

# DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

OIG Project No.23-1-05MA(a)

January 31, 2024



## Government of the District of Columbia Management Recommendations

For the Year Ended  
September 30, 2023

### **GUIDING PRINCIPLES**

**ACCOUNTABILITY \* INTEGRITY \* PROFESSIONALISM**

**TRANSPARENCY \* CONTINUOUS IMPROVEMENT \* EXCELLENCE**



## OUR MISSION

We independently audit, inspect, and investigate matters pertaining to the District of Columbia government to

- prevent and detect corruption, mismanagement, waste, fraud, and abuse.
- 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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## OUR GUIDING PRINCIPLES

- Accountability
- Continuous Improvement
- Excellence
- Integrity
- Professionalism
- Transparency





DISTRICT OF COLUMBIA | OFFICE OF THE INSPECTOR GENERAL

January 31, 2024

The Honorable Muriel Bowser  
Mayor of the District of Columbia  
Mayor's Correspondence Unit  
John A. Wilson Building  
1350 Pennsylvania Avenue NW, Suite 316  
Washington, DC 20004

The Honorable Phil Mendelson  
Chairman  
Council of the District of Columbia  
John A. Wilson Building  
1350 Pennsylvania Avenue NW, Suite 504  
Washington, DC 20004

Subject: **Government of the District of Columbia Management Recommendations | 23-1-05MA(a)**

Dear Mayor Bowser and Chairman Mendelson:

Enclosed is the final report *Government of the District of Columbia Management Recommendations for the Year Ended September 30, 2023* (OIG No. 23-1-05MA(a)). McConnell Jones, LLP (MJ) submitted this report as part of our overall contract for the audit of the District of Columbia's general-purpose financial statements for fiscal year 2023.

On January 24, 2024, MJ issued 24 recommendations intended to improve the effectiveness of internal controls over the District operations and programs. When addressed, these improvements can increase assurances that District agencies run their operations efficiently and effectively, report reliable information about their operations, and comply with applicable laws and regulations. The report also includes three prior year management recommendations as open and unresolved.

If you have questions about this report, please contact me or Eileen Shanklin-Andrus, Acting Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,



Daniel W. Lucas  
Inspector General

DWL/ws

Enclosure

cc: See Distribution List



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Dr. Lewis Ferebee, Chancellor, DC Public Schools

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Ms. Nancy Hapeman, Interim Chief Procurement Officer, Office of Contracting and Procurement

Mr. Timothy W. Spriggs, Director, Department of Public Works

Mr. Marcus L. Hunt, Director of Operations, District of Columbia National Guard

Dr. Christopher Rodriguez, Assistant City Administrator/Acting Chief Technology Officer, Office of the Chief Technology Officer

Mr. Delano Hunter, Director, DC Department of General Services

Mr. Wayne McConnell, Managing Partner, McConnell & Jones LLP

**GOVERNMENT OF  
THE DISTRICT OF COLUMBIA**

**MANAGEMENT RECOMMENDATIONS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2023**



# McConnell Jones

To the Mayor, Members of the Council of the District of Columbia,  
Inspector General of the District of Columbia, and  
Chief Financial Officer of the District of Columbia

In planning and performing our audit of the financial statements of the Government of the District of Columbia and related entities (the District), as of and for the year ended September 30, 2023, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* as promulgated by the Government Accountability Office (GAO), we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified certain matters involving the internal control and other operational matters, which are summarized below. This letter does not affect our independent auditor's report, or our report issued under *Government Auditing Standards*, dated January 24, 2024, on the financial statements of the District.

Our findings and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We believe that the implementation of these recommendations will provide the District with a stronger system of internal control while also making its operations more efficient. We will review the implementation status of our findings and recommendations during the next audit engagement.

This communication is intended solely for the information and use of management, others within the organization, the Mayor and Members of the Council of the District of Columbia, the Inspector General of the District of Columbia, and the Chief Financial Officer of the District of Columbia and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

*McConnell Jones LLP*

Washington, DC  
January 24, 2024



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## I. CURRENT YEAR FINDINGS

### OFFICE OF THE CHIEF FINANCIAL OFFICER (OCFO)

#### *Finding 2023-001 – Lack of audit evidence for reviews of other revenues*

The District of Columbia Office of the Chief Financial Officer (OCFO) was unable to provide support evidencing management review of various Other Revenue samples.

During our internal control testing over Other Revenues which includes cash receipts for Medicaid Revenue, Federal Revenue, COVID-19 Revenue, and Other Non-Tax and Non-Federal Revenue, we noted the following:

- **Medicaid Revenue** – For 8 of 22 sample items tested, support was not provided to substantiate the DIFS journal voucher agreed to the invoice and/or reconciliation support.
- **Other Non-Tax and Non-Federal Revenue** – For 5 of 35 sample items tested, support was not provided to substantiate the DIFS journal voucher agreed to the invoice and/or reconciliation support.

