

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

**AUDIT OF THE DISTRICT'S PLAN
TO PROCURE AND MANAGE
INFORMATION TECHNOLOGY
SERVICES**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General**

Inspector General



September 24, 2013

James D. Staton, Jr.
Chief Procurement Officer
Office of Contracting and Procurement
One Judiciary Square
441 4th Street N.W., Suite 700S
Washington, D.C. 20001

Rob Mancini
Chief Technology Officer
Office of the Chief Technology Officer
200 I Street, S.E., 5th Floor
Washington, D.C. 20003

Dear Mr. Staton and Mr. Mancini:

Enclosed is the final report summarizing the results of the Office of the Inspector General's (OIG) Audit of the District's Plan to Procure and Manage Information Technology Services (OIG No. 13-2-25PO).

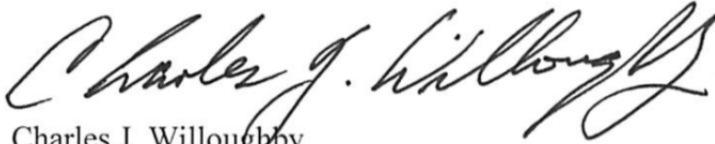
Our audit disclosed that the Office of Contracting and Procurement (OCP) did not obtain a business plan from the Office of Chief Technology Officer (OCTO) and did not perform a cost estimate prior to issuing a request for proposal for information technology (IT) services to justify that use of a contract to manage District IT procurement services is more economical than using District personnel. We directed one recommendation to the Chief Technology Officer (CTO) and one recommendation to the Chief Procurement Officer (CPO) for necessary actions to correct the described deficiencies.

On September 10, 2013, OCTO provided a response to a draft of this report. OCTO agreed with the recommendation and stated that OCTO is conducting an assessment of internally managed staff augmentation in other states, and the work is not yet completed. The assessment is expected to be completed by September 30, 2013.

On August 30, 2013, we received a response from OCP to a draft of this report. OCP agreed with the recommendation and provided a plan to implement it.

The complete texts of the OCTO's and OCP's responses are included at Exhibits B and C, respectively. We appreciate the cooperation and courtesies extended to our staff during this audit. If you have any questions, please contact me or Ronald W. King, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

A handwritten signature in black ink, reading "Charles J. Willoughby". The signature is written in a cursive style with a large, prominent initial "C".

Charles J. Willoughby
Inspector General

CJW/fg

Enclosure

cc: See Distribution List

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ACRONYMS

BAFO	Best and Final Offer
CA	Contract Administrator
CO	Contracting Officer
COTR	Contracting Officer's Technical Representative
CPO	Chief Procurement Officer
CTO	Chief Technology Officer
DC	District of Columbia
DCMR	District of Columbia Municipal Regulations
ERI	Economic Research Institute
FY	Fiscal Year
IT	Information Technology
ITSA	Information Technology Staff Augmentation
OCP	Office of Contracting and Procurement
OCTO	Office of the Chief Technology Officer
OIG	Office of the Inspector General
RFP	Request for Proposal

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EXECUTIVE DIGEST

OVERVIEW

The Office of the Inspector General (OIG) Audit Division has completed its Audit of the District's Plan to Procure and Manage Information Technology Services (OIG Project No. 13-2-25PO). This audit is a follow-up audit of the Information Technology Staff Augmentation Contract, OIG Report No. 10-1-19TO, issued August 3, 2011. One of our recommendations from the prior audit was that OCP provide a written determination that the use of a contract for information technology services, rather than the use of District employees, is justified before exercising the option to renew the contract.

By way of background, on August 19, 2008, the D.C. Office of Contracting and Procurement (OCP) awarded an indefinite delivery/indefinite quantity (IDIQ) contract (DCTO-2008-C-0135) on behalf of the Office of the Chief Technology Officer (OCTO) to provide information technology (IT) services. Pursuant to the contract, the District is required to order at least \$100,000 (and no more than \$150 million) in services each contract period. The contract spanned 1 year, but allowed the District to extend the term for 4 additional years via an option clause. The District exercised each option year. The contract expired on August 19, 2013.

On April 30, 2013, the OIG issued an engagement letter to the District of Columbia Chief Procurement Officer and Chief Technology Officer describing the terms and conditions of the audit, addressing the audit scope, and stating that the overall objective of the follow-up audit was to determine whether OCP justified in writing, prior to issuing a new request for proposal (RFP) for the services, that use of a contract to procure and manage District IT services is more economical than using District personnel.

