



Deborah K. Nichols  
District of Columbia Auditor  
013:09:LH:YB:gk

## **OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR**

717 14TH STREET N.W., SUITE 900  
WASHINGTON, D.C. 20005  
TEL. 202-727-3600 • FAX: 202-724-8814

### **Examination of the 2008 Summer Youth Employment Program Contracts**

**August 25, 2009**

## TABLE OF CONTENTS

|                                                                                                                                                                                                                      |    |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| EXECUTIVE SUMMARY .....                                                                                                                                                                                              | i  |
| PURPOSE.....                                                                                                                                                                                                         | 1  |
| OBJECTIVES, SCOPE, AND METHODOLOGY.....                                                                                                                                                                              | 1  |
| BACKGROUND .....                                                                                                                                                                                                     | 2  |
| OCP and DOES Did Not Have Proper Internal Controls In Place To Ensure That the Original 2008 SYEP Solicitation Was Accurate and Complete .....                                                                       | 6  |
| OCP and DOES Did Not Have Proper Internal Controls To Ensure That the 2008 SYEP Procurement Process Moved Forward Efficiently and Effectively .....                                                                  | 8  |
| OCP and DOES Failed To Complete A Determination and Findings (D&F) For Two Sole Source Contracts Issued to Consultants Who Assisted With the 2008 SYEP Procurement.....                                              | 11 |
| OCP Issued An Amendment Extending The Due Date For Proposals After The 2008 SYEP Solicitation Had Closed and Awarded Six Contracts Based On Proposals Received After The Deadline Specified In The Solicitation..... | 12 |
| OCP Did Not Conduct A Cost Analysis For Six Proposals That Resulted In Contracts In Excess of \$500,000.....                                                                                                         | 14 |
| OCP and DOES Failed To Complete An Independent Government Cost Estimate For The 2008 SYEP Procurement .....                                                                                                          | 16 |
| OCP and DOES Failed To Certify That All Prospective SYEP Contractors Complied With Tax Laws...                                                                                                                       | 17 |
| OCP and DOES Failed To Charge Contractors Rental Fees For Use of District of Columbia Facilities ..                                                                                                                  | 18 |
| OCP and DOES Did Not Have Proper Internal Controls To Ensure That Each Contractor Received The Minimum Number of Youth Specified In Their Contracts .....                                                            | 18 |
| Several of the 2008 SYEP Contractors Failed To Perform Services Stipulated In Contracts .....                                                                                                                        | 21 |
| DOES Failed To Adequately Perform Contract Quality Assurance.....                                                                                                                                                    | 24 |
| The Office of the Chief Financial Officer Failed To Require Adequate Documentation To Support 2008 SYEP Contractor Invoices and Created Serious Potential For Fraud, Waste and Abuse.....                            | 25 |
| OCP Did Not Issue Or Maintain A Procurement Manual .....                                                                                                                                                             | 27 |
| CONCLUSION .....                                                                                                                                                                                                     | 28 |

## **EXECUTIVE SUMMARY**

### **PURPOSE**

Pursuant to section 455 of District of Columbia Home Rule Act, as amended, Pub. L. No. 93-198,<sup>1</sup> the District of Columbia Auditor (Auditor) conducted an examination of the management, monitoring, and oversight of 38 contracts issued in support of the 2008 Summer Youth Employment Program (SYEP).

### **CONCLUSION**

The Auditor's examination found that OCP, DOES, and OCFO poorly planned, executed, and managed the 2008 SYEP contracts due to their failure to: (1) comply with applicable District rules, regulations and laws; (2) establish proper internal controls; (3) ensure that contractors provided services as stipulated in the contract deliverables; and (4) adequately monitor contractors.

The Auditor found that OCP and DOES neglected important steps in the procurement process and failed to comply with numerous District laws and regulations during the procurement process for the 2008 SYEP contracts, including awarding two sole source contracts without proper justification and awarding SYEP contracts based on proposals received after the deadline established in the solicitation. In addition, OCFO failed to require adequate documentation to support contractor invoices creating a serious potential for fraud, waste, and abuse of District resources.

---

<sup>1</sup> See section 455 (b) of the District of Columbia Home Rule Act, approved December 24, 1973 (Pub. L. No. 93-198, 87 Stat. 803); D.C. Code §1-204.55 (b) (2001) which states: "The District of Columbia Auditor shall each year conduct a thorough audit of the accounts and operations of the government of the District in accordance with such principles and procedures and under such rules and regulations as he [she] may prescribe." See also, section 455 (c) of the District of Columbia Home Rule Act, as amended, approved December 24, 1973, (87 Stat. 803, D.C. Code §1-204.55 (c) (2001) which states: "The District of Columbia Auditor shall have access to all books, accounts, records, reports, findings and all other papers, things, or property belonging to or in use by any department, agency, or other instrumentality of the District government and necessary to facilitate the audit."

The Auditor also found that OCP and DOES failed to establish proper internal controls, leading to an inefficient procurement process, an inaccurate solicitation, and an ineffective process for assigning the appropriate number of youth to contractor work sites. Further, the Auditor found that at least two contractors did not meet the requirement to provide academic enrichment, career exploration, work-readiness, and leadership skills training to youth. In some cases, contractors left youth unsupervised and unengaged, with little to no instruction or progress tracking taking place.

Lastly, the Auditor's examination found that DOES failed to adequately perform contract quality assurance and follow-up on problems identified by monitors. As a result, contractors who did not meet the requirements of their contracts were not required to improve performance. The failures of OCP, DOES, and OCFO caused the program to suffer and negatively affected the youth of the District of Columbia.

### **MAJOR FINDINGS**

1. OCP and DOES did not have proper internal controls in place to ensure that the original 2008 SYEP solicitation was accurate and complete.
2. OCP and DOES did not have proper internal controls to ensure that the 2008 SYEP procurement process moved forward efficiently and effectively.
3. OCP issued an amendment extending the due date for proposals after the 2008 SYEP solicitation had closed and awarded six contracts based on proposals received after the deadline specified in the solicitation.
4. OCP did not conduct a cost analysis for six proposals that resulted in contracts in excess of \$500,000.

5. OCP and DOES failed to certify that all prospective SYEP contractors complied with tax laws.
6. OCP and DOES did not have proper internal controls to ensure that each contractor received the minimum number of youth specified in their contracts.
7. Several of the 2008 SYEP contractors failed to perform services stipulated in contracts.
8. DOES failed to adequately perform contract quality assurance.
9. The Office of the Chief Financial Officer failed to require adequate documentation to support 2008 SYEP contractor invoices and created serious potential for fraud, waste and abuse.

## **RECOMMENDATIONS**

1. OCP and DOES develop and implement a written solicitation quality control process to ensure that all solicitations are complete, accurate, and of the highest quality prior to issuance. OCP and DOES develop a written solicitation timeline with incremental goals that should be achieved to ensure the timely start of the solicitation process so that contracts can be awarded well in advance of the start of the SYEP.
2. OCP and DOES develop a written procurement timeline with incremental milestones and goals that should be achieved prior to initiating any procurement to ensure that contracts are awarded well in advance of the start of the program. OCP and DOES implement a written procurement quality control process to ensure that all procurements move forward efficiently, effectively, and in a timely manner.

3. OCP and DOES complete a D&F for every sole source contract to ensure that it is properly justified and to ensure compliance with 27 DCMR § 1700.2, 1705.1, and 1705.2.
4. OCP cease the practice of (1) extending proposal due dates after solicitation closing dates and (2) awarding contracts based on late proposals.
5. OCP and DOES perform cost analyses for all contracts in excess of \$500,000 as required by 27 DCMR § 1626.1.
6. OCP and DOES complete an independent government cost estimate for every procurement as required by 27 DCMR § 1623.1.
7. OCP and DOES minimize risk by only awarding contracts to organizations that are compliant with D.C. tax requirements.
8. OCP charge all contractors for use of District facilities in order to remain compliant with 27 DCMR § 4102.2.
9. OCP and DOES develop and implement a standard written procedure for monitoring IDIQ contracts to ensure that required minimums are consistently met.
10. OCP and DOES be more diligent in assessing the technical and quality control capabilities of contractors when evaluating proposals to ensure that the contractor can and will meet the requirements of the contract. OCP and DOES assess the performance of contractors at the end of the contract, record the failings of contractors, and consider this past performance when evaluating future proposals.

