCP did not maintain proof of receipt, such as copies of order/packing slips, receiving reports, BOLs, or other evidence to support 52 of the transactions valued at \$18.6 million.

We attribute the lack of reconciliation of procurement records to warehouse records to OCP's failure to consistently use its procurement action tracking number¹⁸ as designed. OCP designated a unique procurement action tracking number to trace warehouse inventory records to or from procurement management records. However, we found that 3,383 of 6,000 procurement management records did not include the procurement action tracking number. Of the 4,604 receiving records in the warehouse management system, none included the unique procurement action tracking number to ensure the delivery status of the 6,000 procurement transactions.

We also found weaknesses where procurement records of 6,000 transactions valued at \$424.8 million did not reconcile to general ledger records. Our review of the SOAR encumbrances (the general ledger records) indicated that OCP procured and paid for supplies and equipment valued at \$359.4 million between March 2020 and July 2021.

We also noted that OCP designed a two-step process to track the acceptance of ordered supplies and equipment. First, warehouse managers were required to collect and maintain copies of order slips from shippers. According to OCP's *Inventory Management Policies & Procedures*, "[t]he warehouses manager and/or a member of the staff shall unload the shipment from the delivery vehicle and review shipment to determine items received. The warehouse manager and/or

¹⁷ Per an OCP official, "OCP teams had an agreement with [the] Office of the Chief Financial Officer (OCFO) on requirements for expenditures" but did not provide this agreement to the OIG for evaluation.

¹⁸ OCP used the resource (requisition) request numbers generated from the Emergency Operations Center (EOC) WebEOC Crisis Management System.

member of the [Strategic Logistic Center] staff shall request an Order Slip from the Shipper [at time of delivery]. The physical copy of the order slip should be stored in a centralized location.”¹⁹

In addition, OCP’s data team was required to update warehouse and procurement tracking records based on copies of order slips. According to OCP’s *PPE and Safe Workplace Materials Receiving Process*, Step 1 (page 2):

The data team maintains an informal warehouse and procurement tracking record on Smartsheet for PPE delivery. The data analyst continuously updates the delivery record based on the PPE amount delivered. The following steps describe the procurement tracking from the data team.

1. Whenever there is a new delivery to a warehouse, the corresponding warehouse manager provides the BOL information for the delivered item to the data analyst.
2. The data analyst captures the warehouse and procurement tracking record information. Some of the information captured on the Warehouse & Procurement record is the amount ordered, quantity received, amount remaining, BOL, and delivery status.

However, the data team updated warehouse and procurement tracking records without obtaining required copies of order slips from the warehouse manager, suggesting that the team did not receive adequate training or management supervision to ensure the process was followed as designed.

Consequently, OCP was unable to confirm whether it accurately and completely accepted \$419.8 million worth of supplies and equipment (the difference between the \$424.8 million in expected deliveries and the \$5 million in tracked deliveries).²⁰

We recommend the Chief Procurement Officer, OCP:

- 1) Provide training and management supervision to ensure warehouse staff follow the *District Response Plan*, FEMA Policies, OCP’s *Inventory Management Policies & Procedures*, and OCP’s *PPE and Safe Workplace Materials Receiving Process*.

OCP Did Not Design Control Activities to Certify the Use and Distribution of Supplies and Equipment Procured

According to FEMA Policy # 104-22-0002, OCP was required to certify whether the \$424.8 million received in public assistance funding (based on copies of contracts, proof of payments, vendor invoices, and quotes) was used or distributed solely for authorized purposes

¹⁹ OFFICE OF CONTRACTING & PROCUREMENT, *INVENTORY MANAGEMENT POLICIES & PROCEDURES, ACCEPTANCE OF ITEMS* (revised Mar. 8, 2021).

²⁰ While the audit period cutoff was on July 31, 2021, any subsequent proof of receipt available to OCP was considered as part of our audit verification procedures.

through July 1, 2022. However, OCP may be unable to certify the use and distribution of procured supplies and equipment due to gaps in its processes and the poor recordkeeping practices previously discussed. We also note that FEMA may take one of several actions, including disallowing all or part of the cost of the project²¹ not in compliance with FEMA Policy # 104-22-0002.

According to OCP, “OCP teams had an agreement with FEMA on requirements for public assistance funding including evidence of receipt of goods” but did not provide this agreement to the OIG for evaluation.

As a result of gaps in internal controls, OCP does not have reasonable assurance that required certifications will be completed to successfully close out all federally-funded projects and to identify the extent of any disallowable costs.²²

We recommend the Chief Procurement Officer, OCP:

- 2) Follow OCP’s *Inventory Management Policies & Procedures* and OCP’s *PPE and Safe Workplace Materials Receiving Process* to account for the receipt, acceptance, and certification of use of \$424.8 million worth of supplies and equipment as FEMA required.

OCP Did Not Design Control Activities Over Warehouse Receiving Process

We noted that OCP’s *PPE and Safe Workplace Materials Receiving Process* did not require employees who receive goods to generate a receiving report. According to 1 District of Columbia Municipal Regulations (DCMR) § 1706.2, the receiving report must include the following information: a contract or other authorization number, product description, quantities received, date(s) property delivered; and signature, printed name, title, telephone number and address of the receiving official. We discussed the lack of receiving reports with an OCP official who stated that capturing the signature, printed name, title, telephone number and address of a receiving official on the receiving report was not a requirement. Instead of generating receiving notes, we noted that, in limited cases, OCP’s practice was to sign shipping documents. The shipping documents, however, did not include a contract or authorization number that could have helped OCP trace and validate the accuracy and completeness of received goods.