On June 10, 2013, OCP, on behalf of OCTO, issued a sealed RFP (Solicitation Number DOC105096), stating among other things, that the District is seeking a prime contractor to provide IT staff augmentation (ITSA) services for the District.

CONCLUSION

Contrary to our prior audit, OCP did not implement the OIG's audit recommendation that OCP justify in writing the use of a contract for information technology services. Furthermore, OCP did not perform a cost estimate prior to issuing the RFP on June 10, 2013.

We discussed with OCTO and OCP officials the absence of a cost estimate that compares the cost of using District personnel to the cost of using a contract for services to manage IT procurement services. OCTO officials indicated that the agency is in the process of developing the business plan along with a cost estimate, which they expect to be completed in September 2013. After completion, OCTO will provide the business plan and cost estimate to OCP.

EXECUTIVE DIGEST

We calculated that the District's use of a contract to manage District IT procurement services, rather than using District personnel to manage the same, cost the District about \$9 million more over a 5-year period (2008-2013). Based on these same calculations, we believe that if the District elects to manage ITSA procurement services in-house, the District will save at least the same amount over a 5-year period.

SUMMARY OF RECOMMENDATIONS

We directed one recommendation to the Chief Technology Officer (CTO) and one recommendation to the Chief Procurement Officer (CPO). The recommendations focus on:

- Improving management of ITSA procurement services.
- Providing justification for use of a contract for services rather than District personnel to manage ITSA procurement services.

A summary of the potential benefits resulting from the audit is shown at Exhibit A.

MANAGEMENT RESPONSES AND OIG COMMENTS

On September 10, 2013, OCTO provided a written response to a draft of this report. OCTO agreed with the recommendation and stated that OCTO is conducting an assessment of internally managed staff augmentation in other states, and the work is not yet completed. The assessment is expected to be completed by September 30, 2013. OCTO's actions are responsive and meet the intent of the recommendation.

On August 30, 2013, OCP provided a written response to a draft of this report. OCP agreed with the recommendation and provided a plan to implement the recommendation. The OCP plan includes working with OCTO and other stakeholders to re-examine the business need from the perspective of the best means to procure IT services. OCP's response meets the intent of the recommendation.

INTRODUCTION

BACKGROUND

The Office of the Chief Technology Officer (OCTO) is the central information technology (IT) and telecommunications agency for the District government. OCTO develops, implements, and maintains the District's IT and communications infrastructure; develops and implements major citywide applications; establishes and oversees IT enterprise architecture and website standards for the District; and advises District agencies on technology solutions to improve services to businesses, residents, and visitors in all areas of the District government.

OCTO augments its IT staff by contracting for IT services and currently performs this function through a prime contractor. The D.C. Office of Contracting and Procurement (OCP) awarded this contract on OCTO's behalf on August 19, 2008. Under this indefinite delivery/indefinite quantity (IDIQ) contract (DCTO-2008-C-0135), the District is required to order at least \$100,000 (and no more than \$150 million) in services each contract period. The contract spanned 1 year, but allowed the District to extend the term for 4 additional years via an option clause. The District exercised each option year. The contract expired on August 19, 2013.

The contractor provides OCTO with a network of subcontracting vendors, who in turn employ "resources" to fill various IT service requests. OCTO submits job specifications to the contractor and, in response, the contractor requests resumes from resources (through the subcontracting vendors). OCTO then conducts interviews to select a resource. OCTO also issues a purchase order for the resource's services (through OCP) and assigns a Contracting Officer's Technical Representative (COTR), who reviews and approves resource invoices submitted by the contractor. In addition, OCTO approves timesheets from resources to acknowledge IT services performed.

OCP, under the direction of the Chief Procurement Officer, procures goods and services for selected agencies and offices within the District government. OCP is organized into four commodity buying groups: Services; Goods; Transportation and Specialty Equipment; and Information Technology. Experienced procurement officials, led by senior managers, purchase goods and services to meet agency requirements. A senior staff supports the agency's procurement operations with legal, business, and IT expertise.