OCFO policies and procedures require review of program activities and proper classification based on allowable activities. They are also required to prepare/review drawdown support, maintain this support for audit, and reconcile transactions before invoices are created in DIFS.

It appears that the process and controls designed by the OCFO are not being consistently followed, and/or there is a gap in the internal control environment where not all receipts of other revenue are appropriately reviewed/approved. In addition, it appears evidence documenting required reviews is not being adequately maintained.

OCFO was not able to provide adequate support for the engagement team to review and determine whether or not the internal controls over the receipt of Other Revenue were operating effectively during the audit period.

#### **Recommendations:**

We recommend OCFO management:

1. Maintain files and records in an orderly manner for easy access to the data thereby simplifying the data retrieval / audit process.
2. Review the internal control environment / processes surrounding receipt of other revenues to ensure proper management review of other revenue receipts and the appropriate classification takes place, and that adequate evidence of such a review is maintained and available for audit.

#### **Management Response:**

OCFO concurs with the condition(s) as noted by the auditors. The reported issues related to Medicaid Revenue resulted from the auditors not being provided certain reports to support sampled items. We are taking the necessary measures to ensure our ability to generate and quickly retrieve reports (in this



case, the R235-PnG Revenue Details Report), as needed going forward. The reported issues related to Other Non-Tax and Non-Federal Revenue dealt with supporting documentation not being provided for sampled items. We are assessing the reasons for documentation not being made available to the auditors and will take the necessary actions to remediate the issues identified.

***Finding 2023-002 – IT access controls and segregation of duties conflicts***

Segregation of duties (SoD) conflicts were identified on District Integrated Financial System (DIFS) employee accounts and were not properly documented and monitored.

During IT access and segregation of duties testing over DIFS, we identified 2 out of 59 employee accounts with SoD conflicts. Mitigating controls were not in place for these SoD conflicts, as required by DIFS Support Center (DSC) Access Control Policy and Procedure, version 1.4, dated March 10, 2023.

According to DSC Access Control Policy and Procedure, Section 7.1:

- A. To minimize the possibility of inefficiency, errors, and fraud, responsibility for a sequence of related operations shall always be divided among two or more persons.
- B. To ensure adequate segregation of duties and safeguarding of assets, access to DIFS will be granted and restricted in alignment with the User's assigned duties and responsibilities ensuring no one user has access to authorizing, processing, recording, and reviewing transactions.
- C. If the segregation of duties to the desirable extent is difficult, the manager shall require a supervisor to monitor the work on an ongoing basis, review the employees' work periodically, examine related records, verify entries, and perform unannounced spot checks.
- D. Minimal access to system resources and data shall be granted to each user for the execution of their responsibilities without unduly burdening operations or disrupting workflows.
- E. When reviewing any user request for access to DIFS, the user's current access to DIFS will be considered during the review of any request for new or modified system access.
- F. A user's access will always reflect current responsibilities. Access must be deactivated upon their separation from their assigned duties, whether for internal transfer, temporary assignments, separation, or termination of employment.

The DSC Access Control Policy and Procedure is not being followed for SoD conflicts.

The failure to follow the DSC Access Control Policy and Procedure for SoD can have significant adverse effects on the District, including:

- **Increased Risk of data inaccuracy and fraud:** Undocumented SoD conflicts increase the risk of fraud or errors.
- **Operational Inefficiencies:** Without proper documentation and monitoring, there is a risk of operational inefficiencies as employees may inadvertently or intentionally perform conflicting duties.
- **Noncompliance:** Failure to adhere to the policy can result in compliance issues, potentially leading to regulatory violations or audits.



**Recommendations:**

We recommend OCFO management:

3. Conduct a review of DIFS employee accounts to identify and remediate SoD conflicts.
4. Develop and execute specific mitigating controls for each unremediated SoD conflict. These controls should effectively reduce associated risks and ensure the District's ongoing information security and compliance.

**Management Response:**

OCFO concurs with the finding. Management has resolved issues identified regarding employee accounts cited within the finding. In addition, other measures will be taken to further enhance and strengthen internal controls to prevent conflicts and minimize risks stemming from improper segregation of duties. Measures include, among other actions, the following:

- Periodic review of operational practices to ensure that no one individual has complete control of a function or process.
- Periodic review of employee accounts/levels of system access to ensure that:
  - Employees do not have the ability to perform incompatible duties;
  - The level of access provided employees is in keeping with their assigned duties and responsibilities; and
  - Employees are granted the minimum level of access required to successfully perform their duties.

Based on the outcome of these routine and regular reviews, the OCFO will timely implement mitigating measures as deemed necessary and appropriate.

**DEPARTMENT OF HUMAN SERVICES (DHS)**

***Finding 2023-003 – Receipt and acceptance controls over emergency procurement purchase card transactions are not operating effectively***

The receipt for one emergency purchase card transaction was not appropriately dated by the receiver.

