

# GOVERNMENT OF THE DISTRICT OF COLUMBIA

## Office of the Inspector General

Inspector General



May 12, 2021

George A. Schutter  
Director  
Office of Contracting and Procurement  
441 4<sup>th</sup> Street, N.W., Suite 330 South  
Washington, D.C. 20001

Dear Chief Procurement Officer Schutter:

This letter is to notify you that the Office of the Inspector General (OIG) is unable to complete its *Audit of District Procurement During the COVID-19 Public Health Emergency (OIG No. 20-1-01MA)*.<sup>1</sup> The OIG could not gather sufficient and appropriate evidence to answer our three audit objectives due to the inability to access records and databases maintained by the Office of Contracting and Procurement (OCP).<sup>2</sup> Our objectives were to determine whether: (1) the District received the goods and services in accordance with agreed-to terms and conditions; (2) supplies and services were procured at fair market value; and (3) procurements had proper approvals and were adequately managed.

This letter memorializes the challenges the OIG encountered during this audit, provides observations based on our limited reviews, and identifies opportunities for improvement as OCP enters its 14<sup>th</sup> month of coordinating emergency procurements.

### Summary of OIG's Challenges and Concerns Regarding This Audit

Since the OIG announced the [audit on September 16, 2020](#), OCP raised concerns regarding the timing of the audit, OCP staff availability, and granting the OIG team access to systems, which adversely impacted the audit timeline.

Following the OIG's announcement of this audit, OCP requested two postponements. In its initial request, OCP asked to delay the audit until the COVID-19 pandemic ends and District procurement activities return to steady-state. The OIG elected to postpone the audit start until the end of October 2020. In its October 31, 2020, amended postponement request, OCP noted that its staff "needed to address this audit, including uploading the necessary documents [to its information technology systems]." The OIG ultimately postponed the audit entrance conference to January 11, 2021.

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<sup>1</sup> This audit is in our [Fiscal Year 2021 Audit and Inspection Plan](#).

<sup>2</sup> OIG auditors were unable to conduct the engagement in accordance with generally accepted government auditing standards (GAGAS). As such, this audit letter is issued using GAGAS modified compliance statement due to scope limitations.

After the entrance conference, OCP raised concerns over the OIG's access to systems and databases it used to manage activities such as receiving, storing, and issuing procured goods. OCP initially indicated that access to QuickBase and BarCloud, two of its systems, "will not be provided as the systems contain confidential, deliberative and procurement sensitive information well beyond the scope of the current audit." After receiving access, during the review of these two systems, the OIG learned another system – not previously disclosed – with which OCP tracked and monitored outstanding orders from suppliers. The OIG had several meetings with OCP officials to overcome its objections to providing the OIG access to these systems. To date, the OIG has been unable to access the entirety of information OCP maintained in the BarCloud and Smartsheet systems.<sup>3</sup>

### **OCP's Information Technology Systems**

OCP uses information technology (IT) systems and databases for requesting, ordering, receiving, and issuing inventory items. We observed that the IT systems and databases currently are not interfacing with each other or the Procurement Automated Support System, requiring OCP staff to spend a considerable amount of time researching information to support the audit team's requests. OCP can improve warehouse inventory management and control with interfacing systems. The list below identifies IT systems and databases that OCP uses to request, order, receive, and issue inventory items.

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

### **OIG Observations of OCP Warehouse Operations and Management**

OCP consolidated District agencies' need to purchase personal protective equipment (PPE) so that the District could order in bulk from various suppliers. To manage receipt and storage of

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<sup>3</sup> D.C. Code § 1-301.115a (c)(1) states that the OIG "shall have access to the books, accounts, records, reports, findings, and all other papers, items, or property belonging to or in use by all departments, agencies, instrumentalities, and employees of the District government, including agencies which are subordinate to the Mayor, independent agencies, boards, and commissions, but excluding the Council of the District of Columbia, and the District of Columbia Courts, necessary to facilitate an audit, inspection or investigation."

large quantities of ordered goods, OCP needed to lease, construct, and operate warehouse facilities.

OCP operates and manages five warehouses: the Strategic Warehouse at the D.C. General Campus, District Logistics Center, Safe Workplace at Adams Place, Safe Workplace Overflow, and Safe Workplace Expansion. OCP also assists DC Health with facilitating the warehouse operations.

Notwithstanding impediments relating to the OIG's access to OCP's systems, on March 12, 2021, the audit team visited three of the five warehouses to observe the existence, location, and inventory condition, including receiving and issuing procedures for the same. The audit team observed that warehouse managers needed additional time to complete several processes: inventory counting, identifying and addressing deteriorated inventory items, and developing a process for inventory valuations and adjustments.

