

DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

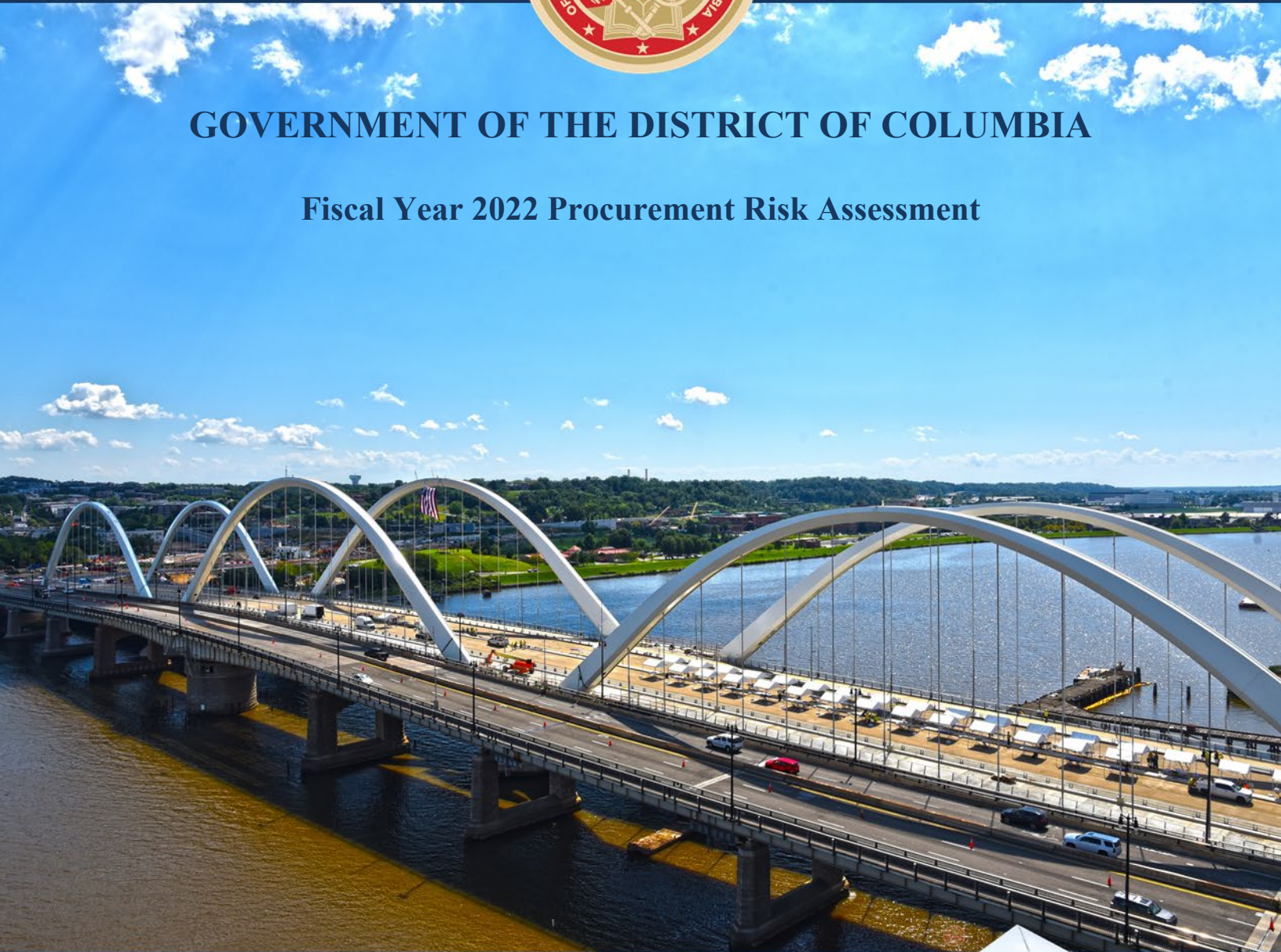
OIG Project No. 21-1-29MA

August 2022



GOVERNMENT OF THE DISTRICT OF COLUMBIA

Fiscal Year 2022 Procurement Risk Assessment



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GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



August 1, 2022

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

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
John A. Wilson Building
1350 Pennsylvania Avenue, N.W., Suite 504
Washington, D.C. 20004

Dear Mayor Bowser and Chairman Mendelson:

Enclosed is the Office of the Inspector General's (OIG) final report entitled *Government of the District of Columbia Fiscal Year 2022 Procurement Risk Assessment* (OIG Project No. 21-1-29MA). The OIG contracted with KPMG, LLP (KPMG) to perform a comprehensive risk assessment of the District of Columbia's procurement activities as required by D.C. Code § 1-301.115a.¹ The objectives of this risk assessment were to (1) identify District's procurement practices subject to the highest risk of corruption, fraud, waste, and abuse, (2) identify high-risk incongruences in the various procurement rules and regulations, (3) identify high-risk structural issues related to the District's procurement system, and (4) assess the status of the issues identified in the [2017 Procurement Practices Risk Assessment](#) under OIG Project No. 16-1-17MA.

KPMG identified the following eight high-risk areas related to the District's procurement activities.

- District agencies' lack of knowledge regarding the District's processes for prevention, detection, and reporting potential fraud increases the risk for potential fraud opportunities.
- Office of Chief Financial Officer's Fiscal Management policies and practices may have contributed to the increases in fiscal year-end spending, which appears to be operationally unsupported spend-downs of budgetary authority that could have a significant adverse financial impact to the District.

¹ Note: In order to meet this statutory mandate, the OIG conducts a risk assessment of the District's procurement system every 3 years. Using the procurement risk assessment results, the OIG then conducts follow-on engagements, which result in recommendations to District agencies that are designed to help mitigate the identified procurement risk area. Conducting the procurement risk assessment on a triennial basis affords District agencies adequate time to implement OIG recommendations prior to reevaluating the District's procurement system risks.

- The lack of uniformity for what should be uploaded and retained in automated workflow makes management and oversight of the procurement function much more difficult and contributes to increased risks of unsupported procurement actions and decisions.
- Incomplete procurement procedures manual coverage of the procurement process leads to risks for procurement inconsistencies and inefficiencies.
- Lack of procurement planning and coordination across the District agencies increases risk in potential lost opportunities for competitive pricing.
- Misalignment between organization and functions creates challenges and risks with retaining staffing, adherence to established procedures, and the ability to obtain an understanding of the agency operations.
- Inadequate monitoring of the receipt and quality of goods and services provided to the District may result in an inefficient use of resources, a need for rework, or program delays.
- Misalignment between systems' data fields hinder the ability to conduct meaningful data analytics on procurement data.