During our procurement testwork, we selected 40 emergency purchase card (P-Card) transactions occurring during the fiscal year under audit, and noted 1 sample item, related to procured meals in the amount of \$272,762. We received the invoice, evidence of the approval from the system, and the bank card statement. All the documents provided were contemporaneously dated to the receipt date. The receipt was signed and noted as being approved, but the receipt was not appropriately dated by the receiver.

Section 170.2(d) of the Quick Payment Act of 1984 requires that agencies prepare a proper receiving report which includes the date that the property of service was delivered. The District's *Purchase Card Program Policy & Procedure Manual* issued by the Office of Contracting and Procurement (OCP)



states the requirements on the Card Holder (CH) and Accountable Official to maintain the receipts and use them in the P-Card reconciliation process. They also explain what is required if none are available:

C. Roles and Responsibilities of Program Participants, 4. Cardholder:

j. Keeping complete and accurate records of card purchases, including maintaining copies of receipts or PDF copies of the original receipts with bank statements.

Part IV. Documentation, Reconciliation and Payments; A. Purchase Card Transaction Documentation:

2. Purchase Card Reconciliation Documentation: b. Missing documentation. If there is no documentation produced from a transaction, the cardholder must include an explanation in the notes section and must prepare a memo to the file explaining the lack of documentation and this must be uploaded to the Payment Net System. These comments will be visible on the TDR and will serve as documentation for payment and audit purposes.

The lack of a valid receipt with date of approval for the emergency P-Card transaction was due to failure to follow existing P-Card policies.

Failure to maintain a receipt with the date of approval to support P-Card transactions could result in the District paying for goods or services that may not have been received and/or approved. This could result in an overstatement of liabilities and expenses on the financial statements.

**Recommendations:**

We recommend DHS management:

5. Maintain supporting documentation for the receipt of P-Card transactions and for all acquisitions. Buying activities should follow the guidance set forth in the *Purchase Card Program Policy & Procedures Manual*. At a minimum, the substance of the receipt should identify the receiving party, the date, what was received, and it should be linked to the subject procurement.
6. Update the *Purchase Card Program Policy & Procedures Manual* to include guidance on the management of emergency P-Card transactions, as presently, there is no specific section which provides directives on how to manage these transactions.
7. Ensure District personnel charged with receiving deliveries indicate their name, title, organization, and the date of the receipt of goods and/or services. Electronic signature or manual signatures can be used, but they must be legible for the purposes of establishing accountability and preventing improper payments. Furthermore, if manual signatures are to be used, management of the buying activity should maintain a listing of authorized officials and copies of their signatures and initials.
8. Maintain all applicable documentation supporting the procurement of and payment for goods and services procured using emergency procurement processes.

**Management Response:**

DHS concurs with the finding. Moving forward, DHS will follow guidance set forth in the *Purchase Card Program Policy & Procedures Manual*. The personnel charged with receiving deliveries will



indicate their name, title, organization, and the date of the receipt of goods and/or services. Supporting documentation for the procurement and payment of goods and services will be maintained, per the *Purchase Card Program Policy and Procedures Manual*.

## **DISTRICT OF COLUMBIA PUBLIC SCHOOLS (DCPS)**

### ***Finding 2023-004 – Controls over procurement are not operating effectively***

District of Columbia Public Schools (DCPS) entered into a contractual agreement for therapy services with a contract value in excess of \$1 million without obtaining City Council approval, and did not retain the signed contract agreement.

During testing, we noted DCPS acquired services from an experienced licensed occupational therapy and physical therapy contractor. Based on contract modification, number 01, the contract agreement had a base year and four option years with each individual year having an award value in excess of \$1 million and an aggregate 5-year award value in excess of \$15 million. The contract periods are summarized below:

- Base Period was from November 19, 2019, to July 31, 2020; and the maximum contract value was \$2,889,565.
- Option Year One was from August 1, 2020, to July 31, 2021; and the maximum contract value was \$3,501,820.
- Option Year Two was from August 1, 2021, through July 31, 2022; and the maximum contract value was \$2,838,150.
- Option Year Three was from August 1, 2022, to July 31, 2023; and the maximum contract value was \$2,872,702.
- Option Year Four was from August 1, 2023, to July 31, 2024; and the maximum contract value was \$2,904,258.

We selected and tested two transactions from option year three in the amounts of \$1,354,386 and \$999,999. We received copies of the Determination & Findings (D&F), purchase orders, proof of payments, contract modifications, and receipts. DCPS, however, was unable to provide us with the signed contract agreement between DCPS and the vendor. These contract documents should have been available pursuant to District policies and procedures. Additionally, DCPS executed the contract prior to City Council approval. We noted that DCPS submitted all executed purchase orders associated with the contract for retroactive review and approval by the City Council.