According to GAO, *Assessing Data Reliability*:²³

If auditors are particularly concerned that some records might not have been entered into the data system and that, as a result, the data are incomplete, tracing from source documents to the database can help identify any gaps. If auditors are

²¹ U.S. DEP’T. OF HOMELAND SECURITY, FEDERAL EMERGENCY MANAGEMENT AGENCY, PUBLIC ASSISTANCE PROGRAM AND POLICY GUIDE 7, https://www.fema.gov/sites/default/files/documents/fema_pappg-v3.1-archived_policy_5-4-2018.pdf (last visited Sept. 15, 2022).

²² Disallowed costs means those charges to a federal award that the federal awarding agency or pass-through entity determines to be unallowable, in accordance with the applicable Federal statutes, regulations, or the terms and conditions of the Federal award.

²³ U.S. GOV’T ACCOUNTABILITY OFFICE, *supra* note 13 at 22.

concerned that ineligible [transactions] have been included in the database, or that information was entered incorrectly, they can trace from the database back to source documents. Matching the data entered to or from source documents can allow auditors to quantify the magnitude of the error.

Without receiving reports, OCP is unable to trace specific procurement and warehouse transactions to and from inventory records, the general ledger, or source documents.

We recommend the Chief Procurement Officer, OCP:

- 3) Update OCP's *PPE and Safe Workplace Materials Receiving Process* to require receiving reports consistent with the District Quick Payment Act implementing regulations at 1 DCMR § 1706.2.

OCP was Unable to Account for the Acceptance of Ventilators Worth \$308,000

According to 27 DCMR §§ 902.1 and 902.3(c):

902.1 Each District agency is responsible for all personal property in its custody whether purchased from appropriations or other authorized funds, or acquired by transfer, donation, or other authorized means. Each District agency shall ensure that the personal property is properly utilized and managed in the best interest of the District government.

...

902.3 The [Accountable Property Officer] APO shall be responsible for:

...

(c) reconciling physical inventories with property records and inventory databases[.]

Our review of inventory records indicated that OCP procured and received 146 ventilators. However, our physical count of the ventilators indicated that six ventilators were missing. When asked about the six ventilators, warehouse personnel indicated that two were issued to a medical facility and four were issued to an OCP official. Though warehouse personnel recovered the two ventilators issued to the medical facility,²⁴ they were unable to locate the four ventilators issued to the OCP official. We noted that warehouse personnel had neither evidence that the OCP official signed out the ventilators nor proof that the ventilators were assigned unique asset identification numbers prior to issuance as OCP SOPs required. Subsequently, OCP suggested that ventilators were dropped off at D.C. Health for assessment. However, OCP did not provide documentation to support this statement or discuss what efforts it was taking to retrieve the missing ventilators.²⁵

²⁴ As a result of this audit, the warehouse personnel recovered these ventilators.

²⁵ Subsequent to the conclusion of audit fieldwork, OCP stated that the missing ventilators have been located but did not provide sufficient, appropriate evidence to support that assertion (e.g., serial numbers, photographs, custody documentation showing who received and inspected returned items).

We also noted that OCP was unable to provide purchase history for 56 of 146 ventilators. OCP officials indicated that the 56 ventilators might have been donated to the District. OCP provided a donation agreement dated June 22, 2020, but the donation agreement was silent on the quantity or description of the donated items.

Finally, we identified three ventilators (valued at approximately \$132,000) that OCP paid for but did not receive. Our review of Smartsheet indicated that on April 2, 2020, OCP paid \$3,960,000 to acquire 90 “Eternity SH300 ICU Ventilator[s].” However, OCP’s inventory records did not include the 90 ventilators. OCP officials provided documentation of a May 25, 2020, contract modification that increased the quantity to 93 and changed the item quantity descriptions to AxCent Medical LYRA ventilators. OCP officials also provided a copy of the delivery order dated December 18, 2020, indicating that OCP received the 90 AxCent Medical LYRA ventilators. OCP was unable to provide evidence of its receipt of the three AxCent Medical LYRA ventilators as of the date of this report.

We discussed the incomplete and inaccurate records with OCP officials, who stated:

[t]he fixed asset module is not activated in BarCloud. Additionally, OCP is working with OCFO and the official recording of the capitalized assets into the District’s system of record. The asset property identification numbers are assigned, and serial numbers are recorded too. This process is a partnership because OCP has the authority for purchasing and provides guidance on property accountability. OCFO has authority over the official financial records.²⁶

Given the four missing ventilators issued to an OCP official and the three ventilators OCP paid for but did not receive, we calculated that OCP ordered and paid for at least \$308,000 of equipment without receiving and/or maintaining proper receipt and payment documentation. Additionally, OCP was unable to validate whether all donated ventilators were received and traceable to the intended recipients.

We recommend the Chief Procurement Officer, OCP:

- 4) Track and maintain a complete and accurate listing of ventilators for reconciling physical inventories with property records and inventory databases as 27 DCMR § 902.3(c) requires.
- 5) Develop and implement a plan to account for the receipt and acceptance of ventilators, including evidence for the 56 “donated ventilators” and \$308,000 worth of purchased ventilators to ensure compliance with 27 DCMR § 902.1.