The Strategic Business Plan of 2008. According to the IT Staff Augmentation Contract Plan (the strategic plan), dated February 15, 2008, the overall goals of OCTO's new IT staff augmentation procurement vehicle was to remove Information Technology Staff Augmentation (ITSA) procurements from the open market solicitation process in order to: (1) improve the procurement process; (2) reduce District resource requirements; and (3) save money on IT staff augmentation. To achieve these procurement goals, the strategic plan provided that the new procurement vehicle should have the following core features:

- Defined job categories with price caps;

INTRODUCTION

- Centralized contract manager and staff support as a central point of contact for customers and suppliers; and
- Established pool of vendors that can quickly provide a broad range of skilled IT resources.

The strategic plan considered two possible avenues to achieve the above stated goals, namely, the Supplier-Managed and Agency-Managed procurement vehicles.¹ However, there was no calculation in the strategic plan to compare the cost of using a contractor (Supplier-Managed) to the cost of using in-house District employees (Agency-Managed).

In absence of this calculation, we conducted an independent analysis of the two procurement vehicles in our prior audit of the ITSA contract (OIG No. 10-1-19-TO, dated August 3, 2011). Our analysis concluded that the Agency-Managed ITSA model is more economical than the Supplier-Managed model; accordingly, we recommended (Recommendation No.1) that the CPO provide a written justification that the use of a contract for IT services, rather than the use of District employees, is justified before exercising options to renew the ITSA contract for services. To date, OCP has not provided the OIG with the written justification, which compares the cost of Supplier-Managed ITSA procurement vehicle to the cost of Agency-Managed ITSA procurement vehicle.

On April 30, 2013, the OIG issued an engagement letter to the Chief Procurement Officer and Chief Technology Officer describing the terms, conditions, and scope of this follow-up audit of the Information Technology Staff Augmentation Contract audit. Our specific audit objective is discussed more fully in the next section.

OBJECTIVE, SCOPE, AND METHODOLOGY

The overall objective of the audit was to determine whether the District justified in writing, prior to issuing a new RFP for the services, that use of a contract to procure and manage District IT services is more economical than using District personnel.

To accomplish our objective, we conducted interviews and held meetings and discussions with District officials to obtain a general understanding of the process for awarding and administering a contract for IT services. We also examined documentation that OCP maintained in the contract file (DCTO-2008-C-0135).

¹ The Agency-Managed ITSA option has the same core features and benefits as a Supplier-Managed contract.

INTRODUCTION

This performance audit was conducted in accordance with generally accepted government auditing standards. 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 a reasonable basis for our findings and conclusions based on our audit objectives.

FINDINGS AND RECOMMENDATIONS

FINDING: IMPLEMENTATION OF AUDIT RECOMMENDATION
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SYNOPSIS

OCP did not implement the OIG's audit recommendation made in OIG audit report No. 10-1-19TO, issued on August 3, 2011, and did not perform a cost estimate prior to issuing an RFP for IT services to justify that use of a contract to manage District IT procurement services is more economical than using District personnel.

We discussed the absence of a cost estimate that compares the cost of using District personnel to the cost of using a contract for services to manage IT procurement services with OCTO and OCP officials. OCTO officials indicated that the agency is in the process of developing the business plan along with a cost estimate, which are expected to be completed in September 2013, and, at that time, OCTO will provide the business plan and cost estimate to OCP.

We calculated that the District's use of a contract to manage District IT procurement services, rather than using District personnel to manage the same, cost the District about \$9 million more over a 5-year period (2008-2013). Based on these same calculations, we believe that if the District instead elects to manage ITSA procurement services in-house, the District will save at least the same amount over the a 5-year period.

DISCUSSION

Prior Audit Recommendation: During our audit, we examined documents and records maintained by OCP to support the June 2013 solicitation (No. DOC105096) for a prime contractor to provide ITSA procurement services for the District.

The audit recommended that OCP determine in writing that the use of a contract for services, rather than the use of District employees, was substantially more economical and feasible when procuring future ITSA services. OCP did not implement the OIG's audit recommendation either for the option years or in relation to the subsequent solicitation. Notwithstanding our recommendation, on June 10, 2013, the District issued a RFP to continue outsourcing management of ITSA procurement services without performing a cost estimate to justify that use of a prime contractor is more economical for the District.

FINDINGS AND RECOMMENDATIONS

Title 27 DCMR § 1901.5 states:

The Contracting Officer shall determine in writing that the contract for expert or consulting services rather than the use of District employees is in the best interests of the District for one (1) or more of the following reasons:

- (a) The use of a contract for services is substantially more economical, feasible, or necessary due to unusual or emergency circumstances;
- (b) The services are needed for short periods only or are needed in connection with a specific project that is to be completed within a specified period; or
- (c) The services are difficult to obtain due to scarcity of skilled personnel or because the services are of a highly specialized nature.