11. DOES ensure that quality assurance procedures are implemented and followed with all current and future contracts.
12. OCFO and DOES comply with and actively enforce the OCFO's guidelines regarding the effective review and certification of invoices and supporting documentation before authorizing payment. Also, ensure that supporting documentation provides sufficient evidence to justify and support the amount invoiced.
13. The Chief Procurement Officer update the existing Procurement Manual on a regular ongoing basis. OCP must also ensure that procurement personnel understand and implement the policies outlined in the procurement manual in a uniform manner.

## PURPOSE

Pursuant to section 455 of District of Columbia Home Rule Act, as amended, Pub. L. No. 93-198,<sup>2</sup> the District of Columbia Auditor (Auditor) conducted an examination of the management, monitoring, and oversight of 38 contracts issued in support of the 2008 Summer Youth Employment Program (SYEP).

## OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the examination were to determine whether:

1. The Department of Employment Services (DOES) and Office of Contracting and Procurement (OCP) awarded and issued the contracts in compliance with applicable District rules, regulations and laws;
2. Contractors received payment although failing to provide services as stipulated in the contract deliverables;
3. Youth placed with contractors were paid without performing any work; and
4. DOES adequately monitored contractors as required by DOES policy.

The scope of the examination was October 1, 2007 through September 30, 2008, and included all contracting activities related to the 2008 SYEP.

In conducting this examination, the Auditor reviewed relevant D.C. Code provisions and District of Columbia Municipal Regulations (DCMR); 2008 SYEP contracts, amendments, modifications and change orders; internal documents including memoranda, invoices, and

---

<sup>2</sup> See section 455 (b) of the District of Columbia Home Rule Act, approved December 24, 1973 (Pub. L. No. 93-198, 87 Stat. 803); D.C. Code §1-204.55 (b) (2001) which states: "The District of Columbia Auditor shall each year conduct a thorough audit of the accounts and operations of the government of the District in accordance with such principles and procedures and under such rules and regulations as he [she] may prescribe." See also, section 455 (c) of the District of Columbia Home Rule Act, as amended, approved December 24, 1973, (87 Stat. 803, D.C. Code §1-204.55 (c) (2001) which states: "The District of Columbia Auditor shall have access to all books, accounts, records, reports, findings and all other papers, things, or property belonging to or in use by any department, agency, or other instrumentality of the District government and necessary to facilitate the audit."

correspondence; and other relevant supporting documentation. The Auditor also conducted interviews with knowledgeable OCP and DOES management and staff.

The Auditor conducted the examination in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the examination to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our examination objectives. The Auditor believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on the examination objectives.

## **BACKGROUND**

Each summer, DOES administers the SYEP to provide employment and training to thousands of District youth. Some of the primary objectives of the 2008 SYEP were to prepare youth for entry into the labor force, improve citizenship skills, help youth learn the value of earning money through gainful employment, and give youth the opportunity to develop useful work habits and marketable skills.<sup>3</sup>

DOES scheduled the 2008 SYEP to begin on Monday, June 16, 2008. By Saturday, June 14, it became apparent that the program was in tremendous disarray. Many participants had not yet received a work assignment. The Executive Office of the Mayor expanded the program to serve an unlimited number of youth; there appeared to be unprecedented demand for jobs; the system containing summer youth registration data was seriously flawed; and DOES did not have an effective plan for overcoming these obstacles. Chaos ensued for the next several weeks and senior District officials brought in staff from the Executive Office of the Mayor, the Office of the City Administrator, and OCTO to assist with the struggling program. Because of these and other issues, the 2008 SYEP required \$34.2 million in addition to \$21.5 million provided through an original and supplemental appropriation.

---

<sup>3</sup> <http://www.does.dc.gov/>

DOES hired contractors to provide academic enrichment, career exploration, work-readiness, and leadership skills training to 6,500 of the approximately 21,000 youth that DOES indicated had signed up for the 2008 SYEP. OCP and DOES established 36 contracts based on 37 proposals; one offeror withdrew their proposal. OCP and DOES asked each offeror to propose a “unit price” – a flat charge for each youth that they hosted. The unit prices established in the contracts ranged from \$952.19 to \$6,583.16 per youth. DOES also asked each contractor to propose a minimum and maximum number of youth that they would host for the 2008 SYEP. More detail on the 36 contracts is presented in Table I below.

**Table I**  
**2008 SYEP Contracts**

| <b>Contractor</b>                              | <b>Minimum<br/>Number<br/>of Youth</b> | <b>Maximum<br/>Number<br/>of Youth</b> | <b>Cost per<br/>Youth</b> | <b>Maximum<br/>Possible<br/>Contract Cost</b> |
|------------------------------------------------|----------------------------------------|----------------------------------------|---------------------------|-----------------------------------------------|
| Amy Jacques Garvey Institute                   | 100                                    | 110                                    | \$1,197.90                | \$131,769.00                                  |
| Associates for Ideal Education                 | 100                                    | 150                                    | \$1,200.00                | \$180,000.00                                  |
| Associates for Renewal in Education, Inc.      | 100                                    | 500                                    | \$1,072.18                | \$536,090.00                                  |
| Center for Empowerment & Employment Training   | 100                                    | 135                                    | \$1,153.00                | \$155,655.00                                  |
| Coalition for Economic Empowerment             | 100                                    | 144                                    | \$1,200.00                | \$172,800.00                                  |
| Covenant House Washington                      | 100                                    | 100                                    | \$1,396.77                | \$139,677.00                                  |
| The Dance Institute of Washington              | 100                                    | 100                                    | \$1,000.00                | \$100,000.00                                  |
| Edusmart, LLC                                  | 100                                    | 750                                    | \$1,256.00                | \$942,000.00                                  |
| Envizion Training Company, Inc.                | 50                                     | 50                                     | \$1,245.66                | \$62,283.00                                   |
| Federal Management Systems                     | 100                                    | 750                                    | \$1,331.00                | \$998,250.00                                  |
| Friends of Carter Barron for the Arts          | 100                                    | 135                                    | \$1,345.00                | \$181,575.00                                  |
| Friendship Public Charter School               | 100                                    | 750                                    | \$1,320.00                | \$990,000.00                                  |
| Greater Washington Fashion Chamber of Commerce | 100                                    | 100                                    | \$1,200.00                | \$120,000.00                                  |
| HDI Training and Research, Inc.                | 100                                    | 210                                    | \$1,906.92                | \$400,453.20                                  |
| The High Tea Society                           | 100                                    | 112                                    | \$1,497.72                | \$167,744.64                                  |

| Contractor                                                           | Minimum Number of Youth | Maximum Number of Youth | Cost per Youth | Maximum Possible Contract Cost |
|----------------------------------------------------------------------|-------------------------|-------------------------|----------------|--------------------------------|
| Howard University                                                    | 100                     | 200                     | \$1,775.00     | \$355,000.00                   |
| Jwahir Enterprises                                                   | 100                     | 100                     | \$6,583.16     | \$658,316.00                   |
| DC Tutor for Kids                                                    | 100                     | 100                     | \$3,348.00     | \$334,800.00                   |
| Latin American Youth Center                                          | 100                     | 145                     | \$1,234.00     | \$178,930.00                   |
| Marshall Heights Community Center                                    | 100                     | 100                     | \$1,200.00     | \$120,000.00                   |
| Martha's Table, Inc.                                                 | 70                      | 70                      | \$1,250.22     | \$87,515.40                    |
| Multimedia Training Institute                                        | 100                     | 110                     | \$1,277.02     | \$140,472.20                   |
| National Association of Former Foster Care Children of America, Inc. | 100                     | 100                     | \$1,200.00     | \$120,000.00                   |
| Neighbors of Seaton Place                                            | 100                     | 150                     | \$1,200.00     | \$180,000.00                   |
| Opportunities Industrialization Center DC                            | 100                     | 285                     | \$1,106.46     | \$315,341.10                   |
| Progressive Educational Experiences in Cooperative Cultures          | 100                     | 130                     | \$1,375.48     | \$178,812.40                   |
| Rize Up Technology Training, LLC                                     | 100                     | 100                     | \$1,200.00     | \$120,000.00                   |
| Ross Professional Services, LLC                                      | 100                     | 125                     | \$1,615.00     | \$201,875.00                   |
| Samuel Christian Services Network                                    | 100                     | 350                     | \$1,306.00     | \$457,100.00                   |
| Synergistics, Inc.                                                   | 100                     | 425                     | \$1,395.75     | \$593,193.75                   |
| Tecknomic LLC                                                        | 100                     | 100                     | \$1,500.00     | \$150,000.00                   |
| United Planning Organization                                         | 100                     | 140                     | \$1,314.17     | \$183,983.80                   |
| Voices of our Sisters, Inc.                                          | 100                     | 160                     | \$952.19       | \$152,350.40                   |
| YMCA of Metro Washington                                             | 100                     | 200                     | \$957.34       | \$191,468.00                   |
| Youth Engaged For Success, Inc.                                      | 100                     | 200                     | \$1,900.00     | \$380,000.00                   |
| Youth Organization United to Rise                                    | 100                     | 100                     | \$1,200.00     | \$120,000.00                   |
| <b>Total</b>                                                         | <b>3,520</b>            | <b>7,486</b>            | <b>-</b>       | <b>\$10,497,454.89</b>         |

DOES also hired two support contractors to assist with the procurement of the 36 contracts above. The costs associated with the two support contracts is presented in Table II below.