²⁶ Email from D.C. Office of Contracting and Procurement, to OIG (July 22, 2022, 13:34 EST) (on file with the OIG).

OCP was Unable to Account for the Acceptance of \$23.6 Million in Supplies and Equipment Procured with Advance Payments to New Vendors

According to the Green Book, management designs control activities for appropriate coverage of objectives and risks in the operations.²⁷ Making advanced payments to new vendors may be risky without any prior performance history.

Our review identified seven new vendors, without prior District procurement history, that received advance payments of approximately \$23.6 million. We evaluated the vendors' prior procurement history with the District. We found, in one case, that a vendor profile was created in the Procurement Automated Support System (PASS)²⁸ the same day an advance payment of \$1,896,000 was made to the vendor. Advance payments were made to the remaining six vendors between 1 and 8 days after their PASS profiles were created, indicating that none of the vendors had prior District procurement history. OCP made 10 purchases from the seven vendors.

While OCP was not prohibited from making advanced payments while operating under the PE Act and only used this payment method in limited circumstances for hard-to-obtain COVID-19 procurements, OCP was unable to confirm the delivery status of 10 PPE purchases valued at \$23.6 million. We attribute this condition to OCP's failure not only to evaluate the risk of non-performance when selecting new vendors, but also to supervise contracting officers' actions.

We recommend the Chief Procurement Officer, OCP:

- 6) Develop and implement a plan to evaluate risk when making advanced payments to new vendors (when permitted), which will mitigate the risk of non-performance.
- 7) Develop and implement a plan to account for the delivery status of all supplies and equipment prepaid by the District to vendors, including the 10 PPE transactions valued at \$23.6 million, to ensure the District received the procured supplies and equipment.

OCP Did Not Perform the Required Quality Verifications of Supplies and Equipment Before Storing

Our second audit objective was to assess OCP's inspecting process for accuracy and completeness. To assess OCP's inspecting process, we reviewed OCP's *PPE Verification Check List Time of Delivery (Post-Procurement)* records maintained in the Microsoft Lists Application via the Office of the Chief Technology Officer (OCTO) SharePoint. We found that OCP did not perform quality verifications for 44 of 57 PPE transactions reviewed. Conducting quality verification before storing is essential to detect any PPE that does not meet the technical specifications included in the solicitations and applicable quality standards.

²⁷ U.S. GOV'T ACCOUNTABILITY OFFICE, *supra* note 9 § 10.08 at 49.

²⁸ PASS is the District's procurement system.

According to OCP's *PPE and Safe Workplace Materials Receiving Process*, Step 2 on page 2,²⁹ "[q]uality verification will be performed on the Items Delivered by the PPE specialist before receiving the Items into BarCloud. The PPE specialist will perform [a] 43-step inspection on the item received and record the result in PPE Verification Checklist." The process further states that the "inspector will log into the [']On-Line PPE Verification Checklist[']" application to perform and document the verification.

When asked if there were any instances where OCP accepted supplies and equipment that were not in conformity with contract specifications, officials indicated that OCP accepted approximately 615,000 counterfeit masks. The PPE specialist further explained that, in this case, he did not perform the required quality inspection at the time of delivery because he had tested the samples provided by the vendor during the procurement process. OCP learned of the counterfeit masks after a user noticed an unusual smell, suggesting that the specialist was not adequately trained or supervised to ensure policy and procedures were followed as designed.

Because OCP did not verify the quality of supplies and equipment before storing them, OCP did not have reasonable assurance that \$2.1 million in received supplies and equipment were free of error or defects, or not counterfeit and that they conformed to the quality specifications stipulated in the contract.

We recommend the Chief Procurement Officer, OCP:

- 8) Develop and implement a plan to provide training and management supervision to ensure the PPE specialists follow the *PPE and Safe Workplace Materials Receiving Process* as designed.
- 9) Follow the *PPE and Safe Workplace Materials Receiving Process* to ensure supplies and equipment received were free from error, defects, or counterfeit and conformed with the quality specifications stipulated in the contracts.
- 10) Seek reimbursement for the 615,000 counterfeit masks valued at \$2.1 million and non-conforming supplies and equipment identified as part of Recommendation 9.

OCP Was Unable to Accurately and Completely Account for Supplies and Equipment Received and Issued in the BarCloud Inventory Management System

Our final audit objectives were to assess OCP's storing³⁰ and issuing processes for accuracy and completeness. To assess OCP's storing and issuing processes, we requested and obtained a *BarCloud All History Data* report and an *Inventory Count Report* as of July 2021. We found that OCP's inventory records for receiving and issuing did not agree with the inventory count balance. As part of the *BarCloud All History Data* report, OCP provided a summary of the total PPE received and issued by PPE category. We used the summary report (the difference between quantity received and quantity issued) and adjustments to calculate the expected count balance

²⁹ The document does not have a date or signature. According to OCP officials, the new process was put in place in March 2021 following a counterfeit incident discussed below in this report.

³⁰ For the purpose of this report, "storing" is the process OCP used to receive items in BarCloud.

by category. Our comparison of the anticipated count to OCP's *Inventory Count Report* as of July 2021 indicated a significant undercount of PPE quantities, except for two items: gowns and non-surgical disposable masks, as shown in Table 1 below.