KPMG presented the assessment results during an exit meeting with the City Administrator on March 21, 2022. In addition, KPMG issued two separate reports on additional risk areas related to the District's procurement of (1) [large-scale information technology capital projects](#) (OIG Project No. 21-1-29MA(a)), and (2) [COVID-19 public emergency goods and services](#) using emergency procurement authority (OIG Project No. 21-1-29MA(b)).

The OIG will conduct further engagements based on the risk areas KPMG identified. If you have any questions about this report, please contact me or Fekede Gindaba, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,



Daniel W. Lucas
Inspector General

DWL/kh

Enclosure

cc: See Distribution List

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District of Columbia

Office of the Inspector General

2022 Procurement Risk Assessment

OIG Project No. 21-1-29MA

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Background

The District of Columbia Code (D.C. Code) § 1-301.115a(a)(3)(E) requires that the Office of Inspector General (OIG) annually conduct an operational audit of procurement activities of the District of Columbia (the District). The OIG engaged KPMG LLP (KPMG) to assist in a qualitative risk assessment of the District's procurement systems to identify high-risk areas that will be subject to future in depth reviews by the OIG.

Project objectives

The risk assessment of the District of Columbia's procurement activities covers all non-personnel services from March 2020 to September 2021 and addresses the following objectives:

- Identify District's procurement practices subject to the highest risk of corruption, fraud, waste, and abuse (Practices).
- Identify high-risk incongruences in the various procurement rules and regulations (Rules and Regulations).
- Identify high-risk structural issues related to the District's procurement system (Structure).
- Assess the status of the issues identified in the 2017 Procurement Practices Risk Assessment under OIG Project No. 16-1-17MA

Summary of risk assessment procedures

We reviewed organization charts, procurement policies, management and audit reports, and any other relevant data, and compared policies to industry leading practices. On August 30, 2021, the OIG emailed an engagement letter to District agency heads to notify them of the upcoming procurement risk assessment and to ask them to identify a point of contact in each agency for the project. On September 15, 2021, we held a District-wide entrance conference for all District agency heads. The entrance conference was recorded. The project scope, workplan, and deadlines were presented, and agency heads were asked again to designate a point of contact within each agency. We received agency points of contact on September 21, 2021, and the recording of the entrance conference was subsequently emailed to agency heads and their designated points of contact.

We sent a District-wide procurement survey to the designated points of contacts and received an 84 percent response rate. Please refer to Appendix D for the calculation of the response rate. We conducted site visits with 24 agencies, focusing on the agencies that did not respond to the survey, and those agencies for which we needed further clarification on the survey responses. Please refer to Appendix B, Table 16 for the 24 agencies for which site visits were conducted.

We presented our results during an exit meeting with the Chief Procurement Officer (CPO) on March 21, 2022. We provided the presentation with our results to the CPO subsequent to the meeting. We received no further evidence from the CPO to contradict the validity of the risks we identified in our procedures.

Results in brief

Little has improved since 2017

Since 2017, little has improved regarding the procurement climate in the District. While the OIG has conducted six audits and six inspections over procurement activities since the 2017 assessment, our data routines, survey responses, and site visits indicated that previously identified risks have not been addressed or mitigated. The full copy of the publicly available report can be obtained by accessing the

following link:

http://app.oig.dc.gov/news/PDF/release10/District_Procurement_Practices_Risk_Assessment.pdf

Below is a summary of the 2017 risks and the current status:

2017 Risk title	2017 Risk description	Repeated in 2021?
Data Integrity	Procurement systems' data fields do not have standard definitions, which hinders reconciliation efforts and impacts the ability for meaningful portfolio analysis.	Yes
Surplus Property Disposal Program	OCP's online property surplus disposal program is not consistently utilized across the District.	Yes
Agency Fiscal Management	Some agencies show marked increases in fiscal year-end spending volume.	Yes
Document Management	Inconsistent document management practices may increase the likelihood of noncompliance with established procurement policies.	Yes
Procurement Governance	Multiple procurement governance structures in place may increase opportunities for compliance risk and operational inefficiencies across District agencies.	Yes
Sourcing Practices	Current forecasting practices across the District may result in lost opportunities for more competitive sourcing and pricing.	Yes
Organizational Structure	Organizational structures in place, including positioning and staffing for District procurement functions, may blur actual lines of authority.	Yes
Vendor Oversight	Meaningful oversight of District vendors and their delivery of goods and services may not be consistent across District Agencies.	Yes

Some risk titles and definitions we have reported in our current risk assessment are modified based on our current results. However the same themes set forth above continue to exist. As a new enterprise resource planning (ERP) system is in the process of being implemented, now is the time for the District to consider:

- Implementing legislative changes required to streamline the procurement process over all District agencies;
- Cleansing the data in the Procurement Automated Support System (PASS) to facilitate the integration with the new ERP solution; and
- Establishing an overall governance structure to ensure data integrity and validation.

Risk observation 1: District agencies' lack of knowledge regarding the District's processes for prevention, detection, and reporting potential fraud increases the risk for potential fraud opportunities

— Some agencies indicated that they do not have an anonymous whistleblower reporting mechanism in place, they do not consider fraud risks as a part of the agency's procurement policies and procedures, and they were not aware of the District's processes for reporting potential fraud. The District

should consider launching a fraud awareness campaign to promote the District's policies and procedures and reporting mechanisms in place to identify and report potential fraudulent activities.

Resolution to launch a fraud awareness campaign would need to be addressed by the OIG.

Risk observation 2: Office of Chief Financial Officer's (OCFO) Fiscal Management policies and practices may have contributed to the increases in fiscal year-end spending, which appears to be operationally unsupported spend-downs of budgetary authority that could have a significant adverse financial impact to the District – Agencies continue to show patterns of increased spending during the last month of the fiscal year.

- Increases in fiscal year-end spending appear to be operationally unsupported spend-downs of budgetary authority that could have a significant adverse financial impact to the District.
- Year-end spend-downs of budgetary authority procurements could be interpreted as waste of District resources, depending on the circumstances of the expenditures.

Although most agencies review spending throughout the year, there appears to be an inadequate budgeting/planning process in place to support non-personnel spending needs. Agencies' spending patterns continue to show increased spending during the last month of the fiscal year. This may be an indication of lack of oversight and improper planning during the budget forecasting process.

Agencies may circumvent established procedures and controls in an effort to accelerate purchasing and to reach the forecasted budgeted amount for the fiscal year. Our team concluded that this pattern of spending is practiced across the District and the control procedures do not exist to mitigate this action.

Finally, our data analysis indicates this behavior continues to exist and appears to have become a culture in the District. Year-end spending of budget authority is indicative of risks of wasteful spending and an abuse of District resources. OCFO is charged with controlling budget and agency spending, and should take a top-down approach and reevaluate/revise its fiscal management policies and practices such that it can discharge its responsibility for fiscal management across the District.