According to the D.C. Office of Contracting and Procurement, *Procurement Procedures Manual* (2018) (OCP PPM):

- The contract specialist distributes a copy of the fully executed contract to the program manager, contract administrator, and contractor. The contract specialist keeps an original of the fully executed contract in the contract file. (OCP PPM, § 2.4.5)
- All contract actions exceeding \$1 million, and multiyear contracts funded with annual funds regardless of dollar amount, must receive approval from the Council of the District of Columbia. (OCP PPM, § 2.11).





Additionally, the *District of Columbia General Records Schedule 3, Procurement Supply, and Grant Records* states that contracts, requestions, purchase orders, leases and bind and surety records; including correspondence and related papers pertaining to awards for more than \$10,000 should be destroyed 6 years and 3 months after final payments.

DCPS did not follow the policies and procedures governing procurements in excess of \$1 million and records retention as stipulated in the OCP PPM, and *District of Columbia General Records Schedule 3*. The failure to obtain approval from the City Council before the contract was executed prevents the Council from exercising its oversight responsibilities as required by law. Additionally, without retaining the fully executed and signed contract agreement, it may be harder to hold the vendor accountable for fulfilling its obligations, and resolving disputes or disagreements between the parties.

**Recommendations:**

We recommend DCPS management:

9. Implement internal controls to ensure all contracts with a value in excess of \$1 million are approved by the City Council prior to their award and execution.
10. Implement internal controls to ensure all signed contract agreements are retained, in accordance with the requirements of the *District of Columbia General Records Schedule 3*.

**Management Response:**

DCPS concurs with the finding. As noted, DCPS presented these contracts for retroactive review by the City Council earlier this year and has made significant efforts to address issues identified. In addition to participating in three Procurement Accountability Review Boards, DCPS has engaged with a third-party procurement audit to continue to address any procurement related issues.

Specifically related to this finding, DCPS has prepared and is finalizing a *DCPS Procurement Manual* which will include the implementation of internal controls to ensure that all contracts, including those with a value in excess of \$1 million are approved by the City Council prior to their award and execution. All DCPS contracts over \$500,000 are subject to additional internal review.

Additionally, in accordance with the requirements of the *District of Columbia General Records Schedule 3*, the DCPS/C&A SOPs will document the internal process for filing and retaining all signed contracts and agreements executed by Contracting Officers within the Contracts and Acquisitions division.

***Finding 2023-005 – Controls over emergency procurements are not operating effectively***

The Determination and Findings (D&F) that sets forth the justification for the emergency procurement was not prepared and approved by the designated approving officials.

During our testing, we noted the D&F for one emergency procurement transaction was not prepared and signed by the designated approving officials. We selected our emergency procurement sample from



the procurements awarded and recorded during the period from October 1, 2022, through May 31, 2023. With the selected transaction, DCPS acquired janitorial augmentation services in the amount of \$78,588. The period of performance was for 90 days. We received a copy of the contract agreement, purchase order, proof of payment(s) and receipts. However, there was no D&F prepared and approved by the designated approving officials to justify the emergency procurement.

The D&F is a form that is required by status or regulation, as a prerequisite to taking certain contracting actions. The determination is a conclusion or decision that is supported by the findings. The findings are statements of fact, or the rationale essential to support the determination, and cover each applicable requirement of the statute or regulation. The D&F must be approved by an authorized Contracting Officer prior to award and execution of the related contracting vehicle or document(s).

According to § 2.10.1F of the OCP PPM, the contract specialist must prepare a D&F for the emergency procurement; then forward it to the contracting officer for review and approval. The contracting officer must ensure that the D&F contains all the required information, in accordance with the requirements of 27 District of Columbia Municipal Regulation (DCMR) 1702.2; and verify that the emergency is justified.

The designated procurement officials did not follow the guidelines stipulated in the OCP PPM. Additionally, the designated contracting official did not review and approve the D&F prior to approving or awarding the contract.

Failure to prepare or fully approve a D&F for emergency procurements may result in procuring goods or service without adequate justification for the procurement method. DCPS may not be obtaining products or services at a reasonable price under the emergency procurement method. Additionally, the lack of proper review and approval may result in fraud, waste, and/or abuse.

**Recommendations:**

We recommend DCPS management:

11. Implement internal controls to ensure a D&F is prepared for all emergency procurements, in accordance with the requirements of 27 DCMR 1702.2.

**Management Response:**

DCPS concurs with the finding. In accordance with 27 DCMR chapter 17, section 1702, *Emergency Procurements*, the Contracting Officer prepared a D&F that sets forth the justification for the emergency procurement, however, the CO did not sign the D&F.

In addition to other procurement reforms DCPS is making, the DCPS Contracts and Acquisitions division will update policy directive number GA-2023-D-001 *Emergency Procurement Postings*, to include a statement that the assigned Contracting Officer must sign the emergency D&F and include the signed document in the contract/PO file.