Table 1: Over and Under Counts of PPE Inventory On-hand, as of July 1, 2021

PPE Category	Received	Issued	Adjust	Expected Count	Inventory Count	Difference
	a	b	c	d = a - b - c	e	= e - d
Coveralls	61,945	6	22,635	39,304	18,049	(21,255)
Disinfectant	78,080	12		78,068	38,055	(40,013)
Face Protection	112,673	15,955	729	95,989	70,045	(25,944)
Foot Protection	12,691			12,691	12,100	(591)
Gloves	351,425	9,891	9,117	332,417	272,731	(59,686)
Gowns	999,566	19,296	114,410	865,860	5,600,003	4,734,143
Hand Sanitizer	356,549	366		356,183	104,621	(251,562)
N95 Rated Mask	76,120	4,316	21,250	50,554	20,915	(29,639)
Non-Surgical Disposable Mask	893,462	4,878	60,746	827,838	13,297,866	12,470,028
Wipes	412,804	1,913	4,158	406,733	67,618	(339,115)

Source: BarCloud All History Data Report

To further understand the root cause of the over and undercounts, we attempted to perform a three-way match on 38 BOLs maintained at the warehouses and trace those receipts to BarCloud. According to OCFO policy,³¹ goods have been delivered and accepted, evidenced by their accompanying receiving reports. Our analysis of the three-way match indicated that:

- Eighteen of the 38 BOLs were not signed to acknowledge the receipt and acceptance of 59 PPE items received.
- Twenty-two of the 38 BOLs were not traceable to original procurement documents – such as a purchase order – contracts, or other authorization as District policy required.
- Thirteen of the 59 PPE items could not be traced to BarCloud. Also, OCP did not record the receipt of ventilators in BarCloud.

The following practices at OCP may have contributed to the over and undercount conditions:

- While OCP was configuring the additional warehouses, acquiring a new inventory management system, and hiring staffing resources, OCP was redirecting delivery trucks

³¹ D.C. OFFICE OF THE CHIEF FINANCIAL OFFICER, OFFICE OF FINANCIAL OPERATIONS AND SYSTEMS, POLICIES AND PROCEDURES MANUAL, Vol. I, § 10402001.10 (updated Nov. 21, 2014).

to District agencies or distributing PPE to District agencies without first receiving and updating an inventory management system.³²

- According to OCP's *Inventory Management Policies & Procedures*, when supplies and equipment are delivered to or picked up by an agency representative, the client signs for the shipment. Results from our review of 50 issued PPE items indicated that OCP did not maintain evidence that 27 of the 50 were received by District agencies, which suggested that warehouse personnel were not provided adequate training or supervision to ensure the policy was followed as designed.
- For procured supplies and equipment that were directly delivered to the warehouses but not distributed to District agencies, OCP retroactively scanned the supplies and equipment to the newly acquired inventory management system, BarCloud. However, OCP did not first ensure the supplies and equipment complied with contract terms and conditions and shipping documents as OCP's *Inventory Management Policies & Procedures* required.

As a result, OCP: (1) could not provide a complete accounting of supplies and equipment directly delivered to District agencies; and (2) did not maintain accurate and complete warehouse records to ensure the District received all supplies and equipment procured and for which it rendered payment.

We recommend the Chief Procurement Officer, OCP:

- 11) Identify deliveries that were redirected to District agencies to ensure items were received, inspected, and added to inventory, and that any excess inventory was returned to OCP warehouses for use by all District agencies.
- 12) Develop and implement a plan to provide training and management supervision to ensure warehouse personnel obtain signatures when supplies and equipment are delivered to or picked up by an agency representative, as OCP's *Inventory Management Policies & Procedures* required.
- 13) Follow OCP's *Inventory Management Policies & Procedures* to obtain required signatures for supplies and equipment delivered to or picked up by an agency representative, including the 27 items for which OCP did not obtain signatures.
- 14) Develop and implement a plan to provide training and management supervision to ensure that warehouse personnel scan the supplies and equipment to the BarCloud inventory management system after validating receipt for adherence to contract terms, conditions, and shipping documents, as OCP's *Inventory Management Policies & Procedures* required.

³² Subsequent to the conclusion of audit fieldwork, OCP stated that it confirmed that deliveries directed to District agencies were for special projects and OCP staff were dispatched to ensure receipt but did not provide sufficient appropriate evidence to support that assertion or that the redirected supplies were inspected, accepted, and tracked in the inventory management system.

CONCLUSION

OCP quickly responded to the added responsibility of centrally procuring and managing PPE the District needed to address the COVID-19 pandemic. It simultaneously created processes, established warehouses, increased staff, and responded to agencies' PPE needs. The recommendations in this report will help OCP promote public accountability and transparency for public assistance funding. The recommendations also help provide reasonable assurance that resources are procured and used solely for authorized purposes, safeguarded from waste, fraud, and mismanagement, and that laws and regulations are followed during public emergencies.

AGENCY RESPONSE AND OFFICE OF THE INSPECTOR GENERAL COMMENTS

We provided the Office of Contracting and Procurement (OCP) with our draft report on February 8, 2023, and received its response on March 15, 2023. We appreciate that OCP officials began addressing some of the findings upon notification during the audit.

Our draft report included seven findings and 14 recommendations to OCP for action on identified deficiencies. OCP agreed with Recommendations 1, 3, 4, 6, 8, 12, and 14. OCP's taken and/or planned actions are responsive and meet the intent of the recommendations. We consider these recommendations resolved but open pending evidence of stated actions. Although OCP agreed, in part, with Recommendations 2, 5, 9-11, and 13, and disagreed with Recommendation 7, OCP's taken and/or planned actions are responsive and meet the intent of the recommendations. We consider these recommendations resolved but open pending evidence of stated actions.