Risk observation 3: The lack of uniformity for what should be uploaded and retained in automated workflow makes management and oversight of the procurement function much more difficult and contributes to increased risks of unsupported procurement actions and decisions – The District has no standard policies and procedures for what should be uploaded and retained in automated workflow for procurement transactions. This includes sole source and emergency awards, change orders, and changes to standard terms and conditions. This issue was exacerbated with the onset of COVID-19 pandemic when District agencies switched to a 100% virtual work environment. Without specific guidance on what should be retained in automated workflow, sufficient evidence may not be available to support the actions and decisions made for the procurement. Procurement policies need to be updated to specifically address what documentation should be retained in PASS. The Office of Contracting and Procurement (OCP) should update and enforce, with training and compliance monitoring, document management standards.

Updating and enforcing document retention standards would be at the OCP level for agencies under the Procurement Practices Reform Act (PPRA) and OCP's authority and would require legislative changes at the governing boards or executive level for agencies exempt from the PPRA and OCP's authority. If the standard became uniform across all District agencies, resolution would be at the Executive Office of the Mayor level.

Risk observation 4: Incomplete procurement procedures manual coverage of the procurement process leads to risks for procurement inconsistencies and inefficiencies – OCP’s procurement procedures manual lacks key terms and regulations when compared to leading practices. A select few of the highlighted gaps in the manual include:

- Procedures for contract amendment, extensions, terminations and renewals.
- Delegation of authority/segregation of duties for roles and responsibilities of contracts personnel.
- Procedures to conduct and document market research.
- Date of the manual’s last update.

Policies and procedures are the backbone for achieving consistencies and efficiencies in an organization; they should be updated regularly and should set forth and establish day-to-day procurement procedures in simple and concise language. Updating OCP’s procurement procedures manual is the responsibility of the CPO.

Risk observation 5: Lack of procurement planning and coordination across the District agencies increases risk in potential lost opportunities for competitive pricing – Current planning and forecasting activities are not coordinated across the District and continue to result in potential lost opportunities for more competitive pricing, which potentially increases the District’s total spend.

- Spending plans and related forecasting activities do not appear to be uniformly conducted by District agencies.
- Large volumes of unplanned purchases continue to occur and were further exacerbated by the Pandemic, disrupting the normal forecasting and procurement procedures.
- The District’s Certified Business Enterprise (CBE) requirement, despite its good intentions, may result in increased procurement cost to the District agencies.

District agencies under the PPRA and OCP’s authority participate in an annual forecasting process where agencies capture and submit their planned procurements for the coming fiscal year. These inputs are captured in the OCP Acquisition Planning Tool (OAPT) and then reviewed by OCP with each agency cluster. While helpful in capturing individual agency procurement planning information, the current process appears to stop short of data aggregation or follow-on analysis. For the independent and exempt agencies, there appears to be limited annual forecasting or deliberate advanced planning for future procurement efforts. The absence of a collective forecasting and sourcing process may result in lost opportunities for meaningful cost savings for like goods and services acquisitions throughout the District.

Enforcing and updating planning and forecasting activities would be at the OCP level for agencies under the PPRA and OCP’s authority and at the agency director level for agencies independent from OCP’s authority or exempt from the PPRA and OCP’s authority.

Risk observation 6: Misalignment between organization and functions creates challenges and risks with retaining staffing, adherence to established procedures, and the ability to obtain an understanding of the agency operations – The procurement organization structure is centralized with OCP, however procurement is functioning in a decentralized manner.

- The CPO’s organizational position does not appear to correspond to its authority over the broad set of procurement activities District-wide. Currently, OCP reports to the City Administrator. This appears to classify the OCP at a level equal to most District agency heads.

- Participants in our site visits indicated the procurement process takes too long, contracting officer turnover is high, practices differ amongst the contracting officers and at times contradict established policies, and there is a disconnect between the awards made by the contracting officers and the business needs of the agency.

During our site visit, we learned some agencies have a team of dedicated OCP procurement personnel occupying the same office, working directly with the agency. The nature of the staffing model can impact potential exposure to fraud, waste, and abuse. Placing contracting staff at agency sites or having such organic assets in-house may create opportunities for improper influence. Less direct oversight by management knowledgeable of procurement regulations could result in failure to properly observe more junior staff's adherence to requisite policies and procedures. Similarly, over-identification with the supported agency and with the component departments or programs may result in a working environment where one is encouraged or even expected to expedite procurement actions outside established norms to compensate for inadequate operational planning and associated forecasting on the part of the agency. This could lead to circumventions of compliance requirements and result in less vendor competition, higher procurement costs, and legal exposure.

Resolution would be at the OCP level for agencies under the PPRA and OCP's authority and at the agency director level for agencies independent from OCP or exempt from the PPRA and OCP's authority. The location of the OCP within the District's organizational structure would require resolution by the Mayor and potentially the City Council.

Risk observation 7: Inadequate monitoring of the receipt and quality of goods and services provided to the District may result in an inefficient use of resources, a need for rework, or program delays – Procedures to monitor the receipt and quality of goods and services continue to be inconsistent across District agencies. From March 2020 through September 2021, the District procured goods and services from approximately 30,503 different vendors. This was further exacerbated during the COVID-19 pandemic. Given the size of the vendor population, inadequate monitoring of the receipt and quality of goods and services provided to the District may create financial risks in that the District is not getting what it is paying for, and operational risks in that there is an inefficient use of resources, a need for rework, or program delays, depending upon contract value and the complexity of the goods or services purchased.

Independent, exempt agency heads and OCP for agencies under PPRA/CPO authority would likely be required to set and enforce consistent policies and procedures to address this issue.

Risk observation 8: Misalignment between systems' data fields hinder the ability to conduct meaningful data analytics on procurement data – The PASS and System of Accounting and Reporting (SOAR) do not have standard data field definitions and do not always interface data, which continue to hinder reconciliation efforts and impacts the ability for meaningful portfolio analyses.

While PASS and SOAR interface with each other to some extent, a formal reconciliation process between the two systems still does not exist. Misalignment between systems' data fields (SOAR and PASS) hinder the ability to conduct meaningful analysis. Inconsistent data fields, lack of a complete data dictionary, and data entry practices impact the usefulness of the systems' content.

Resolution to define standards for data fields and updates to PASS/SOAR configuration would likely need to be addressed by OCP and the Office of the Chief Financial Officer (OCFO). Resolution by exempt agencies would require actions by governing boards of directors or agency heads as applicable.