**Table II**  
**2008 SYEP Support Contracts**

| Support Contractor                 | Total Contract Cost      |
|------------------------------------|--------------------------|
| MITACC                             | \$24,997.90 <sup>4</sup> |
| CDH Management and Consulting, LLC | \$20,780.00 <sup>5</sup> |
| <b>Total</b>                       | <b>\$45,777.90</b>       |

The following sections provide more details on the results of the Auditor's examination of the 2008 SYEP contracts.

---

<sup>4</sup> The total contract cost represents all payments from DOES to MITACC in Fiscal Year 2008. The total includes payments for work performed on youth programs other than the 2008 SYEP, however due to poor documentation provided by MITACC, the Auditor cannot determine the exact amount that is attributable solely to the 2008 SYEP.

<sup>5</sup> The total contract cost represents all payments from DOES to CDH in Fiscal Year 2008. The total may include payments for work performed on youth programs other than the 2008 SYEP, however due to poor documentation provided by DOES, the Auditor cannot determine the exact amount that is attributable solely to the 2008 SYEP.

## RESULTS OF AUDITOR'S EXAMINATION

### OCP AND DOES DID NOT HAVE PROPER INTERNAL CONTROLS IN PLACE TO ENSURE THAT THE ORIGINAL 2008 SYEP SOLICITATION WAS ACCURATE AND COMPLETE

Pursuant to the Government Accountability Office's (GAO) internal control standards, "reviews by management at the functional or activity level" are essential and "managers need to compare actual performance to planned or expected results and analyze significant differences."<sup>6</sup>

The Auditor found that OCP and DOES management did not have a control process in place to review the 2008 SYEP solicitation and correct errors before they released it to the public. The original SYEP solicitation, released on March 3, 2008, contained multiple errors, several of which are detailed below:

- **The original SYEP solicitation contained conflicting information on the contract type.** Sections B.2.2 and F.1.1 listed the contract type as "cost reimbursement Indefinite Delivery Indefinite Quantity (IDIQ)." Section G.4.2 listed the contract type as "cost reimbursement." Cost reimbursement contracts and IDIQ contracts have very different pricing and payment provisions and the solicitation provided no explanation for this unusual hybrid contract type. The lack of clarity surrounding the contract type resulted in many invoicing and payment problems and OCP and DOES staff spent considerable time reworking the payment process after OCP awarded contracts which contained these flaws.
- **The original SYEP solicitation contained flawed evaluation criteria.** Section M of the SYEP solicitation described the proposal evaluation process and the criteria that evaluators used to rank the proposals submitted by offerors. OCP and DOES assigned different point values to each criterion based on its level of importance. OCP and DOES intended to include a criterion for the past

---

<sup>6</sup> See GAO/AIMD-0021.3.1: Standards for Internal Control in the Federal Government (11/99)

performance of offerors with a 10-point value, allowing evaluators to review the contractors' prior experience in providing similar services to the District of Columbia or other entities. However, in a chart found on page 53 of the solicitation, the past performance criterion was inexplicably assigned a value of zero (0) points. This single typographical error forced the evaluation teams to omit the entire category of past performance from their reviews.

Another criterion in Section M required the evaluation teams to review the quality of position descriptions, vacancy announcements, and agreements with volunteers or other personnel who contractors would assign to the contract. OCP and DOES intended to assign this criterion a value of 5 points. Instead, this category was inadvertently included twice, once on page 52 and again on page 53. Had the Contracting Officer not caught this typographical error during the final proposal evaluation, it could have doubled the intended weight of this category to 10 points.

The errors in the solicitation that resulted from OCP and DOES's lack of proper internal controls had rippling effects for the 2008 SYEP. To rectify the errors, OCP and DOES had to:

- issue Amendment #4 to the solicitation to clarify the contract type approximately two weeks prior to the start of the SYEP;
- modify all of the 2008 SYEP contracts in late June 2008 to clarify the invoicing process; and
- sacrifice or alter important elements of the proposal evaluation process.

Amendment #4 to the solicitation had the most devastating effect on the program. OCP issued Amendment #4 on May 30, 2008 and asked offerors to submit updated proposals by June 3, 2008. This allowed only eight business days to evaluate the proposals, issue contracts, and obtain all necessary signatures before the start of the SYEP on June 16, 2008. Because much of the contractual paperwork was completed at the last minute, DOES was unable to efficiently and

effectively assign youth to contractor worksites. Thus, many youth had no worksite assignments for several days after the start of the 2008 SYEP.

### **RECOMMENDATIONS:**

1. OCP and DOES develop and implement a written solicitation quality control process to ensure that all solicitations are complete, accurate, and of the highest quality prior to issuance.
2. OCP and DOES develop a written solicitation timeline with incremental goals that should be achieved to ensure the timely start of the solicitation process so that contracts can be awarded well in advance of the start of the SYEP.

### **OCP AND DOES DID NOT HAVE PROPER INTERNAL CONTROLS TO ENSURE THAT THE 2008 SYEP PROCUREMENT PROCESS MOVED FORWARD EFFICIENTLY AND EFFECTIVELY**

The Auditor again found that OCP and DOES management failed to implement the GAO's necessary control activities requiring "reviews by management at the functional or activity level."<sup>7</sup> In this case, OCP and DOES managers did not have controls in place to ensure that the procurement process moved forward efficiently and effectively. Figure I, found on page 10, depicts the 2008 SYEP timeline of events and demonstrates some of the problems with the 2008 SYEP procurement such as:

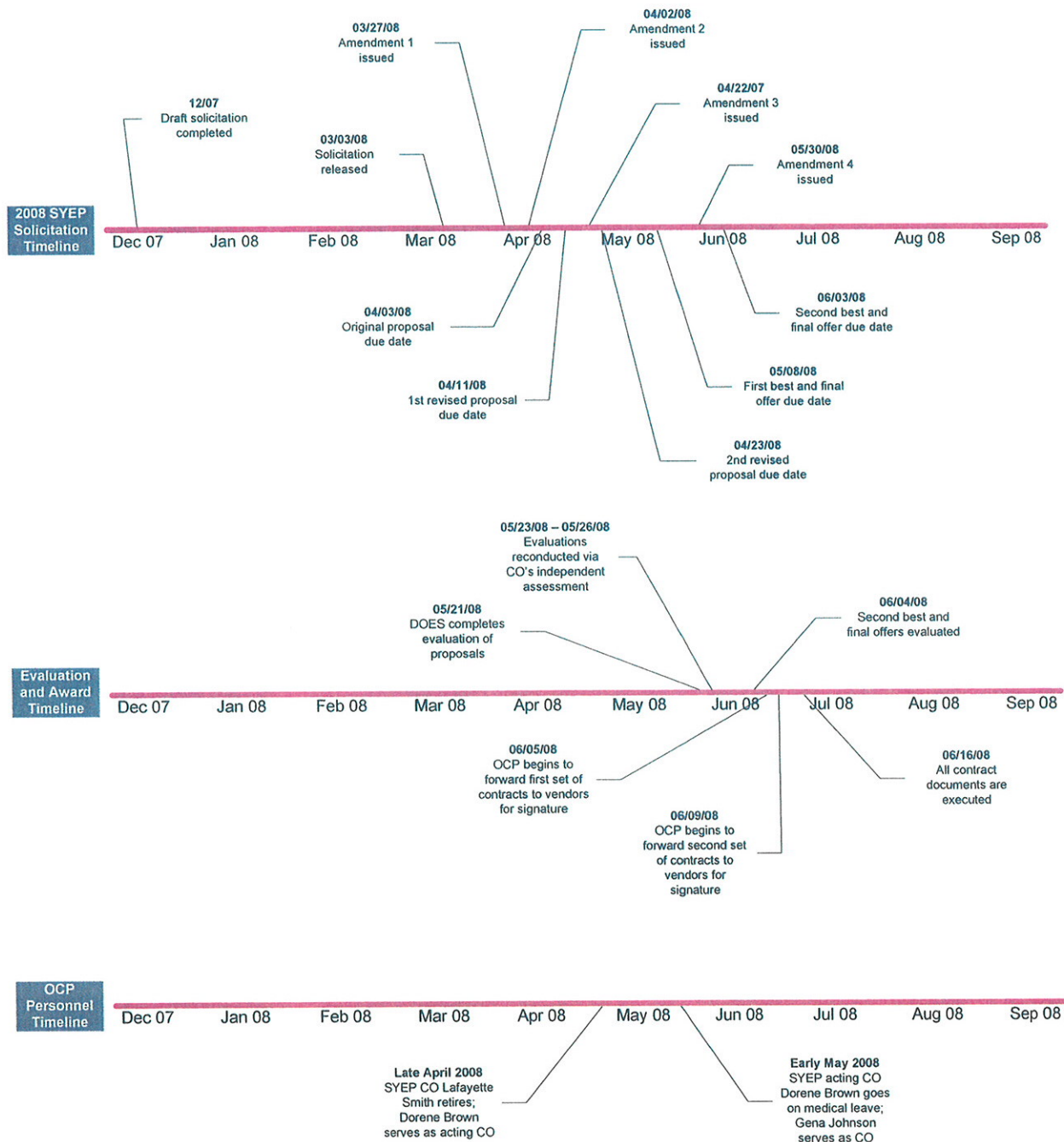
- The significant lag time between the development of a draft solicitation in December 2007 and the release of the solicitation on March 3, 2008;
- The four amendments to the solicitation and two requests for best and final offers from offerors in the three months immediately preceding the start of the program;
- The initial evaluation of proposals that was not completed until May 21, 2008, less than four weeks prior to the start of the program;

---

<sup>7</sup> See GAO/AIMD-0021.3.1: Standards for Internal Control in the Federal Government (11/99)

- The final evaluation of proposals that was not completed until June 4, 2008, less than two weeks prior to the start of the program;
- The execution of some contract documents on the first day of the program; and
- The significant OCP personnel turnover in the two months prior to the start of the program, resulting in confusion, mismanagement, and miscommunication.

**Figure I**  
**2008 SYEP Timelines**



Because OCP and DOES did not have the proper internal controls in place, there were significant delays and problems in the procurement process, ultimately delaying the award of contracts and placement of youth. For example, some contractors did not have contracts in place until the first day of the program and there were inevitable delays in placing youth with these contractors. This was disruptive not only to the contractors, but also to the youth who were forced to wait -- sometimes up to several days -- for an initial placement.

### **RECOMMENDATIONS:**

1. OCP and DOES develop a written procurement timeline with incremental milestones and goals that should be achieved prior to initiating any procurement to ensure that contracts are awarded well in advance of the start of the program.
2. OCP and DOES implement a written procurement quality control process to ensure that all procurements move forward efficiently, effectively, and in a timely manner.

### **OCP AND DOES FAILED TO COMPLETE A DETERMINATION AND FINDINGS (D&F) FOR TWO SOLE SOURCE CONTRACTS ISSUED TO CONSULTANTS WHO ASSISTED WITH THE 2008 SYEP PROCUREMENT**

As stated in 27 DCMR § 1705.1, “when a sole source procurement is proposed, the contracting officer shall prepare a written determination and findings ("D&F") that sets forth the justification for the sole source procurement.”

The Auditor could find no evidence that OCP and DOES completed a D&F for two sole source contracts issued to consultants who assisted with 2008 SYEP procurement. OCP and DOES issued the first contract to MITACC in November 2007 for assistance with the development of the SYEP solicitation, evaluation of proposals, and award of contracts. OCP and DOES issued the second contract to CDH Management and Consulting, LLC on February 12, 2008 for assistance with the evaluation of proposals.

In interviews with an OCP Contracting Officer and a DOES employee who were heavily involved with these two contracts, neither could recall whether a D&F had been completed. Furthermore, when the ODCA team requested evidence of the D&Fs, OCP and DOES were unable to produce any supporting documentation. Because OCP and DOES did not properly justify the need for these two sole source contracts, it appears that OCP and DOES did not comply with the applicable District procurement regulations.

#### **RECOMMENDATION:**

OCP and DOES complete a D&F for every sole source contract to ensure that it is properly justified and to ensure compliance with 27 DCMR § 1700.2, 1705.1, and 1705.2.

#### **OCP ISSUED AN AMENDMENT EXTENDING THE DUE DATE FOR PROPOSALS AFTER THE 2008 SYEP SOLICITATION HAD CLOSED AND AWARDED SIX CONTRACTS BASED ON PROPOSALS RECEIVED AFTER THE DEADLINE SPECIFIED IN THE SOLICITATION**

27 DCMR § 1607.1 states: “After issuance of a solicitation, *but before the date set for receipt of proposals*, the contracting officer may make changes in the solicitation...” [Auditor’s emphasis] 27 DCMR § 1609.6 goes on to state: “A late proposal, late request for modification, or late request for withdrawal shall not be considered, except as provided in this section.” In violation of these requirements, OCP extended the due date for 2008 SYEP proposals after the solicitation closing date and awarded six contracts based on proposals that they received after the deadline specified in the solicitation.

OCP’s first amendment to the solicitation appropriately extended the due date for proposals to Friday, April 11, 2008 at 2 pm. On April 11<sup>th</sup>, OCP maintained a log sheet for incoming proposals; on this log sheet, six of the eventual 36 SYEP contractors submitted late

proposals. According to OCP employees, there was a great deal of pressure "to ensure that there were enough participants in the program -- to meet program goals." If OCP did not find a way to include the late proposals, they could not have met the goal of placing 6,500 youth with contractors. As a result, OCP improperly issued a third amendment on April 22, 2008 (11 days after the closing date specified in Amendment #1), extending the due date to Wednesday, April 23, 2008 at 2 pm.

When asked about the legality of amending a solicitation after the closing date, OCP provided a memorandum written by the Chief of the Procurement Section of the Office of the Attorney General (former Office of the Corporation Counsel) in 1999 in which he granted a Contracting Officer permission to extend the closing date of a solicitation after the original closing date had passed.<sup>8</sup> However, when the Auditor sought to confirm the legality of OCP's actions with the General Counsel of the Council of the District of Columbia, he cited a ruling by the United States Court of Federal Claims on July 30, 2007 that tossed out the reasoning used by the Office of the Attorney General and reconfirmed that late proposals cannot be considered under any circumstances.<sup>9</sup>

As presented in Table III, OCP improperly awarded six contracts totalling up to \$2,150,053 based on proposals received after the solicitation closing date. The amounts listed represent the maximum possible amount of the contract at the time of award.

---

<sup>8</sup> See memorandum dated December 22, 1999 from James J. Stanford, Chief Procurement Section, regarding late proposals.

<sup>9</sup> See United States Court of Federal Claims, *Geo-Seis Helicopters, Inc., v. United States and Presidential Airways, Inc.*, No. 07-155C, July 30, 1997

**Table III**  
**Late 2008 SYEP Proposals**

| <b>Contractor</b> | <b>Date &amp; Time of Proposal Submission</b> | <b>Maximum Possible Contract Cost</b> |
|-------------------|-----------------------------------------------|---------------------------------------|
| Vendor MHCC       | 4/11/08 2:05 PM                               | \$120,000                             |
| Vendor CEE        | 4/11/08 2:09 PM                               | \$172,800                             |
| Vendor HDI        | 4/11/08 2:09 PM                               | \$400,453                             |
| Vendor ELLC       | 4/11/08 2:41 PM                               | \$942,000                             |
| Vendor DCTFK      | 4/11/08 2:46 PM                               | \$334,800                             |
| Vendor AIE        | 4/14/08 1:31 PM                               | \$180,000                             |
| <b>TOTAL</b>      |                                               | <b>\$2,150,053</b>                    |

**RECOMMENDATION:**

OCP cease the practice of (1) extending proposal due dates after solicitation closing dates and (2) awarding contracts based on late proposals.