Using the business plan and cost estimate submitted by the most technically qualified vendor (the vendor) during the 2008 solicitation, we calculated that the District's use of a contract to manage District IT procurement services, rather than using District personnel to manage the same, cost the District about \$9 million more in hourly service fees over a 5-year period (2008-2013). The following subsection of the report discusses in detail the methodology used to calculate the figure.

Prime Contractor Hourly Service Fee Schedule. On June 27, 2013, we met with the contract administrator (CA) for the ITSA contract to obtain a cost estimate and business plan that would support the June 2013 solicitation (No. DOC105096) and justify the continued use of a contractor to manage ITSA procurement services for the District. The CA did not have the cost estimate or business plan for the solicitation. Because the CA did not have a business plan, the CA was unable to provide us with the following information:

1. Defined job categories with price caps;
2. Centralized contract manager and staff support as a central point of contact for customers and vendors;
3. An established pool of vendors that can quickly provide a broad range of skilled IT resources; and
4. Licensing for PeopleClick or similar software to manage ITSA procurement services.

Therefore, we conducted our own analysis to approximate the costs associated with managing the procurement of the District's IT services, both in-house and via a prime contractor for the 2008-2013 time period. We first reviewed the current contractor's price proposal in response to the ITSA solicitation issued on May 23, 2008 (DCTO-2008-R-0135). Attachment J.2.4 Cost/Price Data Package of the solicitation required that each offeror submit a cost/price disclosure certification

FINDINGS AND RECOMMENDATIONS

along with supporting cost data. Specifically, Table (1.4) Cost Summary section of the attachment required that each offeror complete a cost estimate by cost item.

However, we found that the current contractor did not comply with the requirements of the solicitation because it did not provide the District with the required cost estimate breakdown along with its one page cost/price disclosure certification. Also, despite the OIG's numerous attempts to obtain access to the current contractor's books and records to recreate the missing required documentation, the current contractor refused to allow the OIG to examine its books and records, as required by the contract terms and conditions (Section 18, Standard Contract Provisions, March 2007). Therefore, we could not use the current contractor's cost estimate information as a basis for our estimate.

To calculate our own cost estimate, we used the business plan and cost estimate submitted by the most technically qualified vendor during the 2008 solicitation.² Using the vendor's business plan and cost estimate, we determined that it will cost the District about \$1 million per year if the District provides the same procurement management services (i.e., uses in-house personnel to manage the procurement of ITSA services).

To calculate the costs associated with outsourcing these same services, we used the current contractor's monthly invoices submitted to the District for payment under contract DCTO-2008-C-0135 during fiscal year (FY) 2011.³ From the monthly invoices, we calculated \$2.8 million in hourly service fees (HSF) incurred and paid by the District during FY 2011, under the current contract. We then compared the \$2.8 million annual HSF paid under the current contract to \$1 million in estimated annual costs of using District personnel, and determined that it costs the District about \$1.8 million per year more to use a contract for services, rather than District personnel, to manage ITSA procurement services.

As a result, given a business plan incorporating these features: (1) defined job categories with price caps; (2) centralized contract manager and staff support as a central point of contact for customers and vendors; and (3) an established pool of vendors that can quickly provide a broad range of skilled IT resources, if the District manages the ITSA procurement services using District personnel, the District will save about \$1.8 million per year (\$9 million over a 5-year period).

² Specifically, we used the cost estimate that the vendor submitted in Table (1.4) Cost Summary section of attachment J.2.4 in response to the solicitation.

³ To be prudent, we used FY 2011 invoices, as the data reflects the optimal utilization of the ITSA program by the District.

FINDINGS AND RECOMMENDATIONS

RECOMMENDATIONS

We recommend that the CTO, Office of Chief Technology Officer:

1. Develop a business plan along with a cost estimate to justify that use of a contract for services to manage ITSA procurement services is more economical than use of District personnel.

OCTO RESPONSE

OCTO agreed with the recommendation and stated that OCTO is conducting an assessment of internally managed staff augmentation in other states, and the work is not yet completed. The assessment is expected to be completed by September 30, 2013.