Risk observation 9: Surplus Property Disposal Program – Since 2017, most agencies have become accustomed to using OCP’s surplus property disposal program. However, some issues reported in 2017 continue to persist:

- Agencies expressed they have experienced long wait times for the surplus property disposal program to process their requests, which they have attributed to limited program staff.
- Limited program staff may create risks associated with segregation of duties and oversight of the third-party finance and information technology support.
- The 2019 OIG audit recommendation to institute an auction revenue verification process was not implemented by OCP.
- Some independent agencies participate in the program. However, there are still a number of independent exempt agencies that do not participate in the program, which could indicate the lack of awareness of the existence of the program and/or policies have not reached all of the District offices.

Non-participating exempt agencies will require action by their governing boards of directors or executive director, depending upon the agency, to participate in the surplus property program. The surplus property program may increase its revenue by increasing awareness of the program with exempt agencies.

Scope

The scope of the assessment included 109 District of Columbia agencies as identified by the OCP and reflected in the table below.

Table 1: Governance model summary¹

Governance arrangement	Number of subject activities
Agencies under PPRA and OCP	78
Agencies subject to PPRA and independent from OCP	15
Agencies exempt from PPRA and OCP	14
Agencies limited applicability of PPRA and exempt from OCP	2
Total	109

Our assessment included a review of pertinent rules and regulations; key items are reflected in the following table:

Table 2: Key rules and regulations²

Governance arrangement	Version/effective date
Procurement Practices Reform Act	2010
Title 27 District Code of Municipal Regulations (DCMR)	Revised December, 2011
District of Columbia Home Rule Act (SEC. 424b. [D.C. Official Code ‘ 1-204.26])	Updated 07/16/2018
Agency Policies and Procedures	Various

¹ Sources District agency procurement authority listing dated 9/27/2021.

² Many agencies under OCP have developed supplemental guides to those published by OCP. Exempt agencies developed their own policies and procedures with some being similar to those published by OCP.

Governance arrangement	Version/effective date
OCP Procurement Procedures Manual	Version/effective date was not indicated on the manual
OCP Purchase Card Program Policies and Procedures	9/02/2014
OCFO Financial Management and Control Order No. 07-004A	Revised 6/15/2018
DC Act 23-286 – COVID-19 Response Supplemental Emergency Amendment act of 2020	4/10/2020
NASPO State and Local Government Procurement: A Practical Guide	Third Edition, 2019

Data analytics to support this assessment was conducted on data from March 2020 – September 2021 and the District Budget Book for FY22. The assessment procedures (survey and site visits) were completed between September 1, 2021, and February 25, 2022.

Methodology

Consistent with the overarching objectives for this procurement system risk assessment outlined above, we seek to relate these objectives to select internal control principles within the *United States Government Accountability Office (GAO) Standards for Internal Control in the Federal Government* (Green Book).³ The Green Book defines the standards through components and principles and explains why they are integral to an entity’s internal control system. The Green Book clarifies what processes management considers part of internal control.

Because policy makers and program managers frequently seek ways to improve accountability, a key factor in such efforts is to implement an effective internal control system. Such a system can help an entity adapt to shifting environments, evolving demands, changing risks, and new priorities. As “programs change and entities strive to improve operational processes...management [should] continually evaluate its internal control system so that it is effective and updated when necessary.”⁴

For each project objective below, we discuss and characterize the intent of this project’s overarching objectives, citing select relevant principles, and share how these concepts helped guide our planning and execution of this project.

Practices

Principle 8 – Assess Fraud Risk contains three attributes: types of fraud (fraudulent financial reporting, misappropriation of assets, and corruption); the risk factors constituting a fraudulent fraud risk (incentives/pressures, opportunity, and attitude/rationalization); and an entity’s response to fraud risks through an identification process and design of mitigation, which can include segregation of duties.

Our team used the following methods to help identify how agencies identify, analyze, and respond to fraud instances within the District:

- Non-personnel expenditure and vendor-use data analysis for the period of March 2020 to September 2021. Analysis included data from PASS and SOAR.

³ U.S. GOVERNMENT ACCOUNTABILITY OFFICE, STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT, GAO-14-704G (Sept. 2014), <https://www.gao.gov/products/GAO-14-704G> (last visited Apr. 13, 2022).

⁴ *Id.* at 1.

- A procurement survey also included specific questions to assess how agencies assessed themselves on fraud prevention and monitoring measures, such as employee training and access to/use of whistleblower hotlines.
- Site visits efforts inquired about specific practices in place that either presented broader risk across the District or conversely presented tangible opportunities to avoid waste or mismanagement. Our visits included walkthroughs and inspection of multiple associated procedures around fiscal management and configurations and retention of supporting documentation.

Rules and regulations

Three Green Book principles⁵ are the most closely aligned to the second objective as presented below:

- *Principle 3 – Establish structure, responsibility, and authority* includes three attributes: organizational structure; assignment of responsibility and delegation of authority; and documentation of the internal control system.
- *Principle 12– Management should implement control activities through policies* consists of two attributes: document responsibilities through policies and periodic review of control activities.
- *Principle 14 – Communicate internally* has two attributes: communication throughout the entity and appropriate methods of communication.

Our team employed the following methods to help understand the policies and the internal and external communications practices used to support the District’s procurement practices.

- In the course of our data analysis, we reviewed the relevant rules and regulations governing procurement activities within the District. This review considered guidance such as the Home Rule Act, Title 27 D.C. Municipal Regulations, PPRA, COVID-19 Response Emergency Act of 2020, and select District agencies’ procurement policies. We sought to assess consistency in guidance offered, with specific focus on levels of authority (e.g., Mayor and CPO), as well as identify potential differences.
- Using the survey, we polled District agencies for the existence of unique delegations of authority for purchasing-related roles, COVID-19 emergency spending, and IT Capital expenditures. We also solicited examples of local policy, procedures, tools, and templates crafted to help augment established control guidance and/or reinforce practices at specific agencies.
- We looked to identify, gather, and assess the existence of procurement policies that are both formally documented and informally observed. This expressly included agencies outside the authority of the PPRA and/or OCP’s authority, as well as those charged to follow the PPRA and the OCP’s procurement rules and regulations. We looked to gauge the various lines of procurement responsibility in place from one governance model to another.
- Site visits looked to gather additional information on how select organizations disseminate policy information to agency members or how they communicate among themselves. We inquired about contracting officers’ training and information exchanges among agency contracting employees.

⁵ *Id.* at 27, 56, and 60.

Structure

Multiple Green Book principles⁶ relate to the OIG's objective related to procurement structure; however, the following two appeared most relevant in terms of execution planning for this final objective.

- *Principle 3 – Establish structure, responsibility, and authority* includes three attributes: organizational structure; assignment of responsibility and delegation of authority; and documentation of the internal control system
- *Principle 16 – Perform monitoring activities* outlines three attributes: establishment of a baseline, internal control system monitoring, and evaluation of results.