**OFFICE OF THE STATE SUPERINTENDENT OF EDUCATION (OSSE)**

***Finding 2023-006 – Payments to vendors not in compliance with the Quick Payment Act***

The District Office of the State Superintendent of Education (OSSE) does not appear to be making payments to vendors in compliance with the Quick Payment Act (QPA). Payments to vendors were not made within 30 days from the receipt of invoices and interest was not accrued in compliance with the requirements of the QPA.

During our testing, we identified payments to vendors, related to two COVID-19 disbursement transactions, were not made within 30 days in accordance with the QPA, and interest was not accrued as required. OSSE acquired professional services from April 18, 2023, through June 13, 2023, and the details of the transactions are as follows:

<b>Item</b>	<b>Purchase Order</b>	<b>Amount</b>	<b>Invoice Receipt Date (A)</b>	<b>Payment Date (B)</b>	<b>Number of Days to Pay Invoice C = B - A</b>
1	PO678618- V4	\$ 161,404.25	5/11/2023	6/13/2023	33
2	PO685218	\$ 99,090.00	4/18/2023	6/13/2023	56

We received copies of the purchase order, receiving reports, proof of payments, and receipts. However, we found that the agency did not pay the vendors within 30 days of the receipt of invoices, nor did the agency record interest expenses (penalties) in the general ledger for the payment made after 45 days, as of September 30, 2023.

The QPA, which is referenced in the DCMR, states that if the vendor does not specify a payment date, the required payment date for services rendered by the contractor is the thirtieth (30th) day after the designated payment officer receives a proper invoice (1707.2(c)). It also states that the vendor is entitled to receive an interest penalty payment if the payment is made on or after the 15th calendar day after the payment due date (1709.1A(d)(3)).

In discussing this with District officials, they stated the District did not follow the guidelines stipulated in the QPA. The QPA compliance reporting was put on hold due to discrepancies with the report in the District Integrated Financial System (DIFS).

OSSE failed to comply with the QPA, and interest expense and accounts payable in the amount of interest expense were each understated in the financial statements. Additionally, OSSE failed to pay interest penalty to vendors required by the QPA.

**Recommendations:**

We recommend OSSE management:

- 12. Implement controls to ensure that proper invoices are paid on a timely basis.



13. Implement controls to ensure that interest due on payments outstanding for more than 45 calendar days from the invoice receipt date, are recorded in the general ledger, and paid to the vendors in compliance with the QPA and DCMR.

**Management Response:**

Management concurs with the finding. OCFO Education Cluster will review current practices with OCFO Office of General Counsel (OGC) and make necessary adjustments to ensure compliance with the Quick Payment Act.

**OFFICE OF CONTRACTING AND PROCUREMENT (OCP)**

***Finding 2023-007 – Controls over emergency and sole source procurements are not operating effectively***

The Determination and Findings (D&F) that sets forth the justification for emergency and sole source procurements were not prepared and approved by the designated approving officials.

During our testing, we tested controls over the emergency procurement award process, including the preparation and approval of the D&F form that sets forth the justification for the emergency procurement, and noted the following:

- **D&Fs for two emergency procurement transactions were not prepared and signed by the designated approving officials prior to contract award and execution.**

The Department of Human Services (DHS) and the Department of Behavioral Health (DBH) acquired consulting services, and food-related products, respectively. We received copies of the contract agreement, purchase order, proof of payment(s) and receipts for the two sample transactions, however, there was no D&F prepared and approved by the designated approving officials to justify the emergency procurements.

- **D&Fs for two emergency procurement transactions were not signed by the Chief Procurement Officer (CPO).**

The two selected transactions procured food supplies, paper supplies, and professional services. We received a copy of the contract agreements, D&Fs, purchase orders, clean hands certificates, and receipts. All the documents provided were, contemporaneously, dated to the receipt date, however, we noted that the D&F for two emergency procurements were not signed by the CPO.

- **One purchase transaction was improperly coded as sole source within the Procurement Automated Support System (PASS).**

The Department of Small & Local Business Development acquired annual subscription services. We received a copy of the purchase requisition, purchase order, proof of payment(s) and receipt, however, the transaction was entered in PASS as a sole source procurement rather



than as an exempt-from-competition procurement. The designated procurement officials did not follow the guidelines stipulated in the OCP PPM. Additionally, the contracting office did not properly review the purchase requisition created in PASS, and as a result, he or she coded/entered the purchase as a sole source procurement instead of exempt-from-competition.

According to the OCP PPM issued by the Office of Contracting and Procurement (OCP), and the policies governing Emergency Procurements, the contract specialist must prepare a D&F for the emergency procurement; then forward it to the contracting officer for review and approval (§ 2.10.1F). The contracting officer must ensure that the D&F contains all the required information, in accordance with the requirements of 27 DCMR 1702.2; and that the emergency is justified.