**OCP DID NOT CONDUCT A COST ANALYSIS FOR SIX PROPOSALS THAT RESULTED IN CONTRACTS IN EXCESS OF \$500,000**

27 DCMR § 1626.1 states: “The contracting officer shall be required to perform a cost analysis in either of the following circumstances: (a) The award of any contract in excess of five hundred thousand dollars (\$500,000); or (b) the modification of any contract when the modification exceeds five hundred thousand dollars (\$500,000).” A cost analysis requires a more detailed investigation of the offeror’s price proposal including an evaluation of:

- The necessity for and reasonableness of the proposed cost, including allowances for contingencies;
- A projection of the offeror's cost trends on the basis of current and historical cost or pricing data;

- A technical appraisal of the estimated labor, material, tooling, and facilities requirements and of the reasonableness of scrap and spoilage factors; and
- The application of audited or negotiated indirect cost rates, labor rates, and other factors.

As presented in Table IV, the Auditor found that OCP and DOES did not conduct a cost analysis for the following six proposals that resulted in contracts in excess of \$500,000. The amounts listed represent the maximum possible amount of the contract at the time of award.

**Table IV**  
**2008 SYEP Proposals in Excess of \$500,000**

| Contractor  | Maximum Possible Contract Cost |
|-------------|--------------------------------|
| Vendor ARE  | \$536,090                      |
| Vendor ELLC | \$942,000                      |
| Vendor FMS  | \$998,250                      |
| Vendor FPCS | \$990,000                      |
| Vendor JE   | \$658,316                      |
| Vendor SI   | \$593,193                      |

The Auditor found evidence for this finding in the final Business Clearance Memorandum, a document prepared by OCP and DOES that provides a summary of the entire procurement. In Section 6.0, the document states, “A cost analysis was not completed.” It is interesting to note that in an earlier draft version of the Business Clearance Memorandum, this section originally stated, “In accordance with DCMR 27, Chapter 16, Section 1626.1, a cost analysis is not required because the proposed contract awards are not in excess of 500,000.00.” The draft document shows a line drawn through that section, indicating that OCP and DOES recognized that a cost analysis was required for contracts in excess of \$500,000, but failed to comply with the requirement.

Because OCP and DOES skipped the required cost analysis, it is possible that these six contractors charged the District of Columbia an unreasonable and unreliable contract price.

**RECOMMENDATION:**

OCP and DOES perform cost analyses for all contracts in excess of \$500,000 as required by 27 DCMR § 1626.1.

**OCP AND DOES FAILED TO COMPLETE AN INDEPENDENT GOVERNMENT COST ESTIMATE FOR THE 2008 SYEP PROCUREMENT**

27 DCMR § 1623.1 states: “Before issuing a solicitation, the contracting officer shall develop an estimate of the proper price level of value of the supplies or services to be purchased.” The Auditor found that OCP and DOES failed to complete an independent government cost estimate for the 2008 SYEP procurement.

OCP and DOES could produce no written evidence to document that they completed an independent cost estimate for the 2008 SYEP. Because OCP and DOES failed to complete an independent government cost estimate, they could not: (1) effectively negotiate with contractors for a fair and reasonable price; and (2) estimate the total cost of 2008 SYEP contracts.

**RECOMMENDATION:**

OCP and DOES complete an independent government cost estimate for every procurement as required by 27 DCMR § 1623.1.

## **OCP AND DOES FAILED TO CERTIFY THAT ALL PROSPECTIVE SYEP CONTRACTORS COMPLIED WITH TAX LAWS**

One of the GAO's necessary internal control activities requires risk assessments and the analysis of "identified risks for their possible effect." The GAO goes on to state that "risk analysis includes estimating the risk's significance, assessing the likelihood of its occurrence, and deciding how to manage the risk and what actions should be taken."<sup>10</sup>

Despite this requirement for thorough risk assessment and avoidance, OCP and DOES granted one of the 2008 SYEP contractors, the National Association of Former Foster Care Children of America (NAFFCCA), provisional tax compliance on June 11, 2008. This provisional tax compliance allowed OCP to issue a contract to NAFFCCA worth up to \$120,000 for the 2008 SYEP in June 2008. This action incurred unacceptable risk because at that point in time, NAFFCCA owed the District over \$42,000 in unemployment taxes. Later, in July 2008, NAFFCCA declared bankruptcy with the tax debt still unpaid.

As stated previously, an OCP employee noted that there was intense pressure "to ensure that there were enough participants in the program -- to meet program goals." It is likely that this pressure, in addition to the lack of internal controls for risk assessment, was the reason why OCP and DOES management used poor judgment in awarding a contract to an unstable, non-compliant organization that already owed the District over \$42,000 in unpaid taxes.

### **RECOMMENDATION:**

OCP and DOES minimize risk by only awarding contracts to organizations that are compliant with D.C. tax requirements.

---

<sup>10</sup> See GAO/AIMD-0021.3.1: Standards for Internal Control in the Federal Government (11/99)

## **OCP AND DOES FAILED TO CHARGE CONTRACTORS RENTAL FEES FOR USE OF DISTRICT OF COLUMBIA FACILITIES**

27 DCMR § 4102.2 states: "If a contractor or subcontractor is permitted to use or otherwise possess District property, the contracting officer shall... charge appropriate rentals when the property is authorized for use on other than a rent-free basis..."

The Auditor found that one of the 2008 SYEP contractors used a District of Columbia facility and did not pay rent. The Auditor found no written authorization for use of this facility on a rent-free basis. Because of OCP's failure to charge contractors for their use of District facilities, the District government did not collect appropriate revenue.

### **RECOMMENDATION:**

OCP charge all contractors for use of District facilities in order to remain compliant with 27 DCMR § 4102.2.

## **OCP AND DOES DID NOT HAVE PROPER INTERNAL CONTROLS TO ENSURE THAT EACH CONTRACTOR RECEIVED THE MINIMUM NUMBER OF YOUTH SPECIFIED IN THEIR CONTRACTS**

This finding represents another instance in which OCP and DOES management failed to implement the GAO's necessary control activity that requires "reviews by management at the functional or activity level." Furthermore, OCP and DOES did not meet the GAO's requirement that "effective communications should occur in a broad sense with information flowing down, across, and up the organization."<sup>11</sup>

---

<sup>11</sup> See GAO/AIMD-0021.3.1: Standards for Internal Control in the Federal Government (11/99)

In the years prior to 2008, DOES awarded cost reimbursement contracts to SYEP contractors. However, in 2008, DOES and OCP management chose to use an Indefinite Delivery/Indefinite Quantity (IDIQ) contract type. The payment provisions of an IDIQ contract are quite different from a cost-reimbursement contract and many DOES employees were unfamiliar with IDIQ contracts. The IDIQ contract type required that each 2008 SYEP contract: (1) specify a unit price that DOES would pay the contractor per youth, (2) guarantee a minimum number of youth to be assigned to the host site, and (3) specify a maximum number of youth that could be assigned to the host site. As a result, the IDIQ contract type required DOES to pay for at least the minimum number of youth specified in the contract, regardless of how many youth DOES actually assigned to a contractor. (27 DCMR § 2416.10 states: "An indefinite-quantity contract shall require the District to order and the contractor to furnish at least the stated minimum quantity of supplies or services.") The invoicing instructions that DOES provided to contractors further indicated that DOES was prepared to pay for the minimum number of youth, whether the slots were filled or not.

The Auditor found that DOES staff responsible for assigning youth to contractor work sites did not ensure that internal controls such as management reviews and communication mechanisms were in place so that each contractor received the minimum number of youth specified in their contracts. Based on data reported in their SYEP invoices, the Auditor found that at least four contractors received less than the minimum number of youth specified in their contracts. As a result, it appears that DOES paid approximately \$451,971.90 for participant slots that were never filled. Table V presents the 2008 SYEP wasted funds as indicated on contractor invoices.