The following steps during fieldwork assisted our team in assessing risk in the various procurement structure elements among District agencies:

- Reviews of survey results assessed the nature and extent of COVID-19, Capital IT, and other procurement forecasting and sourcing practices in place at a range of District agencies. We sought to identify and better understand any procedures or enabling tools used to facilitate the processes across all procurement governance models.
- Site visits inquired about the nature and extent of interaction performed by contracting staff with agency program managers on upcoming procurements, the prevalence of early planning for contract re-competition or renewal, and periodic reviews with vendors. We sought to gather insight on oversight practices for vehicles, such as procurement cards, purchase orders, direct vouchers, and how use of these tools is monitored.

Constraints and limitations

During the course of the project, KPMG encountered constraints and limitations that should be considered in the interpretation of the observations offered in this report.

- Analytics were limited by some incomplete, raw procurement data and limitations resulting from data integrity noted in the report.
- Survey response rate of approximately 84 percent, and of the agencies responding, 51 did not provide the documentation requested for at least 1 of the 14 survey answers that required supporting documentation. Please refer to Table 18 in Appendix D for the summary of the survey respondents and the calculation of the response rate.

This engagement did not constitute a financial audit, performance audit, or attestation engagement as defined by Government Auditing Standards. Rather, our work was intended as an assessment of existing practices, policies, and procedures to help identify risks and that should be addressed in development of future detailed audit plans, as well as potential opportunities for improvement for management to consider.

⁶ *Id.* at 27 and 65.

Key risks

Risk overview

The following section presents the key areas of risk identified during the course of this assessment. As outlined in the objectives for this project, we present each of the key risk areas noted in relation to a specific project objective as well as the federal Green Book principle(s) to which each risk area aligns. In some instances, select risk areas apply to more than one objective.

Table 3: Project objective/risk area crosswalk

Project objective title	Project objective definition	Risk number/description
Practices (fraud, waste, and abuse)	Identify District procurement practices subject to the highest risk of corruption, fraud, waste, and abuse	Risk 1 – Fraud prevention Risk 2 – OCFO fiscal management Risk 3 – Unsupported procurement actions Risk 8 – Misalignment between systems’ data fields Risk 9 – Surplus property disposal program
Rules and Regulations	Identify high-risk incongruences in various procurement rules and regulations	Risk 3 – Unsupported procurement actions Risk 4 – Incomplete procurement procedures manual Risk 5 – Lack of procurement planning and coordination
Structure	Identify high-risk structural issues related to the District’s procurement system	Risk 2 – OCFO fiscal management Risk 5 – Lack of procurement planning and coordination Risk 6 – Misalignment between organization and function Risk 7 – Inadequate monitoring of receipt and quality of goods and services

In the balance of this section, we introduce and discuss each topic area using the risk rating criteria and supporting scale developed to support this assessment. Each topic area includes a general definition of the perceived summary risk followed by supporting analyses presented in the context offered by each of the individual criterion. Discussions of each risk reflect select aspects of our data analysis, procurement survey results, and/or site visit inquiries and observations.

Risk observation 1 – The lack of knowledge of the District’s processes for prevention, detection and reporting potential fraud increases the risk for potential opportunities of fraud to be perpetuated.

During our site visits, some agencies indicated that they do not have an anonymous whistleblower reporting mechanism in place, they do not consider fraud risks as a part of the agency’s procurement policies and procedures, and they were not aware of the District’s processes for reporting potential fraud.

Financial impact

The types of fraud include fraudulent financial reporting, misappropriation of assets, and corruption. Each could have a financial impact on the District.

Control environment

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance. It is important that management, with the oversight of those charged with governance, place a strong emphasis on fraud prevention to strengthen the overall control environment. A key component of a fraud prevention program is to have an anonymous whistleblower program in place so that employees can report potential fraud without fear of retaliation.

To protect District employees from retaliation in the event of observing unethical and illegal activities in the workplace, the District government has a whistleblower statute in effect for employees under Title 1, Chapter 6, Subchapter XV-A, Whistleblower Protection, of the D.C. Code. However, responses to our procurement survey indicated 48 percent of agencies responded that they do not have a whistleblower reporting mechanism in place to report illegal or fraudulent activities as compared to the 22 percent reported in the FY2017 procurement risk assessment.

Economy and efficiency

Launching a fraud awareness campaign to promote the District's policies and procedures and reporting mechanisms in place to prevent and detect fraud will reinforce the District's commitment to creating a culture of honesty and ethical behavior.

Fraud, waste, and abuse

A strong emphasis on fraud prevention can help reduce the opportunities for fraud and may deter fraud as individuals may be dissuaded from committing fraud because of the likelihood of detection.

Resolution level

Resolution to launch a fraud awareness campaign would need to be addressed by the OIG.

Risk observation 2 – Office of Chief Financial Officer’s (OCFO) Fiscal Management policies and practices may have contributed to the increases in fiscal year-end spending, which appears to be operationally unsupported spend-downs of budgetary authority that could have a significant adverse financial impact to the District

Agencies continue to show patterns of increased spending during September, the last month of the fiscal year.

Financial impact

Using FY21 data from PASS and SOAR and the data reported in the 2017 Procurement Risk Assessment, we have provided a historical analysis of the number of agencies that had greater than 25% of its expenditures in September, the last month of the fiscal year, in the table below:

Table 4: History of the number of agencies with greater than 25% of its expenditures in September

September spend > 25% by fiscal year		
Fiscal year	Number of agencies/total agencies	Percentage of agencies
FY14	22/89	25%
FY15	18/89	20%
FY16	21/92	23%
FY 21	24/107	22%

The table below further illustrates the top 10 agencies with greater than 25% of FY21 expenditures in September:

Table 5: Top 10 agencies with greater than 25% of FY21 expenditures in September

Rank	Agency	Annual expenditure	September expenditure	September transaction count	September spend percentage
1	A	\$213,491,000	\$59,332,000	49	28%
2	B	\$96,014,000	\$25,054,000	1103	26%
3	C	\$37,637,000	\$11,331,000	22	30%
4	D	\$27,526,000	\$7,735,000	460	28%
5	E	\$23,710,000	\$7,306,000	280	31%
6	F	\$14,574,000	\$3,644,000	275	25%
7	G	\$7,327,000	\$2,550,000	232	35%
8	H	\$2,330,000	\$2,330,000	2	100%
9	I	\$5,586,000	\$1,805,000	296	32%
10	J	\$6,234,000	\$1,676,000	198	27%

In FY21, four agencies had September expenditures greater than 200% of the average monthly expenditures, as illustrated in the table below.