APPENDIX A. OBJECTIVES, SCOPE, AND METHODOLOGY

We conducted this performance audit from July 2021 to August 2022, in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The objectives of this audit were to determine the accuracy and completeness of procured supplies and equipment, including processes such as ordering, inspecting, accepting, rejecting, storing, issuing, and valuing. The audit was included in the OIG’s *Fiscal Year 2022 Audit and Inspection Plan*. The OIG issued the engagement letter on July 27, 2021, and the scope of the audit was March 2020 through July 2021.

We used federal and District laws and regulations to examine OCP’s use and management of the federal and District funds to procure, store, issue, and record purchased supplies and equipment. We also reviewed the Mayor’s Order – and any subsequent order – declaring the COVID-19 public emergency.

In addition, we used the *United States Government Accountability Office (GAO) Standards for Internal Control in the Federal Government* (Green Book)³³ to evaluate the design and implementation of OCP’s control activities over warehouse operations. The Green Book defines internal control as “a process used by management to help an entity achieve its objectives.”³⁴ Further, the Green Book explains that: “[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.”³⁵ GAO states that state, local, and quasi-governmental entities may adopt the Green Book internal control standards.

³³ U.S. GOV’T ACCOUNTABILITY OFFICE, GAO-14-704G, STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOV’T, § OV1.04 at 5 (Sept. 2014), <https://www.gao.gov/products/GAO-14-704G>. (last visited June 9, 2021).

³⁴ *Id.* at Title Page.

³⁵ *Id.* § OV2.14 at 11-12.

APPENDIX B. ACRONYMS AND ABBREVIATIONS

BOL	Bill of Lading
CDC	Centers for Disease Control
CFR	Code of Federal Regulations
COSO	Committee of Sponsoring Organizations of the Treadway Commission
COVID-19	Coronavirus Disease 2019
D.C.	District of Columbia
EOC	Emergency Operations Center
GAGAS	Generally Accepted Government Auditing Standards
GAO	Government Accountability Office
HSEMA	Homeland Security and Emergency Management Agency
IT	Information Technology
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
PAPPG	Public Assistance Program and Policy Guide
PASS	Procurement Automated Support System
PPE	Personal Protective Equipment
SLC	Strategic Logistics Center
SOP	Standard Operating Procedure

APPENDIX C. TABLE OF RECOMMENDATIONS

Responsible Agency	Recommendations	Potential Monetary Benefits	Agency Response
OCP	1. Provide training and management supervision to ensure warehouse staff follow: the <i>District Response Plan</i> , FEMA Policies, and OCP's <i>Inventory Management Policies & Procedures</i> and <i>OCP's PPE and Safe Workplace Materials Receiving Process</i> .		Agree
OCP	2. Follow OCP's <i>Inventory Management Policies & Procedures</i> and OCP's <i>PPE and Safe Workplace Materials Receiving Process</i> to account for the receipt, acceptance, and certification of the use of \$424.8 million worth of supplies and equipment as FEMA required.		Disagree in part
OCP	3. Update OCP's <i>PPE and Safe Workplace Materials Receiving Process</i> to require receiving reports consistent with the District Quick Payment Act implementing regulations at 1 DCMR § 1706.2.		Agree
OCP	4. Track and maintain a complete and accurate listing of ventilators for reconciling physical inventories with property records and inventory databases as 27 DCMR § 902.3(c) requires.		Agree

Responsible Agency	Recommendations	Potential Monetary Benefits	Agency Response
OCP	5. Develop and implement a plan to account for the receipt and acceptance of ventilators, including evidence for the 56 “donated ventilators” and \$308,000 worth of purchased ventilators to ensure compliance with 27 DCMR § 902.1.	\$0.3 million	Disagree in part
OCP	6. Develop and implement a plan to evaluate risk when making advanced payments to new vendors (when permitted), which will mitigate the risk of non-performance.		Agree
OCP	7. Develop and implement a plan to account for the delivery status of all supplies and equipment prepaid by the District to vendors, including the 10 PPE transactions valued at \$23.6 million, to ensure the District received the procured supplies and equipment.	\$23.6 million	Disagree
OCP	8. Develop and implement a plan to provide training and management supervision to ensure the PPE specialists follow the PPE and Safe Workplace Materials Receiving Process as designed.		Agree

Responsible Agency	Recommendations	Potential Monetary Benefits	Agency Response
OCP	9. Follow the PPE and Safe Workplace Materials Receiving Process to ensure supplies and equipment received were free from error, defects, or counterfeit and conformed with the quality specifications stipulated in the contracts.		Disagree in part
OCP	10. Seek reimbursement for the 615,000 counterfeit masks valued at \$2.1 million and non-conforming supplies and equipment identified as part of Recommendation 9.	\$2.1 million	Disagree in part
OCP	11. Identify deliveries that were redirected to District agencies to ensure items were received, inspected, and added to inventory, and any excess inventory was returned to OCP warehouses for use by all District agencies.		Disagree in part
OCP	12. Develop and implement a plan to provide training and management supervision to ensure that warehouse personnel obtain signatures when supplies and equipment are delivered to or picked up by an agency representative, as OCP's <i>Inventory Management Policies & Procedures</i> required.		Agree