Additionally, the *Procurement Practices Reform Act of 2010* (codified at D.C. Code § 2-354.13(8)) (PPRA) states that contracts for the “maintenance and support of existing software and technology to the extent the creator of the intellectual property is still protected and is the only source for the maintenance and support of the existing software and technology” shall be exempt from the competition requirements established by this act.

In discussing this with management, they stated that the designated procurement officials did not follow the guidelines stipulated in the OCP PPM. The contracting officer did not properly review the purchase requisition created in PASS, and, as a result, he/she coded the purchase as a sole source procurement instead of as exempt-from-competition.

The failure to prepare or fully approve a D&F for emergency procurements may result in procuring goods or services without adequate justification for the procurement method. The District may not be obtaining products or services at a reasonable price under the emergency procurement methods. The lack of proper review and approval may result in fraud, waste, and/or abuse. The failure to properly classify procurement types does not have an impact on the financial statements, however, it increases the risk that contracting officer(s) apply incorrect procurement procedures, which could result in non-compliance with procurement laws and regulations. Additionally, this also creates the risk or opportunity for District procurement policies to be circumvented, and thus, procurements that require competition or justifications may not be performed appropriately.

**Recommendations:**

We recommend OCP management:

14. Implement controls to ensure a D&F is prepared and approved prior to award for all emergency procurements, in accordance with the requirements of 27 DCMR 1702.2.
15. Implement controls to ensure contracting officers properly review purchase requisitions created in PASS before they approve them and make determinations of the correct procurement method.

**Management Response:**

OCP concurs with the finding. OCP will refresh the procurement policies and procedures to staff to ensure they know that emergency D&Fs must be approved in accordance with OCP policies and procedures and District laws and regulations. OCP notes that the District does not require that an



emergency D&F be approved before award, as the administrative process of doing so could unreasonably delay the District's response to the emergency. PPRA (§ 2-354.05(e)) states, "The CPO shall make a determination and findings justifying the emergency procurement." There is no statement as to whether this must happen before or after the award. Additionally, OCP will inform the procurement teams of the importance of properly reviewing the PASS requisitions to ensure the appropriate procurement method is selected before issuing purchase orders.

***Finding 2023-008 – Receipt and acceptance controls over emergency procurement purchase card transactions are not operating effectively***

Proof of receipts and acceptance for an emergency purchase card (P-Card) transaction was not signed and dated by the receiver.

During our testing, we selected 40 emergency P-Card transactions occurring during the fiscal year under audit, and identified one transaction related to procured transportation services in the amount of \$90,376. We received the invoice, the approval screen, and the bank card statement. All the documents provided were contemporaneously dated to the receipt date, but the receipt documents provided were not signed or dated by the program receiver to indicate that the service was received. Additionally, there was no written indication by the program receiver that the transaction was approved for payment.

According to Section 170.2(d) of the Quick Payment Act of 1984, agencies are required to prepare a proper receiving report which includes the date that the property or service was delivered. The criteria for the Emergency Purchase Card Transactions comes from the *Purchase Card Program Policy & Procedure Manual* issued by the Office of Contracting and Procurement (OCP), which states the requirements on the Card Holder (CH) and Accountable Official to maintain the receipts and use them in the P-Card reconciliation process. It also explains what is required if none are available.

There are various ways that a cardholder can arrange and accept delivery of goods and services ordered using the P-Card:

- a. Point-of-Sale on Site: The CH may accept delivery at the Point-of-Sale if the items are in stock. The CH must get a receipt.
- b. Pickup: The CH or a designated staff member may pick up an order at the merchant's facility. If someone other than the CH picks up the order, he or she should sign as having received the order and shall provide the original receipts, packing slips, and any other proof of transaction to the CH.

The lack of evidence of receipt for the emergency P-Card transaction was due to a failure to adhere to existing internal controls over the disbursement and the card reconciliation process, as well as inadequate recordkeeping.

Failure to maintain receipts for P-card transactions could result in the District paying for goods or services that may not have been received and/or approved. When a receipt is not maintained, the identity of the receiving party is unknown, and the audit trail is interrupted. This interruption could result in an overstatement of liabilities and expenses on the financial statements.





**Recommendations:**

We recommend OCP management:

16. Maintain supporting documentation for the receipt of P-Card transactions and for all acquisitions. Buying activities should follow the guidance set forth in the *Purchase Card Program Policy & Procedures Manual*. At a minimum, the substance of the receipt should identify the receiving party, the date, what was received, and it should be linked to the subject procurement.
17. Update the *Purchase Card Program Policy & Procedures Manual* to include guidance on the management of emergency P-Card transactions, as presently, there is no specific section which provides directives on how to manage these transactions.
18. Ensure District personnel charged with receiving deliveries indicate their name, title, organization, and the date of the receipt of goods and/or services. Electronic signature or manual signatures can be used, but they must be legible for the purposes of establishing accountability and preventing improper payments. Furthermore, if manual signatures are to be used, management of the buying activity should maintain a listing of authorized officials and copies of their signatures and initials.
19. Maintain all applicable documentation supporting the procurement of and payment for goods and services procured using emergency procurement processes.