Table 6: Agencies with September expenditures greater than 200% of the average monthly expenditures in FY21

Rank	Agency	Annual expenditures	September expenditures	Monthly average spend per FY	Percent difference from monthly average
1	A	\$213,491,000	\$59,332,000	\$17,791,000	233%
2	B	\$96,014,000	\$25,054,000	\$8,001,000	213%
3	C	\$37,637,000	\$11,331,000	\$3,422,000	231%
4	D	\$27,526,000	\$7,735,000	\$2,294,000	237%

Control environment

In our 2021 risk assessment survey, 64% of agencies indicated they have visibility into total spend across the agency portfolio, and the agency conducts regular structured reviews of its organizational spend.

Although most agencies are reviewing spending throughout the year, there appears to be an inadequate budgeting/planning process in place to support non-personnel spending needs. Agencies' spending patterns continue to show increased spending during the last month of the fiscal year. This may be an indication of lack of oversight and improper planning during the budget forecasting process.

Agencies likely circumvent established procedures and controls in an effort to accelerate purchasing and to reach the forecasted budgeted amount for the fiscal year. Our team concluded that this pattern of spending is practiced across the District and control procedures do not exist to mitigate this action.

Economy and efficiency

Increases in fiscal year-end spending appear to be operationally unsupported spend-downs of budgetary authority that could have a significant adverse financial impact to the District. Year-end spend-downs of budgetary authority procurements could be interpreted as wastes of District resources, depending on the circumstances of the expenditures. Our data analysis presented in Tables 4, 5, and 6 above indicates this behavior continues to exist and it appears this has become a culture in the District.

Fraud, waste, and abuse

Year-end spending of budget authority is indicative of risks of wasteful spending and an abuse of District resources.

Resolution level

OCFO is charged with controlling budget and agency spending, and the spending patterns reported herein have become a culture in the District. OCFO should take a top-down approach and reevaluate/revise its fiscal management policies such that it can discharge its responsibility for fiscal management across the District.

Risk observation 3 – The lack of uniformity for what should be uploaded and retained in automated workflow makes management and oversight of the procurement function much more difficult and contributes to unsupported procurement actions and decisions

The District has no standard policies and procedures for what should be uploaded and retained in automated workflow for procurement transactions. This includes sole source and emergency awards, change orders, and changes to standard terms and conditions. This issue was exacerbated with the onset of COVID-19 pandemic when District agencies switched to a 100% virtual work environment. Without specific guidance on what should be retained in automated workflow, sufficient evidence may not be available to support the actions and decisions made for the procurement.

Our FY21 risk assessment survey indicated 33% of agencies do not have a formal or informal process in place for contract documentation, maintenance, and retention, which increases risk that documents could be lost.

We selected 30 expenditure transactions and asked OCP to provide the supporting documentation to validate the receipt of the items ordered. Several of the transactions required OCP to contact individual agencies and the assigned contract administrator to upload the information into PASS. OCP indicated that it is up to the individual agencies to upload receipt documentation. Additionally, one of the four IT procurement files we selected to review took several days to locate who in the District had possession of the file.

Financial impact

The financial impacts to the District include operational inefficiencies, such as the additional time that must be spent by District resources to search for the supporting documentation and the potential costs or sanctions from oversight agencies for unsupported procurement actions and decisions.

Control environment

The OCP Procedures Manual, Section 6.2.1, Creation and Maintenance of Information and Records, requires contract documents to be saved in PASS and indicates that contract documents should not be saved in other media, such as e-mail folders, shared folders, personal drives, and external drives for agencies under the CPO's authority. During our site visits and walk-through procedures, we observed that procurement files are maintained in multiple locations using different media. For example, OCP maintains procurement contract files, and agencies under the CPO's authority also maintain their own files, some maintained in hard copy and some maintained in PASS. Many agencies indicated the use of shared folders as means of document management even though OCP's procurement manual prohibits such use.

Document management guidance appears to be limited for agencies independent and exempt from the OCP's authority. Site visits revealed that several agencies maintain contract documents in a shared network drive with a varying degree of access granted to agency personnel. In some instances, access to these shared drives extends to a broad group of employees and is not limited and/or compartmentalized, thereby creating the risk of accidental or intentional misuse or deletion of documents.

For all District agencies, irrespective of procurement governance model, the failure to observe document retention protocols may impair management's ability to properly monitor and document procurement decisions and actions. In addition, maintaining multiple sets of contract documentation may increase the risk of version control and require additional employee effort to keep track of files.

Based on our observations and inquiries of agency staff, the methods used to accurately maintain the documentation suggest there is significant variation in how this is accomplished.

Economy and efficiency

Managing documents throughout the procurement process appears to be a uniform challenge across the District. The current practice of storing various documents on multiple network shared drives with a limited file structure, naming conventions, and guidance on document access may adversely impact operational efficiencies.

During our site visit, one agency stated they had experienced loss of some procurement documents because one procurement staff left the agency and did not let anyone know where the procurement files were. The agency staff had to search for the file physically and electronically.

Many of the agencies interviewed stated all procurement files are uploaded into PASS as required per OCP's procurement manual. However, we found that was not the case for all procurement documents. During our site visits, some agencies deferred the document maintenance responsibility to OCP while OCP stated agencies maintain their own procurement documents. Agencies are not held accountable when they do not follow established policies and procedures, so there is no consequence for noncompliance.

Fraud, waste, and abuse

Current document management practices create a risk for fraud, waste, and abuse. The lack of uniformity makes management and oversight of the function much more difficult. In addition, without up-to-date guidance, employees may inadvertently save documents on open access network shared drives exposing agency programs to data theft, destruction, or unauthorized modifications to contract documents. During our site visits, we found that hard copy files are also maintained at the agency level with a varying degree of oversight, which can lead to document destruction, unauthorized access, and theft.

Resolution level

Updating and enforcing standards would be at the OCP level for agencies under the PPRA and OCP's authority and at the governing boards or executive level for agencies exempt from the PPRA and OCP's authority. If the standard became uniform across all District agencies, resolution would be at the Executive Office of the Mayor level.

Risk observation 4 – Incomplete procurement procedures manual leads to risks for procurement inconsistencies and inefficiencies in the procurement process

OCP's procurement procedures manual lacks key terms and regulations when compared to leading practices. Specific gaps observed are as follows:

- The Chapter 4 title page lists several topics to be covered in the chapter, however most are not covered.
- The version and date of the manual's last update.
- Delegation of authority/segregation of duties for roles and responsibilities of contracts personnel.
- Procedures to conduct and document market research.
- Definition of and how to address contract segmentation or contract stringing.
- Considerations for how to select the appropriate members for the technical evaluation panel.
- Guidance on piggybacking – a method of procurement to improve buying power by using contract vehicles outside of geographic areas.
- Policies for using blanket purchase orders.
- Policies for the use of ITTS code.
- Designation of authorized users, card holders' responsibilities, and procedures in case of damage or theft for purchase cards (P-Cards).
- Procedures for contract amendments, extensions, and terminations and renewals.
- Minimum wage information in the manual is outdated.