OIG Comment

The OIG considers OCTO's actions to be responsive and meet the intent of the recommendation.

We recommend that the CPO, Office of Contracting and Procurement:

2. Obtain from OCTO a business plan along with a cost estimate to justify that use of a contract for services to manage ITSA procurement services is more economical than use of District personnel, prior to award of a contract under Solicitation Number DOC105096.

OCP RESPONSE

OCP agreed with the recommendation and provided a plan to implement the recommendation. The target date would be January 18, 2014. The OCP plan includes working with OCTO and other stakeholders to re-examine the business need from the perspective of the best means to procure IT services.

OIG Comment

The OIG considers OCP's actions to be responsive and meet the intent of the recommendation.

**EXHIBIT A. SUMMARY OF POTENTIAL BENEFITS
 RESULTING FROM AUDIT**

Recommendations	Description of Benefit	Amount and Type of Benefit	Agency Reported Estimated Completion Date	Status⁴
1	Compliance, Economy and Efficiency. Justifies that use of a contract for service to manage ITSA procurement services is more economical.	Monetary TBD	September 30, 2013	Open
2	Compliance, Economy and Efficiency. Ensures that OCP complies with the requirements of procurement regulations and OIG’s audit recommendation.	Monetary \$9,056,079	January 18, 2014	Open

⁴ This column provides the status of a recommendation as of the report date. For final reports, “Open” means management and the OIG are in agreement on the action to be taken, but action is not complete. “Closed” means management has advised that the action necessary to correct the condition is complete. If a completion date was not provided, the date of management’s response is used. “Unresolved” means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

EXHIBIT B. OCTO'S RESPONSE TO THE DRAFT REPORT

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



MEMORANDUM

TO: **Charles Willoughby**
Inspector General

FROM: **Rob Mancini**
Chief Technology Officer

DATE: 09/10/2013

RE: Response to Draft Audit

The purpose of this memorandum is to inform you that OCTO is conducting an assessment of internally managed staff augmentation in other states, and the work is not yet completed due to a wealth of conflicting projects.

I expect the study to be completed at month's end.

A handwritten signature in black ink, appearing to read 'Rob Mancini', written over a horizontal line.

Rob Mancini
Chief Technology Officer
Government of The District of Columbia
200 I Street SE.
Washington, DC 20003

EXHIBIT C. OCP'S RESPONSE TO THE DRAFT REPORT

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GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF CONTRACTING AND PROCUREMENT



OFFICE OF THE DIRECTOR

August 30, 2013

Charles J. Willoughby
Inspector General
Office of the Inspector General
717 14th Street N.W., Washington, D.C.

Dear Mr. Willoughby:

Thank you for the opportunity to respond to this draft audit report (OIG No. 13-2-25PO). As I review your Office's work, it is apparent to me that a good faith effort is being made to identify opportunities to reduce costs relative to the way the District procures and manages its information technology resources and assets. As communicated in the past, I do firmly believe that procurement professionals play an important role in assuring the District's financial health and its economic viability. To this end, the Office of Contracting and Procurement (OCP) will continue to work collaboratively with agency customers to procure best value goods and services.

While there are points in this draft report on which we disagree (Reference Table 2; p.4), it is important that readers are provided the full context with regards to the circumstances that led to the District's selection of a Supplier-managed Information Technology Staff Augmentation (ITSA) model, and the discourse via audits and Management Alert Reports (MAR) issued by your Office prior to and following the award of the ITSA contract (DCTO-2008-C-0135).

The purpose of providing full context is to give the reader sufficient background to answer three important questions, which are as follows:

1. In retrospect, and within the parameters of the law, could the District have awarded the ITSA contract to the vendor cited by audit officials in their cost savings estimate?
2. Is the Supplier-managed ITSA model realizing efficiency and economy benefits to the District as compared to the years prior to award?
3. Can the District efficiently and economically assume Agency-managed responsibilities associated with an unbundled ITSA procurement vehicle?

EXHIBIT C. OCP'S RESPONSE TO THE DRAFT REPORT

Page 2 of 6

Accordingly, this response is organized into four (4) sections, namely, **Pre-ITSA Award Findings and Conclusions**; **Post-ITSA Award Findings and Conclusions**; **Points of Clarification** (as these pertain to the draft audit report); and **Conclusion**.