Responsible Agency	Recommendations	Potential Monetary Benefits	Agency Response
OCP	13. Follow OCP's <i>Inventory Management Policies & Procedures</i> to obtain required signatures for supplies and equipment delivered to or picked up by an agency representative, including the 31 items for which OCP did not obtain signatures.		Disagree in part
OCP	14. Develop and implement a plan to provide training and management supervision to ensure that warehouse personnel scan the supplies and equipment to the BarCloud inventory management system after validating receipt for adherence to contract terms, conditions, and shipping documents, as OCP's <i>Inventory Management Policies & Procedures</i> required.		Agree

APPENDIX D. OCP Response to the Draft Report



March 15, 2023

via email to daniel.lucas@dc.gov

Daniel Lucas
Inspector General
Office of the Inspector General
717 14th Street, NW, 5th Floor
Washington, DC 20005

Re: **OIG Project No. 21-1-01MA(a) - Draft Audit Report dated February 8, 2023**

Dear Inspector General Lucas:

Thank you for your team's efforts in completing the audit per the Fiscal Year 2022 Audit and Inspection Plan (OIG Project No. 21-1-01MA(a): *OCP Did Not Implement Internal Controls Over Warehouse Operations as the District Emergency Response Plan Required*). I am writing in response to the draft audit report ("draft report") dated February 8, 2023.

As the title of the draft report is misleading, I respectfully maintain that OCP's warehouse operations did, in fact, implement appropriate internal controls during the COVID-19 Public Emergency. Still, I appreciate the audit team for contextualizing the challenging situation created by the public emergency and acknowledging the efforts of the Office of Contracting and Procurement's (OCP) in locating, leasing, constructing, and operating multiple warehouse facilities throughout the longest declared emergency in District history. While operating under the broad authorities provided under the declared emergency orders, it is truly remarkable that OCP managed to balance the day-to-day activities of the agency along with providing efficient procurement and logistics support to all 79 client agencies it serves.

I am immensely proud of the OCP team for their commitment, hard work, and continued development, which was evidenced throughout the emergency as the team addressed a wide array of challenges, including the need to:

- (I) Work around the clock to ensure receipt of essential supply deliveries to warehouses;
- (II) Re-route freight due to lack of warehouse space or in support of District efforts to deliver goods to end users – such as hospitals, nursing homes or direct-services agencies – to immediately mitigate the spread of COVID-19;

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- (III) Correct supplier errors, such as mixing multiple District orders in the same shipment, failing to include appropriate documentation in deliveries, and shipping to the wrong locations;
- (IV) Compensate for staff shortages resulting from COVID-19 illness and family deaths; and
- (V) Compete with governments, businesses, and nonprofit groups around the world in a volatile market to obtain supplies required for the District's emergency response.

Even with these challenges, OCP provided every good and service the District needed to fulfill unplanned, unbudgeted, and unprecedented requirements, executing approximately 9,090 COVID-19 transactions in total. OCP operated in compliance with the law and there have been no findings of illegality in OCP's operations or fraud or criminal behavior on the part of OCP emergency operations personnel.

Still, in acknowledging the significant responsibilities assigned to the OCP team at the start of the public emergency, I also acknowledge that OCP's maturation of the District's warehousing operations took time and some trial and error. Today, we have refined warehouse policies and procedures in place, which evolved over the course of the public emergency. Based on this evolution, I acknowledge that transactions in the early months of the pandemic may not align with OCP's current standards; however, it is significant to note that these transactions still had a level of control, process and documentation that was satisfactory to the Federal Emergency Management Agency (FEMA) and approved for FEMA reimbursement. Notably, the OCP team has been meeting with FEMA representatives weekly since May 2020; FEMA representatives visited the District's emergency operations sites multiple times during the pandemic; and the team was trained by FEMA in the early months of the pandemic and thereafter began submitting projects for FEMA reimbursement in July 2020.

Retroactive application of OCP's current standards to goods purchased and distributed or, in some cases, disposed of due to expiry dates is not feasible. Notwithstanding, I can confirm that goods currently in the District's warehouses, like personal protective equipment (PPE) and safe workplace materials, have been inspected in accordance with OCP's current standards. I can also confirm that the transactions flagged by the audit team in Recommendation 5 and addressed in OCP's responses are being reviewed by OCP staff to ensure appropriate action is taken with the vendor as needed.

We will continue to make improvements to our current policies, procedures, and training for staff. As is evidenced in our responses, we have made progress in developing and implementing plans to address certain deficiencies highlighted by the audit report to include increased staff training, policy updates, new vendor approvals for permitted advance payments, and increased guidance and support for Accountable Property Officers located in program agencies. I am confident in the OCP team's ability to leverage the lessons learned from the pandemic and utilize current OCP policies and procedures to meet the needs of the District and its residents in day-to-day operations and any emergency that may occur in the future.

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Thank you again for your team's efforts. Please see OCP's responses to the Recommendations provided in the draft audit report.

Sincerely,



George Saffutter
Chief Procurement Officer

Enclosures

cc Kevin Donahue, City Administrator, Executive Office of the Mayor
Lindsey Parker, Assistant City Administrator, Executive Office of the Mayor
Betsy Cavendish, General Counsel, Executive Office of the Mayor
Marc Scott, Chief Operating Officer, OCP
Keysha Taylor, General Counsel, OCP

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APPENDIX C. TABLE OF RECOMMENDATIONS

Please note: (i) OCP's Inventory Management Policies & Procedures has been updated and is now known as the Asset Management Guide; and (ii) OCP's PPE and Safe Workplace Materials Receiving Process has been updated and is now known as the Receiving and Issuance Process.