Financial impact

Incomplete and/or outdated policies and procedures leads to inconsistent procurement practices that increase the risk that District resources are not spent efficiently or effectively.

Control environment

Most District agencies are required to follow the guidance promulgated in OCP's procurement procedures manual. Policies and procedures are the backbone for achieving consistencies and efficiencies for all procurements and should set forth and establish day-to-day procurement procedures in simple and concise language.

Economy and efficiency

Opportunities for economies of scale and potential operational efficiency in procurement practices are impacted by procurement policies and procedures. Participants in our site visits indicated that practices differ amongst the contracting officers and lead to inefficiencies in the processes, which could be caused by the lack of some of the key terms and regulations in the policies and procedures.

Fraud, waste, and abuse

Incomplete policies and procedures relax the overall control structure of the procurement function and increase the risk that contracting officers can bend rules, which could lead to fraud, waste, and abuse of District resources.

Resolution level

Updating OCP's procurement procedures manual is the responsibility of the CPO.

Risk observation 5 – Lack of procurement planning and coordination across district agencies can increase risk in potential lost opportunities for competitive pricing and increased District total spend

Current planning and forecasting activities are not coordinated across the District and continue to result in potential lost opportunities for more competitive pricing, which potentially increases the District's total spend.

- Spending plans and related forecasting activities do not appear to be uniformly conducted by District agencies.
- Large volumes of unplanned purchases continue to occur and were further exacerbated by the Pandemic, disrupting the normal forecasting and procurement procedures.
- The District's CBE requirement, despite its good intentions, may result in increased procurement cost to District agencies.

Financial impact

District agencies under the PPRA and OCP's authority participate in an annual forecasting process during which they capture and submit their planned procurements for the coming fiscal year. These inputs are captured in the OCP Acquisition Planning Tool (OAPT) and then reviewed by OCP within each agency cluster. While helpful in capturing individual agency procurement planning information, the current process appears to stop short of data aggregation or follow-on analysis. For the independent and exempt agencies, there appears to be limited annual forecasting or deliberate advanced planning for future procurement efforts. The absence of a collective forecasting and sourcing process may result in lost opportunities for meaningful cost savings for like goods and services acquisitions throughout the District.

Control environment

District agencies under the PPRA and OCP's authority follow a sourcing priority that starts with using existing agency inventories, OCP's surplus property division's excess personal property, existing requirements contracts, indefinite quantity contracts, qualified businesses on the DCSS for contracts of \$250,000 or less, other sources such as federal schedules and cooperative purchasing agreements, and, ultimately, seeking competitive proposals and bids through request for proposals (RFPs) and invitations for bid (IFB).

Bidding opportunities are posted on the OCP's (and independent/exempt agency) websites for vendor and public access to promote competition. Independent and exempt agencies employ other various sourcing outreach methods. One independent agency e-mails upcoming bids to vendors, posts them on their designated sites, and advertises in a number of local newspapers to generate supplier interest.

Generally, District agencies issue service contracts with a base year and up to 4 option years to help secure vendor support and more favorable pricing. Modifications to multiyear contracts are required to follow similar due diligence measures such as submitting Council packages for approval prior to extending or modifying such contracts. However, our review indicated many contract modifications are approved with little oversight, resulting in increased costs and longer contract periods. Contract modifications and practices around forecasting for large-scale contracts may hinder the ability to collectively and uniformly forecast and plan procurement needs and might account for the volume of contract modifications and high volume of year-end annual spending.

Economy and efficiency

The OAPT is intended to help capture planned future purchases throughout the fiscal year and help minimize the need and frequency of unplanned purchases. OCP staff plan and facilitate briefing sessions to assist relevant agency leaders in completing the OAPT exercise. Despite this planning and outreach

effort, a large volume of unplanned purchases reportedly still occurs each year with greater frequency during the last quarter of the fiscal year. For example, in FY21 the volume of unplanned purchases for agencies using the PASS application totaled approximately 59% of annual spend compared to 48% in FY16, as reported in the 2017 Procurement Risk Assessment report.

Fifty-six percent (56%) of the agencies responding to our FY21 procurement risk assessment survey indicated that they do not conduct vendor cost and market pricing analysis to determine if a vendor's set prices for goods and/or services are reasonable.

Our FY21 procurement risk assessment survey also indicated 48% of the agencies responded that they do not utilize forecasting transparency reporting as part of their sourcing strategy. Of those agencies, 77% are subject to CPO governance and 14% were independent of the CPO but follow the PPRA.

Fifty-five percent (55%) of agencies responded that they do not have a formal process established to identify new qualified suppliers or procurement opportunities. Of those agencies, 78% are subject to the CPO's governance and 14% are independent of the CPO but follow the PPRA. This indicates competition may not be maximized in the current practice as there is a lack of communication to allow the supplier base to plan and compete in the bidding process.

CBE requirements continue to challenge some agencies, especially when faced with budget constraints, as CBEs generally appear to have higher markups and some lack the manpower to meet agencies' needs. During our site visits, one agency stated they had no choice but to proceed with a higher cost CBE, with guidance from OCP, and eventually had to cancel the order and proceed with a bigger entity as the CBE was unable to source the required goods in time. Another agency indicated the CBE waiver requirement causes delays in their procurement and suggested having a blanket waiver for certain purchases and services as local CBEs can't meet those niche procurement requirements.

Fraud, waste, and abuse

Opportunities to help reduce the potential waste in this area appear to be concentrated in identifying opportunities to group like agency needs, negotiate competitive pricing, and provide the vendor community additional transparency into upcoming procurements. A streamlined collective sourcing strategy could help aggregate similar agency purchasing needs and provide increased pricing leverage, potentially limiting wasteful spending. District agencies – independent and under various procurement authorities alike – may be able to reduce spending by allowing consolidation of common goods and services into like purchases, potentially allowing for volume discounts and reducing the number of contracts administered.

Resolution level

Enforcing this standard would be at the OCP level for agencies under the PPRA and OCP's authority and at the executive director level for agencies independent from OCP's authority or exempt from the PPRA and OCP's authority.

Risk observation 6 – Misalignment between organization and functions creates challenges and risks with retaining staffing, adherence to established procedures, and the ability to obtain an understanding of agency operations

The procurement organization structure is centralized with OCP, however procurement is functioning in a decentralized manner.

- The CPO's organizational position does not appear to correspond to its authority over the broad set of procurement activities District-wide.
- Participants in our site visits indicated the procurement process takes too long, contracting officer turnover is high, practices differ amongst the contracting officers and at times contradict established policies, and there is a disconnect between the awards made by the contracting officers and the business needs of the agency.