I. Pre-ITSA Award Findings and Conclusions

On May 3, 2005, the Office of the Inspector General issued its report entitled 'Audit of Contracting Actions for the District's Administrative Services Modernization Program' (OIG 04-1-12MA), in which the OIG found numerous deficient procurement practices involving over \$15 million in contracts awarded by OCP employees. The summary conclusions in the Executive Digest are found on p. (i), and the same are detailed in the table below.

Table 1

Nos.	ASMP Finding	ITSA Control/Benefit ¹
1.	OCP inappropriately awarded sole-source/labor-hour contracts to IT consultants.	<i>One</i> contract issued competitively to <i>one</i> contractor thereby limiting the District's risk exposure.
2.	Limited competition to only a small number of available competitors.	Contractor develops resource pool. To date, there are over 170 registered vendors which account for over 400 individual participating contractors since FY2010.
3.	Failed to conduct and document procurement procedures as required by Title 27 of the District of Columbia Municipal Regulations.	<i>One</i> contract issued competitively to <i>one</i> contractor thereby limiting the District's risk exposure.
4.	Neglected to designate a COTR/contract administrator to monitor the contractor's performance.	<i>One</i> contract, <i>one</i> contractor and <i>one</i> contract administrator. A consolidated model enables improved monitoring and control.
5.	Deficient procurement practices in competitive awards.	<i>One</i> contract issued competitively to <i>one</i> contractor thereby limiting the District's risk exposure.
6.	Loss of financial monetary benefits of at least \$589,000 may have been achieved for procurement totaling about \$2.5 million had sole source contracts been awarded competitively.	<i>One competitively solicited</i> contract issued to <i>one</i> contractor thereby limiting the District's risk exposure.

¹ Since award, there have been no CAFR audit deficiencies attributable to this contract.

EXHIBIT C. OCP'S RESPONSE TO THE DRAFT REPORT

Page 3 of 6

As noted in this OIG audit report, the Administrative Services Modernization Program (ASMP) was a complex technology upgrade designed to modernize the District's administrative systems. Like the ITSA, the success of the ASMP initiative was inextricably linked to the timely procurement of highly skilled resources. The comparison between these programs is therefore reasonable in that, across fiscal years, the expenditures associated with the demand for specialized talent are quite similar.

Clearly, as detailed in the OIG's full report (**Reference Attachment A**), the approach adopted at that time exposed the District to considerable risk. Therefore, a return to the same practices would be irresponsible.

II. Post-ITSA Award Findings and Conclusions

On August 16, 2012, OCP responded to the OIG's Management Alert Report (MAR-12-A-01) in which three (3) representations originating from the initial ITSA audit report (OIG Nos. 10-19-19TO) were refuted. Specifically, (1) the representation that OCP agreed with the conclusion that the District could lose millions of dollars by awarding the ITSA contract to OST Inc.; (2) the representation that OCP has generally not been timely or responsive to the concerns communicated by OIG audit officials (a point that appears to have been reiterated in the current draft); and (3) the representation that by exercising the final option year, OCP contradicted its position detailed in responses to past OIG recommendations, specifically, that my Office would determine in writing that the use of the contract for IT services is justified before exercising options.

My Office's rebuttal and explanation is attached to this response (**Reference Attachment B**). As communicated in this audit engagement and repeatedly in past audit engagements, OCP was responsive and did provide OIG with a written justification as the basis for exercising the final option year.

III. Points of Clarification (OIG No. 13-2-25PO)

The table below details the specific points in the draft report on which we disagree. In addition to comments, evidence of correspondence and information transmitted to the audit officials are attached to this response (**Reference Attachment C**). Do note that my Office repeatedly clarified my position on findings prior to the issuance of the draft. Regrettably, context and actions demonstrating responsiveness were not included in the audit draft.