**Table V**  
**2008 SYEP Wasted Funds**  
**(As Indicated on Contractor Invoices)**

| Contractor   | Min # of youth in contract | Actual # of youth hosted (per data contained in invoices) | Empty slots | Unit cost per youth | Total wasted        |
|--------------|----------------------------|-----------------------------------------------------------|-------------|---------------------|---------------------|
| Vendor DIW   | 100                        | 32                                                        | 68          | \$1,000.00          | \$68,000.00         |
| Vendor ETCI  | 50                         | 7                                                         | 43          | \$1,245.66          | \$53,563.38         |
| Vendor JE    | 100                        | 53                                                        | 47          | \$6,583.16          | \$309,408.52        |
| Vendor TLLC  | 100                        | 86                                                        | 14          | \$1,500.00          | \$21,000.00         |
| <b>TOTAL</b> |                            |                                                           |             |                     | <b>\$451,971.90</b> |

Source: Contracts, contractor invoices, and invoice payment data from the D.C. financial system

There is additional evidence that indicates the problem may have been even more widespread. Based on monitoring reports submitted to the Office of Program Performance Monitoring (OPPM) within DOES, at least three additional contractors received fewer than the minimum number of youth specified in their contracts, but were paid for the minimum number. Table VI presents additional 2008 SYEP funds that may have been wasted as indicated in OPPM monitoring reports.

**Table VI**  
**2008 SYEP Wasted Funds**  
**(As Indicated in OPPM Monitoring Reports)**

| Contractor     | Min # of youth in contract | Actual # of youth in attendance on day of monitoring visit | Potential empty slots | Unit cost per youth | Total wasted       |
|----------------|----------------------------|------------------------------------------------------------|-----------------------|---------------------|--------------------|
| Vendor NAFFCCA | 100                        | 89                                                         | 11                    | \$1,200.00          | \$13,200.00        |
| Vendor RPS     | 100                        | 94                                                         | 6                     | \$1,615.00          | \$9,690.00         |
| Vendor YOUR    | 100                        | 60                                                         | 40                    | \$1,200.00          | \$48,000.00        |
| <b>TOTAL</b>   |                            |                                                            |                       |                     | <b>\$70,890.00</b> |

Source: OPPM monitoring reports provided by DOES

DOES and OCP's failure to carefully implement the 2008 SYEP contracts and monitor the assignment of youth to contractors wasted hundreds of thousands of District program dollars.

**RECOMMENDATION:**

OCP and DOES develop and implement a standard written procedure for monitoring IDIQ contracts to ensure that required minimums are consistently met.

**SEVERAL OF THE 2008 SYEP CONTRACTORS FAILED TO PERFORM SERVICES STIPULATED IN CONTRACTS**

27 DCMR § 4002.1 states: "The contractor shall be responsible for carrying out its obligations under the contract by... tendering to the District for acceptance only those supplies, services, or construction that conform to contract requirements..."

The Auditor found that several of the 2008 SYEP contractors failed to provide services that conformed to contract requirements. OPPM within DOES is responsible for conducting visits to contractor sites to ensure that they are properly performing the activities detailed in their statement of work. An OPPM staff member indicated that these site visits revealed that at least two contractors did not meet contract requirements. For example, monitors found that some contractors did not appropriately supervise SYEP youth and some contractors failed to provide adequate academic enrichment, career exploration, work-readiness, and leadership skills training to SYEP participants.

Specifically, OPPM found the following contract performance deficiencies. The amounts listed in Table VII represent the maximum possible amount of the contract at the time of award.

**Table VII**  
**2008 SYEP Contractor Deficiencies**

| Contractor  | Maximum Possible Contract Cost | Date of Monitoring Visit | Deficiencies Cited in OPPM Monitoring Report                                                                                                                                                                                                                                                                                                                                                                    |
|-------------|--------------------------------|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Vendor AIE  | \$180,000                      | 7/30/08                  | <ul style="list-style-type: none"> <li>• “During the visit, it was observed that students were not actively engaged in instruction based activities.”</li> <li>• “There were no fire extinguishers and little instruction taking place.”</li> </ul>                                                                                                                                                             |
| Vendor ELLC | \$942,000                      | 7/29/08<br>and<br>8/7/08 | <ul style="list-style-type: none"> <li>• “There were 10 students observed playing basketball with no supervision.”</li> <li>• “...students were observed taking breaks with little to no instruction taking place. Others were watching TV. The site was not adequately staffed and extreme frustration was displayed...”</li> <li>• “There was no system in place to track the student’s progress.”</li> </ul> |

In addition, OCP and DOES hired two contractors to assist with the procurement process for the 2008 SYEP: MITACC and CDH Management and Consulting, LLC. In interviews with OCP and DOES employees, the Auditor found that there was strong agreement that these two support contractors did not perform their duties effectively. Table VIII presents the responsibilities, failures, and costs of these two support contracts.

**Table VIII**  
**2008 SYEP Support Contract Deficiencies**

| Contractor                         | Responsibilities                                                                                                    | Failures Stated by OCP and DOES Employees                                                                                                                                                                                                                                                                                                                                                           | Cost of Contract          |
|------------------------------------|---------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| MITACC                             | Supported the 2008 SYEP procurement process from the development of the solicitation through award of the contracts | <ul style="list-style-type: none"> <li>• Did not perform all of the items in the statement of work. The Auditor found that OCP never issued a modification to MITACC's contract to authorize the non-performance of these items or reduce the funding on the contract.</li> <li>• Failed to develop a government cost estimate</li> <li>• Provided poor instructions to evaluation teams</li> </ul> | \$24,997.90 <sup>12</sup> |
| CDH Management and Consulting, LLC | Assisted with the evaluation of proposals submitted for the 2008 SYEP                                               | <ul style="list-style-type: none"> <li>• Caused delays in the evaluation process</li> <li>• Wrote insufficient justifications on the evaluation forms</li> </ul>                                                                                                                                                                                                                                    | \$20,780.00 <sup>13</sup> |

While the Auditor could not precisely identify specific reasons for these failures, it is likely that contractors understood that the significant programmatic problems faced in 2008 would prevent OCP and DOES from following up on poor performance. Therefore, they did not strive to meet contract requirements.

#### **RECOMMENDATIONS:**

1. OCP and DOES be more diligent in assessing the technical and quality control capabilities of contractors when evaluating proposals to ensure that the contractor can and will meet the requirements of the contract.
2. OCP and DOES assess the performance of contractors at the end of the contract, record the deficiencies of contractors, and consider this past performance when evaluating future proposals.

<sup>12</sup> The total contract cost represents all payments from DOES to MITACC in Fiscal Year 2008. The total includes payments for work performed on youth programs other than the 2008 SYEP, however due to poor documentation provided by MITACC, the Auditor cannot determine the exact amount that is attributable solely to the 2008 SYEP.

<sup>13</sup> The total contract cost represents all payments from DOES to CDH in Fiscal Year 2008. The total may include payments for work performed on youth programs other than the 2008 SYEP, however due to poor documentation provided by DOES, the Auditor cannot determine the exact amount that is attributable solely to the 2008 SYEP.

## **DOES FAILED TO ADEQUATELY PERFORM CONTRACT QUALITY ASSURANCE**

27 DCMR § 4001.1 states: "The using agency, or the individual(s) responsible for contract administration in the case of a term contract, shall... develop and apply efficient procedures for performing District contract quality assurance actions under the contract in accordance with the written directions of the contracting officer and... perform all actions necessary to verify whether the supplies, services, or construction conform to contract quality requirements..."

DOES had two separate departments that monitored the performance of SYEP contractors. These two groups were generally able to conduct at least one monitoring visit to each contractor. However, in 2008, the Auditor found that DOES did not complete the quality assurance process and there was little to no follow-up when the monitors found problems.

According to a DOES employee, "When performance monitors discovered issues, they did not send Incident Reports to OCP. They may or may not have reported the issue to the Youth Office at DOES; even if they did, there would probably be no follow-up because the Youth Office was too busy taking care of other problems." Furthermore, an OCP employee stated, "The monitoring of contracts was generally ignored by all agencies involved with the SYEP. DOES said that they did not have enough staff to fully monitor contracts and they were too busy processing payments for the youth in the program. DOES never formally notified OCP of contractor failures. Even if they had been notified, OCP also did not have enough staff to perform contract monitoring."

Because of DOES' failure to adequately perform contract quality assurance, contractors who failed to meet the requirements of their contracts were not required to improve performance.

## **RECOMMENDATION:**

DOES ensure that quality assurance procedures are implemented and followed with all current and future contracts.