**Inventory Existence.** The audit team observed OCP officials validating stock existence by counting stock on hand and updating inventory records. Our physical-count observations served to validate the quantities on the stock sheet were accurate, but the number of quantities recorded in the BarCloud system did not always match the counted quantities. BarCloud records the stock ID number, the inventory unit of measure, category ID, quantity, stock description, location ID, general description, and category description. The District's stock card included the stock identification (ID) number, warehouse stock location (row, bin, and shelf), item type and size, the number of pieces per pack, the number of packs per box, number of cases per pallet, and quantity.

Warehouse managers acknowledged the discrepancies by indicating that stock existence validation was a work-in-progress. An example of variations between BarCloud and on-hand inventory is shown in [Figures 1](#) and [2](#) in Attachment A.

**Inventory Location.** The audit team observed that items were not in assigned locations, and OCP was in the process of assigning locations for items it received. OCP explained that the items are not at designated areas because of an ongoing reorganization effort.

**Inventory Condition.** The audit team observed that OCP was in the process of identifying and addressing stock deterioration and damage. The District Logistics Center warehouse was clean and organized, having boxes with labels and stock cards. Pictures from the District Logistics Center are shown in [Figures 3](#), [4](#), and [5](#) in Attachment A.

The Safe Workplace Overflow warehouse was not as organized as the District Logistics Center. Some inventory boxes had stock cards on the boxes with the BarCloud stock ID number, the number of pieces per pack, the number of packs per box, the number of cases per pallet, and quantity, while other boxes did not have stock cards. The stock ID number was

missing on some stock cards. Although the PPE was individually wrapped, the boxes were open, and PPE was visible, which could lead to quality deterioration and/or missing inventory. Examples of open boxes and visible PPE at the Safe Workplace Overflow warehouse are included as [Figures 6](#) and [7](#) in Attachment A.

The Safe Workplace Expansion warehouse was disorganized and cluttered. Some boxes of inventory had a stock card on the box, but some stock cards were missing stock ID and BarCloud numbers. Like the Safe Workplace Overflow warehouse, PPE was individually wrapped, the boxes were open, and PPE was visible. OCP indicated that the Safe Workplace Expansion warehouse was in the middle of a reorganization. Please see [Figure 8](#) in Attachment A for an example of open box and visible PPEs at the Safe Workplace Expansion warehouse.

**Inventory Valuation.** During the team's visit to the District Logistics warehouse, the inventory manager informed the audit team that the unit cost field is currently nonfunctional in the BarCloud system. Capturing the unit cost will help OCP to calculate the dollar values of the inventory on hand. OCP stated that it is planning to capture this information in the BarCloud system in the future.

**Inventory Adjustments.** The audit team observed that OCP was developing a procedure to reconcile any discrepancies among physical count, inventory records, and inventory condition deteriorations.

**Inventory Issuing Procedures.** The warehouses utilize a standardized form called *DLC WAREHOUSE ORDER PICKLIST* to track proof of issuance of the stock items to District agencies, businesses, and the public. Staff at the District Logistics Center warehouse maintained the completed Picklist forms in a file cabinet. The working group was developing procedures to scan the forms and attach them to the inventory records. [Figure 9](#) in Attachment A is an example of a hard-copy *DLC WAREHOUSE ORDER PICKLIST*.

**Inventory Receiving Procedures.** The audit team did not observe records of delivery notes. Requiring and maintaining a copy of delivery notes and scanning them in the BarCloud system helps address any discrepancies among ordered quantities, quantities received, physical count, and inventory records.

## **Warehouse Staffing and Organization**

Based upon our observations, it appears that the warehouses may not be adequately staffed. An increase in staff for each warehouse will improve operations and allow OCP to complete some of its processes and procedures, such as:

- finalizing the inventory counting procedures;
- organizing the warehouses;

- developing a process for inventory valuations and adjustments;
- validating the stock existence;
- assigning inventory to warehouse locations,
- reorganization efforts;
- repacking of damaged boxes/safeguarding inventory; and
- identifying, addressing, and reconciling stock discrepancies and deterioration.

**Staffing.** A team of 10 staff members is responsible for warehouse operations. A Chief Logistics Officer oversees and manages all operations. Four managers are responsible for the day-to-day activities at the warehouses. Four analysts and one PPE specialist support daily activities at all five warehouses.

**Organization.** The warehouse operations team is organized as one working group. The working group includes the 10 individuals identified in the previous paragraph, OCP's Chief Operating Officer, and the Chief Contracting Officer for Public Safety. The working group is responsible for creating procurement specifications in accordance with the latest CDC requirements, developing agencies' utilization rates, developing reorder points, managing databases for issuing PPE, developing average lead times, and generating reports. The working group meets weekly to discuss critical need items, procurement strategy, and the best way to secure funding.