Responsible Agency	Recommendations	Potential Monetary Benefits	Agency Response
OCP	1. Provide training and management supervision to ensure warehouse staff follow the <i>District Response Plan</i> , FEMA Policies, OCP's <i>Inventory Management Policies & Procedures</i> and OCP's <i>PPE and Safe Workplace Materials Receiving Process</i> .		<p>Agree to provide continual training and management supervision. OCP hired a Senior Deputy for logistics with a strong background in warehouse operations, including quality assurance, logistics and inventory management. The Senior Deputy's responsibilities include managing and training warehouse staff and continuing process improvements to warehouse operating procedures and standardization.</p> <p>Through OCP's Procurement Training Institute (PTI), OCP is working to develop and provide additional training courses for staff that address the referenced material.</p> <p>OCP has partnered with OCFO and OCTO to continue to standardize accounting and systems.</p> <p>FEMA representatives and OCP team members continue to meet weekly to review projects, documentation, overall procurement, and logistical operations, including demobilization and reconciliations.</p>

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OCP	<p>2. Follow OCP's <i>Inventory Management Policies & Procedures</i> and OCP's <i>PPE and Safe Workplace Materials Receiving Process</i> to account for the receipt, acceptance, and certification of the use of \$424.8 million worth of supplies and equipment as FEMA required.</p>		<p>Agree in part; Disagree in part.</p> <p>(i) Agree to follow <i>Asset Management Guide</i> and <i>Receiving & Issuance Process</i> going forward. OCP is providing staff training to ensure that these policies are followed. These policies were developed and evolved during the public emergency, which is reflective of when these policies were utilized.</p> <p>(ii) Disagree on retroactive application of these policies to supplies and equipment previously received. Importantly, the OCP team has a strong partnership with FEMA, having received training from FEMA in the early months of the pandemic prior to submitting projects for reimbursement in July 2020. OCP has been meeting with FEMA representatives weekly since May 2020, had multiple visits from FEMA representatives to the District's emergency operations sites during the pandemic, and visited FEMA headquarters in June 2022. In addition, most of the goods at issue are consumable goods (i.e., PPE and safe workplace materials). OCP's ability to perform a retroactive accounting of these goods in accordance with this recommendation is impeded because distribution of these goods has already occurred in most cases.</p>
OCP	<p>3. Update OCP's <i>PPE and Safe Workplace Materials Receiving Process</i> to require receiving reports consistent with the District Quick Payment Act implementing regulations at 1 DCMR § 1706.2.</p>		<p>Agree on the referenced update. OCP implemented updates to its asset management system and updated the <i>Receiving and Issuance Process</i> to comply with the receiving report authorizations mandated in the District Quick Payment Act regulations at 1 DCMR § 1706.2</p>

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OCP	4. Track and maintain a complete and accurate listing of ventilators for reconciling physical inventories with property records and inventory databases as 27 DCMR § 902.3(c) requires.		Agree on tracking and maintaining ventilator inventory. OCP has completed and maintains a ventilator inventory for all ventilators received by OCP or located in District warehouses. The following is a link to this inventory: Ventilator Inventory List .
OCP	5. Develop and implement a plan to account for the receipt and acceptance of ventilators, including evidence for the 56 “donated ventilators” and \$308,000 worth of purchased ventilators to ensure compliance with 27 DCMR § 902.1	\$0.3 million	Agree in part; Disagree in part. (i) Agree on tracking and maintaining ventilator inventory per response to Recommendation 4. OCP also agrees to account for the \$308,000 worth of purchased ventilators referenced in the audit report as follows: First, with respect to the ventilators referenced as issued to an OCP official, it is important to note that the official did not take custody of the ventilators for any improper purpose but rather provided those ventilators to the Department of Health. As of the date of this communication, one of the ventilators remains outstanding with Department of Health and the others are in the District’s warehouses. Second, OCP is reviewing the records related to the three ventilators referenced as “paid for but not received” in the audit report and will address with the vendor as needed. (ii) Disagree on the need for a plan to account for receipt and acceptance of the 56 donated ventilators. We note that the donated ventilators were received and accepted during the public emergency with all available documentation at that time and according to the ServeDC process in place for accepting District donations. See attached donation agreement approved by ServeDC for acceptance of the donated ventilators.

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OCP	6. Develop and implement a plan to evaluate risk when making advanced payments to new vendors (when permitted), which will mitigate the risk of non-performance.		Agree. OCP has developed and is implementing a process for evaluating risk when making permitted advance payments to new vendors. While OCP contracting staff vetted new vendors during the public emergency, the new process is more standardized and provides multiple checks before vendor approval. OCP is also training emergency staff accordingly. For the avoidance of doubt, note that OCP had the authority to utilize advance payments during the emergency, utilized such payments for hard to obtain and critical commodities and supervised staff to minimize risk to the District from unscrupulous contractors.
OCP	7. Develop and implement a plan to account for the delivery status of all supplies and equipment prepaid by the District to vendors, including the 10 PPE transactions valued at \$23.6 million, to ensure the District received the procured supplies and equipment.	\$23.6 million	Disagree. OCP maintains documentation for each of the noted transactions according to the standards at the time of the transactions, which occurred in the first few weeks of the public emergency in March and April 2020 (see attached link , which provides the receiving documents for the 10 PPE transactions referenced). These documents have previously been provided to OIG auditors. While OCP acknowledges those standards differ from the auditors' recommended standards and from OCP's current standards, OCP does not agree that retroactive application of OCP's current standard is appropriate for the reasons highlighted in Recommendation 2. OCP will continue to train staff and implement the current standards for ongoing procurements.