## **THE OFFICE OF THE CHIEF FINANCIAL OFFICER FAILED TO REQUIRE ADEQUATE DOCUMENTATION TO SUPPORT 2008 SYEP CONTRACTOR INVOICES AND CREATED SERIOUS POTENTIAL FOR FRAUD, WASTE AND ABUSE**

The Office of the Chief Financial Officer (OCFO) has established written policies and procedures concerning the disbursement of public funds. Specifically, the OCFO's Financial Policies and Procedures Manual (FPPM), Section 3020.700, Internal Control, states that all invoices are to be examined prior to certification of payment, and payments are not to be made until the certifying or disbursing officer determines that the payment is proper, correct, and supported by adequate documentation.<sup>14</sup>

The invoicing instructions that DOES provided to contractors on July 9, 2008 stated: "Documentation must accompany each invoice. The required supporting documentation is a participant listing showing the name of each participant along with the last four digits of their Social Security Number." The Auditor found that the required supporting documentation was not sufficient to ensure that payment of contractors was proper and correct. In at least two cases, the number of youth that appeared in the supporting documentation was significantly higher or lower than the number of youth that was reflected in the online time and attendance system. Table IX illustrates two examples of discrepancies between the number of youth hosted by the contractors as indicated on their invoices and as indicated in the online time and attendance system. Because DOES paid contractors per youth, such discrepancies created a serious potential for fraud, waste, and abuse.

---

<sup>14</sup> See Policies and Procedures Manual, Volume I District-Wide, Effective Date 8/31/1998, Last Updated Fiscal Year 2004, issued by the District of Columbia Office of the Chief Financial Officer, Office of Financial Operations and Systems.

**Table IX**  
**Discrepancies Between 2008 SYEP Invoice Support Documentation**  
**and Online Time and Attendance System**

| Contractor | Invoices     |                                                    | Time and Attendance System  |                                                                                                                   | Discrepancy<br>Between Invoice<br>and Online Time<br>and Attendance<br>System |
|------------|--------------|----------------------------------------------------|-----------------------------|-------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
|            | Invoice Date | # of Youth<br>Hosted as<br>Indicated on<br>Invoice | Time and<br>Attendance Date | Cumulative # of<br>Youth Hosted as<br>Reported via Online<br>Time and<br>Attendance System<br>(Includes Dropouts) |                                                                               |
| Vendor A   | 06/27/08     | 178                                                | Through 06/27/08            | 126                                                                                                               | 52                                                                            |
|            | 07/11/08     | 178                                                | Through 07/11/08            | 143                                                                                                               | 35                                                                            |
|            | 07/25/08     | 197                                                | Through 07/25/08            | 150                                                                                                               | 47                                                                            |
|            | 08/08/08     | 229                                                | Through 08/08/08            | 163                                                                                                               | 66                                                                            |
|            | 08/22/08     | 237                                                | Through 08/22/08            | 173                                                                                                               | 64                                                                            |
| Vendor B   | 06/27/08     | 214                                                | Through 06/27/08            | 218                                                                                                               | -4                                                                            |
|            | 07/11/08     | 285                                                | Through 07/11/08            | 249                                                                                                               | 36                                                                            |
|            | 07/25/08     | 285                                                | Through 07/25/08            | 274                                                                                                               | 11                                                                            |
|            | 08/08/08     | 285                                                | Through 08/08/08            | 279                                                                                                               | 6                                                                             |
|            | 08/22/08     | 58                                                 | Through 08/22/08            | 279                                                                                                               | -221                                                                          |

Source: Contractor invoices provided by DOES and online time and attendance records provided by DOES

The discrepancies that the Auditor found in this sample of two of the 36 2008 SYEP contracts lead to serious concerns about the ability of contractors to accurately record and report youth attendance and the quality of the supporting documentation required by the OCFO for payment. Additional concerns include the inability of some contractors to provide documentation to support their invoices and evidence of forgery in sheets used to sign youth in and out each day.

**RECOMMENDATION:**

OCFO and DOES comply with and actively enforce the OCFO's guidelines regarding the effective review and certification of invoices and supporting documentation before authorizing payment. Also, ensure that supporting documentation provides sufficient evidence to justify and support the amount invoiced.

## **OCP DID NOT ISSUE OR MAINTAIN A PROCUREMENT MANUAL**

27 DCMR § 1001.1 states: “the Director of the Department of Administrative Services shall issue and maintain the District of Columbia Procurement Manual, which shall include all procurement procedures and guidelines for implementing the DCPR (District of Columbia Procurement Regulations).”

The Auditor found that OCP and DOES staff members did not have the benefit of an updated, complete, and finalized Procurement Manual to use as a reference for policies, procedures, and guidelines during the 2008 SYEP procurement. The Auditor found that OCP developed a draft version of a Procurement Manual several years ago but had not updated or finalized the draft by the summer of 2008. The OCP staff member responsible for the Manual refused to provide a copy of the draft to the Auditor on November 7, 2008.

Due to significant OCP personnel turnover in the months immediately preceding the start of the 2008 SYEP, three different Contracting Officers were responsible for the SYEP procurements. Each Contracting Officer possessed a different understanding of the procurement regulations and carried out their duties in very different ways. The lack of consistent procedures and guidelines contained within a finalized Procurement Manual led to: (1) significant errors and delays in the solicitation, evaluation, and contracts and (2) noncompliance with 27 DCMR during the procurement for the 2008 SYEP.

The Auditor found that OCP took corrective action by finalizing and publishing the “2009 Procedures Manual” in February 2009.

## **RECOMMENDATION:**

The Chief Procurement Officer update the existing Procurement Manual on a regular ongoing basis. OCP must also ensure that procurement personnel understand and implement the policies outlined in the procurement manual in a uniform manner.

## **CONCLUSION**

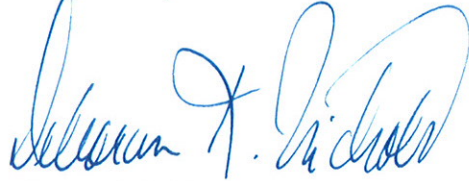
The Auditor's examination found that OCP, DOES, and OCFO poorly planned, executed, and managed the 2008 SYEP contracts due to their failure to: (1) comply with applicable District rules, regulations and laws; (2) establish proper internal controls; (3) ensure that contractors provided services as stipulated in the contract deliverables; and (4) adequately monitor contractors.

The Auditor found that OCP and DOES neglected important steps in the procurement process and failed to comply with numerous District laws and regulations during the procurement process for the 2008 SYEP contracts, including awarding two sole source contracts without proper justification and awarding SYEP contracts based on proposals received after the deadline established in the solicitation. In addition, OCFO failed to require adequate documentation to support contractor invoices creating serious potential for fraud, waste, and abuse.

The Auditor also found that OCP and DOES failed to establish proper internal controls, leading to an inefficient procurement process, an inaccurate solicitation, and an ineffective process for assigning the appropriate number of youth to contractor work sites. Further, the Auditor found that at least two contractors did not meet the requirement to provide academic enrichment, career exploration, work-readiness, and leadership skills training to youth. In some cases, contractors left youth unsupervised and unengaged, with little to no instruction or progress tracking taking place.

Lastly, the Auditor's examination found that DOES failed to adequately perform contract quality assurance and follow up on problems identified by monitors. As a result, contractors who did not meet the requirements of their contracts were not required to improve performance. The failures of OCP, DOES, and OCFO caused the program to suffer and negatively affected the youth of the District of Columbia.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Deborah K. Nichols", with a large, stylized flourish at the end.

Deborah K. Nichols

District of Columbia Auditor

# AGENCY COMMENTS

## AGENCY COMMENTS

On June 8, 2009, the District of Columbia Auditor (Auditor) submitted this report in draft to the Department of Employment Services (DOES), the Office of Contracting and Procurement (OCP), and the Office of the Chief Financial Officer (OCFO) for review and comment. None of the agencies requested an exit conference.

The Auditor received written comments from the OCFO and OCP on June 22, 2009. For DOES, the Auditor extended the due date for comment from June 22, 2009 until June 25, 2009, however, the Auditor did not receive written comments from DOES. The Auditor made no changes to the report as a result of the comments. All agency comments are appended in their entirety to this final report.

The Auditor offers the following responses to specific OCFO and OCP comments.