EXHIBIT C. OCP’S RESPONSE TO THE DRAFT REPORT

Table 2

Nos.	OIG Audit Finding	OCP Response	Additional Comments
1.	<p>“Contrary to our follow-up audit, OCP did not implement the OIG’s audit recommendation that OCP justify in writing the use of a contractor for information technology services” (p.i; paragraph 5 – repeated on p.4).</p>	<p>Reference Attachment B for response to MAR12-A-01 dated August 16, 2012 and CPO email correspondence transmitted to the IG dated 7/12/2012.</p>	<p>Title 27 DCMR Chapter 1901.05 states in relevant part that a Contracting Officer shall determine in writing that a contract for expert or consulting services is in the best interests of the District for one (1) or more of the following reasons:</p> <p>(a) The use of the contract is substantially more economical, feasible, or necessary due to unusual or emergency circumstances;</p> <p>...</p> <p>(c) The services are difficult to obtain due to the scarcity of skilled personnel or because the skills are of a highly specialized nature.</p> <p>Based on the explanation provided by the CPO (in writing), the final option year is duly supported by subsections (a) and (c).</p>
2.	<p>“To date, OCP has not provided the OIG with the written justification, which compares the cost of Supplier- managed ITSA procurement vehicle to the cost of Agency-managed ITSA procurement vehicle” (p.2; paragraph 3).</p>	<p>Reference Attachment D for the Revised ‘Differential Cost Analysis transmitted to OIG officials May 9, 2013. Calculations are based on manual processes employed pre-ITSA, whilst maintaining current post-ITSA service levels (i.e. average procurement completed within 4 weeks as compared to 16 weeks pre-ITSA).</p>	

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With regards to our assessment of the differential costs between the current Supplier-managed model and an Agency-managed model, please note that the cost outlay attempts to factor for the consequences of unbundling ITSA procurements. This would necessitate individual contract awards of varying complexity, some of which would require additional pre-award compliance checks, i.e. legal sufficiency and Council approval for those needs greater than \$1 million. Needless to say, to maintain the current average cycle time, a significant number of full-time employees would be required to achieve similar service levels. Also note that by unbundling these procurements, contract administration oversight is dispersed across an expansive vendor pool. In that vein, this also extends to acquisition planning efforts relative to funding which may become unwieldy resulting in the same sorts of deficiencies, i.e. ratifications, cited by the OIG in its 2005 audit report.

Conclusion

Undeniably a considerable amount of the District's resources have been vested in evaluating and defending actions before and after the fact as these pertain to the ITSA award, and so it is critical that the three central questions posed at the beginning of this response are answered to give stakeholders a sense of where we are today and where we need to go.

1. *In retrospect, and within the parameters of the law, could the District have awarded the ITSA contract to the vendor cited by audit officials in their cost savings estimate?*

The Supplier-managed model works and is an improvement on the processes that were in effect in the years prior to the award of the ITSA contract. The OIG's 2005 audit report (OIG-04-1-12MA) was the catalyst for the implementation of the ITSA program the District has in place today. Discussions about cost savings that could have been realized become moot upon further examination of the particular interpretations and applications of law i.e., allocation of Certified Business Enterprise (CBE) preference points, which factored in the final award determination. Further, as communicated in the current and past audit engagements, the award of the ITSA contract is not based on price alone, and so, the criteria used in the post award review are simply not applicable.

2. *Is the Supplier-Managed ITSA model realizing efficiency and economy benefits to the District as compared to the years prior to award?*

As reported by the Contract Administrator (**Reference Attachment E**), since the inception of the ITSA program, the District has realized both efficiency and economy benefits. Notably, the time to complete IT procurements have been reduced from an average of 16 weeks to 4 weeks. Average costs (calculated by comparing pre-ITSA spend levels to current spend) has resulted in annual cost avoidance (savings) of between \$2.9 million – \$5.2 million after deducting the vendor's management fees.

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Further, vendor participation rates are up, with over 170 registered vendors accounting for over 400 individual contractors since FY2010. Also, on this point, ITSA earned the Computerworld Laureate for economic development through CBE participation.

3. *Can the District efficiently and economically assume Agency-managed responsibilities associated with an unbundled ITSA procurement vehicle?*

The analysis provided by my Office in response to OIG audit officials' requests, identifies the resources needed to implement a model, which based on past experiences, exposes the District to the increased probability for errors in the course of processing multiple purchase orders.

Notwithstanding, we remain committed to fulfilling the needs of our agency customers in a timely, efficient, and cost effective manner, and consistent with recommendation #2 directed to my Office, we will work with the program and affected stakeholders to re-examine the business need from the perspective of the best means to procure the required services.

As of the date of this response, a properly executed sole source award is in effect through January 18, 2014, to allow for an adequate transition.

Let me know if I can be of further assistance. Also, you may contact Yinka T. Alao at yinka.alao@dc.gov, with questions about this response.

Sincerely,



James. D. Staton, Jr.
Director and Chief Procurement Officer
Office of Contracting and Procurement

cc: Mr. Allen Y. Lew, City Administrator, District of Columbia Government