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OCP	8. Develop and implement a plan to provide training and management supervision to ensure the PPE specialists follow the PPE and Safe Workplace Materials Receiving Process as designed.		Agree. See response to Recommendation 1, which reflects OCP's plan for training and management supervision to ensure PPE specialists follow the <i>Receiving and Issuance Process</i> .
OCP	9. Follow the <i>PPE and Safe Workplace Materials Receiving Process</i> to ensure supplies and equipment received were free from error, defects, or counterfeit and conformed with the quality specifications stipulated in the contracts.		Agree in part; Disagree in part. (i) Agree that going forward, OCP will follow the <i>Receiving and Issuance Process</i> , which includes a 43-step process for inspecting PPE and safe workplace materials to ensure their integrity. It is important to note that all PPE and Safe Workplace materials currently in the District warehouses have been through this process. (ii) Disagree on retroactive application of the process. Prior to development of the process, OCP's inspection was more limited, however the process has since matured. We are unable to retroactively apply the process to PPE no longer in the District warehouses and for the reasons provided in Recommendation 2.
OCP	10. Seek reimbursement for the 615,000 counterfeit masks valued at \$2.1 million and non-conforming supplies and equipment identified as part of Recommendation 8.	\$2.1 million	Agree in part; Disagree in part. (i) Agree to seek reimbursement for the shipment of 615,000 counterfeit masks. Note that OCP regularly engaged with OIG investigators to seek reimbursement from the vendor, however efforts were paused at the OIG's request due to the ongoing investigation. In FY23, OCP agreed with OIG to reach out to the vendor to seek reimbursement and such efforts are currently underway. (ii) Disagree on there being non-conforming supplies and equipment per

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			Recommendation 8 that requires OCP to seek reimbursement from a contractor.
OCP	11. Identify deliveries that were redirected to District agencies to ensure items were received, inspected, and added to inventory, and any excess inventory was returned to OCP warehouses for use by all District agencies.		<p>Agree in part; Disagree in part.</p> <p>(i) Agree that OCP will identify deliveries that are redirected to District agencies and work with the Accountable Property Officer assigned to such agencies to ensure items are received, inspected, added to inventory and transferred to the Surplus Property Division upon approval by such agency. OCP is updating its asset management guidance, which includes dropship tracking and delivery receipt controls, to include procedures requesting agencies must follow. Under this guidance, OCP staff will go to the requesting agency to verify delivery and conduct inspection with the agency's Accountable Property Officer.</p> <p>(ii) Disagree on retroactive application of Recommendation 11 as goods are consumable and distribution or disposal has occurred in many cases. Notably, OCP is unaware of any reports of deliveries inappropriately redirected or the failure of District agencies to receive ordered and needed goods.</p>
OCP	12. Develop and implement a plan to provide training and management supervision to ensure that warehouse personnel obtain signatures when supplies and equipment are delivered to or picked up by an agency representative, as OCP's Inventory Management Policies & Procedures required.		<p>Agree. OCP hired a Senior Deputy for Logistics with a strong background in warehouse operations, including quality assurance, logistics, and inventory management. The Senior Deputy's responsibilities include training and management supervision to ensure warehouse staff conduct pre- and post-delivery inspections, and acquire required signatures for sign-off, whether goods are delivered to OCP or drop-shipped to other agencies. OCP has a Receiving and Issuance Form, which is attached here for reference.</p>

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			Staff have been trained on the use of this document and will continue to be appropriately supervised.
OCP	13. Follow OCP's Inventory Management Policies & Procedures to obtain required signatures for supplies and equipment delivered to or picked up by an agency representative, including the 31 items for which OCP did not obtain signatures.		<p>Agree in part; Disagree in part.</p> <p>(i) Agree to follow OCP's <i>Asset Management Guide</i> to obtain required signatures for supplies and equipment delivered to or picked up by an agency representative on a going forward basis. Note that OCP provides staff training, and employees are following current requirements for receiving signatures for drop-shipped goods. Agency representatives sign off on the pick-up sheet, with approval from the OCP warehouse manager.</p> <p>(ii) Disagree on retroactively obtaining signatures, including for the 31 items referenced. All of these transactions are closed and the goods are consumable as previously stated in Recommendation 2.</p>
OCP	14. Develop and implement a plan to provide training and management supervision to ensure that warehouse personnel scan the supplies and equipment to the BarCloud inventory management system after validating receipt for adherence to contract terms, conditions, and shipping documents, as OCP's Inventory Management Policies & Procedures required.		<p>Agree. In collaboration with asset management engineers, for better supply and equipment tracking, OCP has implemented updates to the system that validates receipt, contract terms, shipping status and documentation, and receiving documentation. As previously stated, the Senior Deputy for Logistics manages training that ensures the warehouse staff follows procedures outlined in OCP's <i>Asset Management Guide</i>. OCP has conducted training covering warehouse operations, cost recovery, and ethics in April 2022 and January 2023. Also, see OCP's response to Recommendation 1.</p>

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