### Office of the Chief Financial Officer Comments

1. The OCFO's response states that, "The OCFO will continue to adhere to the guidelines regarding the effective review and certification of invoices and documentation before authorizing payment."

#### ***Auditor's Response:***

The OFCO provided no evidence that they have taken steps to ensure that supporting documentation provides sufficient evidence to justify and support amounts invoiced.

### Office of Contracting and Procurement Comments

1. OCP's response states that, "In recognition of the lack of time and oversight from FY08, OCP for FY 2009 met with the SYEP staff to ensure that the necessary controls and reviews were complete prior to issuance of the solicitation."

***Auditor's Response:***

OCP provided no evidence that they developed a written solicitation timeline or quality control process for the FY 2009 SYEP.

2. OCP's response states that, "A timeline sufficient for award prior to the beginning of the 2009 SYEP was established for this fiscal year. Although the contracts have deemed to be unnecessary, OCP was ready to award in the Mid-May timeframe for program initiation of June 22nd."

***Auditor's Response:***

OCP provided no evidence that they developed a written procurement timeline or quality control process for the FY 2009 SYEP.

3. OCP's response states that, "As the demand for services grew exponentially for the FY08 SYEP, OCP found itself moving as fast as possible to secure providers for the program. Independent cost estimates were waived in an effort to provide services to the unanticipated demand for assistance."

***Auditor's Response:***

OCP and DOES should have completed the independent cost estimate in the earliest stages of the procurement, long before the increased demand became an issue. Furthermore, 27 DCMR § 1623.1 does not contain a provision permitting waivers.

4. OCP's response states that, "OCP regularly checks tax compliance on all prospective contract awards and in the case of NAFFCCA took a chance that the work they were providing would more than compensate through payment retention of the back taxes owed the District. OCP hopes that in the future the requirement for tax compliance be part of the payment process to ensure that all companies have the opportunity to earn the money to pay their taxes."

***Auditor's Response:***

OCP's suggestion of giving business opportunities to organizations that are not current on taxes only perpetuates the problem because the organization would have to pay the back taxes as well as the tax on the current earnings. ODCA stands by the recommendation to only award contracts to organizations that are compliant with D.C. tax requirements.

5. OCP's response states that, "In the FY2009 solicitation, DCPS handled the provision of District space. All requirements were channeled through DCPS in order to meet the requirements of 27 DCMR 4102.2."

***Auditor's Response:***

Although OCP may have delegated duties to the District of Columbia Public Schools (DCPS), 27 DCMR § 4102.2 holds the contracting officer ultimately responsible for charging appropriate rental fees.

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF CONTRACTING AND PROCUREMENT



OFFICE OF THE DIRECTOR

June 22, 2009

Ms. Deborah K. Nichols  
District of Columbia Auditor  
717 14<sup>th</sup> Street, N.W., Suite 900  
Washington, DC 20005

Dear Ms. Nichols:

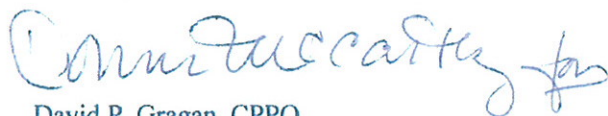
The Office of Contracting and Procurement (OCP) has reviewed the draft report "Examination of the 2008 Summer Youth Employment Program Contracts" and offers the following in response to the Findings and Recommendations:

Recommendations:

1. In recognition of the lack of time and oversight from FY08, OCP for FY 2009 met with the SYEP staff to ensure that the necessary controls and reviews were complete prior to issuance of the solicitation.
2. A timeline sufficient for award prior to the beginning of the 2009 SYEP was established for this fiscal year. Although the contracts have deemed to be unnecessary, OCP was ready to award in the Mid-May timeframe for program initiation of June 22<sup>nd</sup>.
3. No sole-source contracts were required this fiscal year, while it is true that many were awarded in the previous fiscal year.
4. A review of the previous year's contracts indicates that there was a failure on OCP's part to conduct a cost analysis for contracts that resulted in fees greater than \$500,000. OCP has activated a watch system for this type of increase and will be on alert for future contracts.
5. As the demand for services grew exponentially for the FY08 SYEP, OCP found itself moving as fast as possible to secure providers for the program. Independent cost estimates were waived in an effort to provide services to the unanticipated demand for assistance.
6. OCP regularly checks tax compliance on all prospective contract awards and in the case of NAFFCCA took a chance that the work they were providing would more than compensate through payment retention of the back taxes owed the District. OCP hopes that in the future the requirement for tax compliance be part of the payment process to ensure that all companies have the opportunity to earn the money to pay their taxes.
7. In the FY2009 solicitation, DCPS handled the provision of District space. All requirements were channeled through DCPS in order to meet the requirements of 27 DCMR 4102.2.
8. IDIQ monitoring procedures were put into place to ensure that this and other DOES programs with min/max requirements are assigned the correct number of participants as not to waste taxpayer money.

9. The Chief Procurement Officer for the District has issued a Procurement Manual and has uploaded it to the intranet for the Office of Contracting and Procurement (Wiki)

Sincerely,

A handwritten signature in blue ink, appearing to read "D. P. Gagan" with a stylized flourish at the end.

David P. Gagan, CPPO  
Chief Procurement Officer

**Government of the District of Columbia**  
**Office of the Chief Financial Officer**



**Natwar M. Gandhi**  
Chief Financial Officer

June 22, 2009

Ms. Deborah K. Nichols  
District of Columbia Auditor  
Office of the District of Columbia Auditor  
717 14<sup>th</sup> Street, NW Suite 900  
Washington D.C. 20005

**Re: Draft Audit Report Entitled: "Audit of Examination of the 2008 Summer Youth Employment Program Contracts"**

Dear Ms. Nichols:

This responds to your June 8, 2009, letter transmitting for comment your draft audit report entitled "Audit of Examination of the 2008 Summer Youth Employment Program Contracts." The following is the response of the Office of the Chief Financial Officer (OCFO) to the finding (on page 25) and recommendation (on page 27) in the draft report that pertain to this Office.

**Finding:** The Office of the Chief Financial Officer failed to require adequate documentation to support 2008 SYEP Contractor invoices and created serious potential for fraud, waste and abuse.

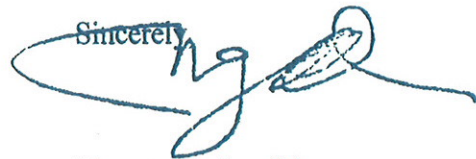
**Management Response:** OCFO disagrees with this finding. Vendor invoice payments were processed based on authorization from DOES staff in the form of authorizing documents entered into PASS supported by signed invoices authorizing payments. The discrepancies the auditor identified regarding vendor invoices concerning the number of participants serviced by vendors is consistent with the finding cited that "OCP and DOES did not have proper internal controls to ensure that each contractor received the minimum number of youth specified in their contracts. The audit goes on to state that DOES and OCP chose to use an Indefinite Delivery/Indefinite Quantity (IDIQ) contract instead of a cost reimbursement contract as used in previous years. Under an IDIQ contract DOES was required to pay a vendor for a minimum number of participants regardless of how many youth were actually assigned. Examples cited by the auditor identify the minimum number of youth required in the contract compared with the actual number of youth assigned. The IDIQ contract supports paying vendors for the minimum of youth specified in the contract, regardless of the number of youth

actually assigned. OCFO payment of invoices was based on program review and authorization to pay.

**Recommendation:** OCFO and DOES comply with and actively enforce the OCFO's guidelines regarding the effective review and certification of invoices and supporting documentation before authorizing payment. Also, ensure that supporting documentation provides sufficient evidence to justify and support the amount invoiced.

**Management Response:** The OCFO will continue to adhere to the guidelines regarding the effective review and certification of invoices and documentation before authorizing payment.

Thank you for the opportunity to respond to the finding and recommendation in your draft report. Please do not hesitate to contact me at 727-2476 if you have further questions or need additional information.

Sincerely,  


Natwar M. Gandhi  
Chief Financial Officer

cc: Lucille Dickinson, Chief of Staff, Office of the Chief Financial Officer  
Angell Jacobs, Director of Operations, Office of the Chief Financial Officer  
Cyril Byron, Associate Chief Financial Officer, Economic Development and Regulations Cluster  
Robert G. Andary, Executive Director, Office of Integrity and Oversight  
Lawrence I. Perry, Deputy D.C. Auditor, Office of the D.C. Auditor