**Management Response:**

OCP concurs with this finding. Moving forward, OCP will follow guidance set forth in the *Purchase Card Program Policy & Procedures Manual*. The personnel charged with receiving deliveries will indicate their name, title, organization, and the date of the receipt of goods and/or services. Supporting documentation for the procurement and payment of goods and services will be maintained, per the *Purchase Card Program Policy & Procedures Manual*.

***Finding 2023-009 – Payments to vendors not in compliance with the Quick Payment Act***

Payments to vendors were not made within 30 days from the receipt of invoices and interest was not accrued in compliance with the Quick Payment Act (QPA).

During our testing, we identified payments to vendors, related to seven COVID-19 disbursement transactions, were not made within 30 days in accordance with the QPA and interest was not accrued as required. The Homeland Security and Emergency Management Agency (HSEMA) acquired professional services from December 16, 2022, through May 13, 2023, and the details of the transactions are as follows:



<b>Item</b>	<b>Purchase Order</b>	<b>Amount</b>	<b>Invoice Receipt Date (A)</b>	<b>Payment Date (B)</b>	<b>Number of Days to Pay Invoice C = B - A</b>
1	PO679280- V4	\$ 772,018.50	3/29/2023	5/3/2023	35
2	PO679280- V4	\$ 2,902,797.15	12/16/2022	2/3/2023	49
3	PO685432	\$ 550.00	3/31/2023	5/9/2023	39
4	PO679280- O3	\$ 3,830,472.89	4/12/2023	5/16/2023	34
5	PO679280- O3	\$ 3,440,000.47	12/16/2022	2/7/2023	53
6	PO679684- V2	\$ 410,647.66	1/11/2023	2/14/2023	34
7	PO679684- V2	\$ 373,813.74	12/27/2022	1/31/2023	35

We received copies of the purchase order, receiving reports, proof of payments, and receipts, however, we found that the agency did not pay the vendors within 30 days of the receipt of invoices for seven COVID-19 disbursement transactions. In addition, the agency did not record interest expenses (penalties) in the general ledger for two of these payments made after 45 days, as of September 30, 2023. Based upon our inquiries related to these disbursements, OCP initiated the interest accrual on November 2, 2023.

The QPA, which is referenced in the District of Columbia Municipal Regulation (DCMR), states that if the vendor does not specify a payment date, the required payment date for services rendered by the contractor is the thirtieth (30th) day after the designated payment officer receives a proper invoice (1707.2(c)). It also states that the vendor is entitled to receive an interest penalty payment if the payment is made on or after the 15th calendar day after the payment due date (1709.1A(d)(3)).

In discussing this with District OCP officials, they stated the District did not follow the guidelines stipulated in the QPA. The QPA compliance reporting was put on hold due to discrepancies with the report in the District Integrated Financial System (DIFS).

The District OCP failed to comply with the QPA, and interest expense and accounts payable in the amount of interest expense were each understated in the financial statements. Additionally, the District failed to pay interest penalty to vendors required by the QPA.

**Recommendations:**

We recommend OCP management:

- 20. Implement controls to ensure that proper invoices are paid on a timely basis.
- 21. Implement controls to ensure that interest due on payments outstanding for more than 45 calendar days from the invoice receipt date, are recorded in the general ledger, and paid to the vendors in compliance with the QPA and DCMR.

**Management Response:**

OCP concurs with this finding. OCP for the COVID-19 emergency period initially received funding from the District to make payments. That process then changed to DC HSEMA receiving the funding.



If a declared emergency happened again, HSEMA would be the primary recipient of the funding. So, while OCP will no longer own this control or any associated corrective actions, OCP will assist HSEMA as needed to implement any related corrective actions in response to this NFR.

## **DISTRICT OF COLUMBIA DEPARTMENT OF PUBLIC WORKS (DCPW)**

### ***Finding 2023-010 – Lack of audit evidence for new hire employee***

The District of Columbia Department of Public Works (DCPW) was unable to provide evidence of an employment offer letter for a newly hired employee.

During our testing, we identified 1 of a sample of 35 District employees hired during fiscal year 2023 for which DCPW failed to provide the employment offer letter.

According to the Government of the District of Columbia *Electronic District Personnel Manual* (E-DPM), Personnel Action Submission Checklist I-2023-2, Approval and Onboarding of New Hires, DCPW is required to submit a complete packet to DCHR containing all required documentation for processing, including a copy of the signed and executed offer letter for the new hire.

In discussing this with DCPW officials, they stated offer letter document was misplaced and DCPW did not submit the complete packet to the Department of Human Resources (DCHR) for processing. DCPW did not follow DCHR policies for Approval and Onboarding of New Hires.