### **OCP's Opportunities for Improvement**

Based on the conditions the OIG observed during this engagement, we recommend that the Chief Procurement Officer consider the following suggestions to improve warehouse operations and management:

1. Implement additional procedures to complete stock existence validation, identify and address stock deterioration and damages, and reconcile discrepancies among physical count and inventory records.
2. Develop additional standardized forms similar to the DLC WAREHOUSE ORDER PICKLIST to track proof of deliveries from suppliers and upload the forms into the BarCloud system as part of updating inventory records.
3. Develop additional procedures to upload signed copies of the DLC WAREHOUSE ORDER PICKLIST forms into the BarCloud system.
4. Automate the reconciliation process by interfacing the four IT systems used to order, receive, store, and issue inventory items.
5. Capture unit cost in the BarCloud system to calculate the total dollar value of inventory purchased, issued, and in-stock at six warehouses.


6. Increase resources for each warehouse to complete some of the work-in-progress activities.

## Conclusion

While this letter constitutes the closeout of this project, we will consider revisiting District procurement during the COVID-19 public health emergency as part of our planning and risk assessment process and include it in our annual Audit and Inspection Plan when District operations have returned to a steady state. In the interim, OCP needs to ensure processes and IT systems that govern the ordering, receiving, storing, and issuing of goods are fully implemented and integrated. Further, OCP should consider whether adequate staffing exists at each of its five warehouses to manage its ongoing emergency procurement operations.

If you have any questions concerning this letter, please contact me or Fekede Gindaba, Assistant Inspector General for Audits, at 202-727-2540.

Sincerely,

  
Daniel W. Lucas  
Inspector General

DWL/tda

cc:

Mr. Kevin Donahue, City Administrator for the District of Columbia  
The Honorable Phil Mendelson, Chairman, Council of the District of Columbia  
The Honorable Charles Allen, Committee on the Judiciary and Public Safety, Council of the District of Columbia  
The Honorable Robert C. White, Jr., Committee on Government Operations and Facilities, Council of the District of Columbia  
Dr. Christopher Rodriguez, Director, Homeland Security, and Emergency Management Agency  
The Honorable Kathy Patterson, D.C. Auditor, Office of the D.C. Auditor, attn.: Cathy Patten



## Attachment A – Warehouse Site Visit Pictures

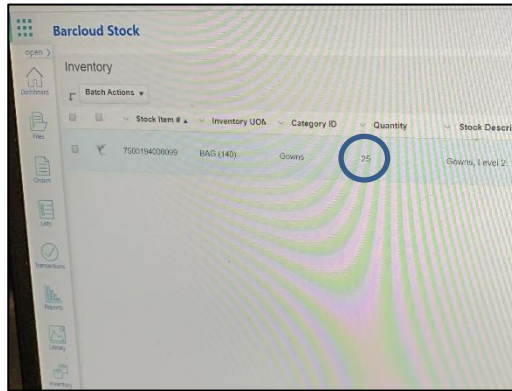


Figure 1: BarCloud Inventory Stock  
Item 000099 (Qty. of 25)

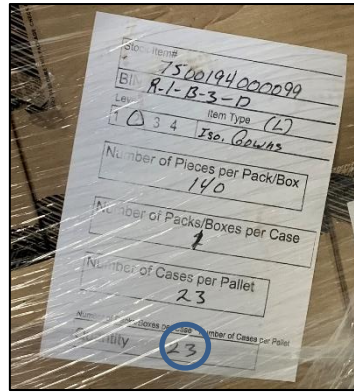


Figure 2: Stock Card  
Stock Item 000099 (Qty. of 23)



Figure 3: District  
Logistics Center Delivery  
Area



Figure 4: District  
Logistics Center Pick-Up  
Area



Figure 5: District  
Logistics Center Storage  
Area



Figure 6: Safe Workplace Overflow  
Warehouse Open Boxes and Visible  
PPE



Figure 7: Safe Workplace Overflow  
Warehouse Inventory Open Boxes,  
Visible PPE, and Missing Stock Cards



Figure 8: Safe Workplace Expansion  
Warehouse Open Boxes and Visible  
PPE

**DLC WAREHOUSE ORDER PICKLIST**  
DLC/DUCKBASE ORDER NUMBER: 1882

Shipment: The Mar 11 2021 10:23:28 GMT-0500 (EST) SHIPPING STATUS: **ARRIVE - L14/ENEMY**

ORDER PREPARED BY: **CYNTHIA JONES** ITEM TYPE: **General Supply**

ORDER NUMBER: **1882** STOCK ITEM NUMBER: **822-6182-1**

AGENCY/CUSTOMER: **OSSE** ITEMIZED COUNT: **1890**

**RECEIVED**  
MAR 11 2021

**801-13-11**

QUANTITY BY UOM	UOM	LOCATION
840	BOX (180)	<del>801-13-11</del> 801-13-11
660	BOX (180)	<del>801-13-11</del> 801-13-11

TOTAL ORDER BY UOM: **1890** DATE OF ORDER PICKUP BELOW:

PRINT NAME BELOW: SIGNATURE BELOW:

DC HOMELAND SECURITY & EMERGENCY MANAGEMENT AGENCY

Figure 9: Hard Copy of a DLC  
Warehouse Order Picklist