Failure to submit the complete packet, including the executed offer letter, to DCHR could also result in the District paying the incorrect amount to a new employee. In addition, failure to maintain the proper documentation prevents the auditors from verifying the accuracy of the transaction, as in this instances, we could not verify the salary and the hire date of the employee.

### **Recommendations:**

We recommend DCPW management:

22. Maintain files and records in an orderly manner for easy access of the data to simplify the data retrieval process.
23. Implement controls to ensure personnel in charge of providing the employee packet to DCHR comply with E-DPM section I-2023-2, Approval and Onboarding of New Hires.

### **Management Response:**

DCPW management concurs with the finding. DCPW tested a new and improved system for the 2023/24 leaf season onboarding process. The agency created a “Leaf Season checklist” which serves as a cover and process for the offer letter authenticity and retainment. DCPW has introduced a shared drive via OITS for electronic filing and storage. This system worked well and will be expanded agency-wide.



**DISTRICT OF COLUMBIA NATIONAL GUARD (DCNG)**

***Finding 2023-011 – Controls over sole source procurements are not operating effectively***

The Determination and Findings (D&F) that sets forth the justification for sole source procurements was not prepared and approved by the designated approving officials.

During our testing, we tested controls over the sole source award process, including the preparation and approval of the D&F form that sets forth the justification for the sole source procurement, and noted the following:

- D&F for a sole source procurement transaction was not prepared and signed by the designated approving officials:

The DCNG acquired clothing for \$16,927. We received a copy of the purchase requisition, purchase order, proof of payment(s) and receipt, however, there was no D&F prepared and approved by the designated approving officials to justify the sole source of procurement for the award.

According to the OCP PPM, the contract specialist must prepare a D&F explaining and justifying the sole source procurement, if the sole source procurement is greater than \$10,000. The contracting officer must ensure that the D&F contains all the required information, in accordance with the requirements of 27 DCMR 1700.02, and that the sole source procurement is justified.

In discussing this with management, they stated that the designated procurement officials did not follow the guidelines stipulated in the OCP PPM.

Failure to prepare or fully approve a D&F for sole source procurements may result in procuring goods or services without adequate justification for the requirement of sole source procurement. The District may not be obtaining products or services at a reasonable price under the sole source procurement method. Additionally, the lack of proper review and approval may result in fraud, waste, and/or abuse.

**Recommendations:**

We recommend DCNG management:

24. Implement controls to ensure a D&F is prepared and approved prior to award for all emergency procurements, in accordance with the requirements of 27 DCMR 1702.2.

**Management Response:**

DCNG concurs with the finding. The procurement was a small purchase and the contracting specialist selected Sole Source by mistake and accidental oversight. Furthermore, the contracting officer did not catch the error in his review of the procurement as the agency does not process sole source procurements. Both the contracting specialist and contracting officer have been instructed to review the OCP PPM and have been verbally counseled on the matter.



**II. PRIOR YEAR FINDINGS**

**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

The following chart outlines the status of the three prior year management recommendations that were not fully implemented as of September 30, 2023:

<b>MANAGEMENT RECOMMENDATIONS</b>		
<b>#</b>	<b>RECOMMENDATIONS</b>	<b>STATUS</b>
<b>OFFICE OF THE CHIEF TECHNOLOGY OFFICER (OCTO)</b>		
2021-001	Manage, develop and implement a tracking solution relating to system vulnerabilities.	The Cybersecurity Risk Mitigation Activities order from OCTO was approved and required all DC agencies must report any known cybersecurity vulnerability to OCTO Security Operations Center (SOC) within 24 hours of becoming aware of the vulnerability. The report shall include 1) details of the system, 2) details of any existing controls, and 3) remediation plan. Additionally, cybersecurity incidents must be reported within 2 hours after the agency becomes aware of the incident, and report shall include 1) details of the system, 2) sensitivity of the system, and 3) details of any existing controls. OCTO is in the process of developing a solution to perform District-wide vulnerability scanning and continuous monitoring with full implementation expected in fiscal year 2024.
2018-03	Implement a Risk Management Framework to Comply with National Institute of Standards and Technology (NIST) Publication 800-37.	OCTO is in the process of developing and implementing the risk management framework with full implementation in fiscal year 2024.
<b>DEPARTMENT OF GENERAL SERVICES (DGS)</b>		
2021-002	Improve the controls over the tracking of lease transaction process where the District is the lessor.	DGS to consider developing an automated tracking system for out-lease agreements cash receipts due from tenants and formalize a reconciliation process between DGS Accounting and DGS Portfolio Management Group. This will ensure the revenue processing is done in accordance with policies and



MANAGEMENT RECOMMENDATIONS		
#	RECOMMENDATIONS	STATUS
		procedures as per D.C. Code § 10-551.02(3)(D). Full implementation expected in fiscal year 2024.



**REPORT WASTE, FRAUD, ABUSE, AND MISMANAGEMENT.**

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