Financial impact

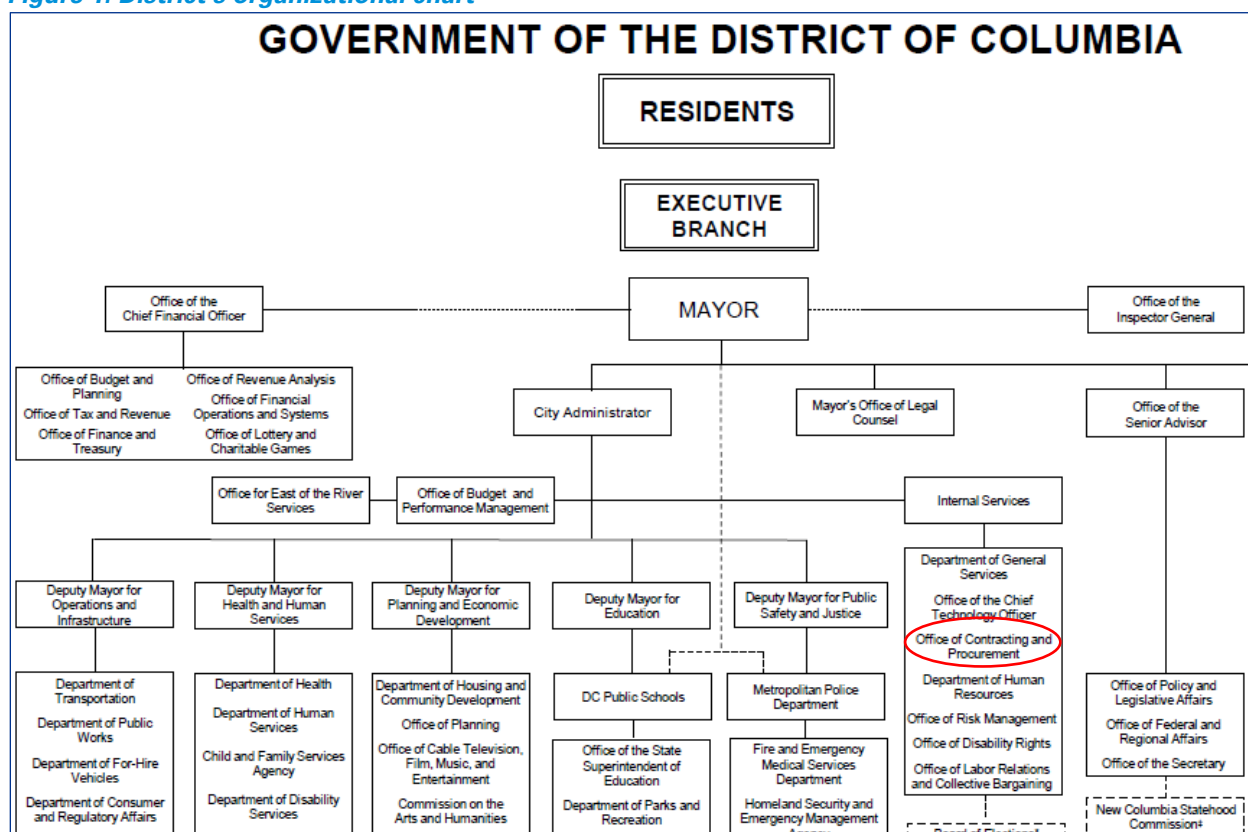
Procurement personnel support of District agencies can vary due to the size and organizational structure of agencies. During our site visit, we learned some agencies have a team of dedicated OCP procurement personnel occupying the same office, working directly with the agency. Other agencies, depending on their size and procurement needs, have one or two assigned OCP individuals that at times delay agency's procurement processes due to lack of bandwidth or priority.

Control environment

OCP's position within the organizational structure of the District government may contribute to the variations in procurement execution. Currently, OCP reports to the City Administrator. This appears to classify the OCP at a level equal to most District agency heads. The OCP's organizational position does not appear to correspond with its authority over a broad set of District-wide procurement activities.

The following excerpt of the District's organizational chart depicts OCP's current reporting relationship with other District agencies:

Figure 1: District's organizational chart⁷



Supporting organizational structures for procurement functions are influenced by the governance arrangement of the supported agency. For agencies under the PPRA and OCP's authority, most of the smaller agencies with more modest procurement needs were supported by contracting personnel located at OCP headquarters. Larger agencies with greater budgets and procurement volume have a team of procurement personnel deployed at the agency (e.g., sets of COs and contract specialists (CSs)) operating under an agency procurement officer or procurement manager.

During our site visits, most smaller agencies indicated they work closely with their OCP counterparts to procure goods and services. However, assigning a sole resource to multiple agencies may lead to less awareness and insight into the agencies' procurement needs. Some agencies have stated they experienced delays in their procurement, high turnover in procurement personnel, and changing procurement procedures depending on the procurement resource. Additionally, some agencies indicated that there is a disconnect between the awards made by the contracting officers and the business needs of the agency. For example, against the business owner's request, procurement selected the lowest price vendor, which resulted in the purchase of software that was not compatible with what was being used.

Conversely, contracting staff collocated with program staff in supporting a larger agency may risk not maintaining an appropriate degree of professional distance from agency management.

⁷ Government of the District of Columbia Organizational Chart as of January 15, 2019

Depending on the size and transactional volume of the agency, some District agencies have their own in-house internal audit and compliance departments. These departments assist executive leadership in monitoring all the operational areas of the agency, including procurement.

The table below displays the differences of District contracting personnel staffing by procurement arrangement:

Table 7: District contracting personnel by staffing and procurement governance category

Procurement governance category	Smaller agencies PPRA and CPO	Smaller independent, exempt agencies	Larger PPRA and CPO agencies, and independents with specialized needs	Larger PPRA and CPO agencies, independents, and exempt agencies
Staffing complement	One contracting resource supporting multiple agencies remotely	One or two internal contracting resources, supporting one agency. Some with remote access to OCP for guidance	Multiple contracting personnel (CCO, CO, CS, etc.) co-located with supported agency	Multiple contracting personnel managing goods and services and/or capital requests at one agency/agency field sites

Economy and efficiency

As discussed above, procurement staff are generally deployed under two different physical arrangements: colocation at the supported agency or supporting from OCP. Both models have a number of potential impacts on process economy and efficiency. For example, colocation of contracting personnel at the agency site may facilitate better planning, forecasting, contract execution, and management with agency programs. Remote support may provide for more control over procurement functions but potentially at the expense of developing a first-hand understanding of their operations. Not having an OCP resource at the supported agency may also cause operational personnel to seek to perform or expedite procurement efforts on their own instead of adhering to established procedures.

If the District governance makes the decision to hold preference for a decentralized system, whereby independent agencies maintain their organizational independence, then consideration should be given towards maintaining accountability. The incentive for many agencies for centralization enables them to be held accountable under the District's executive branch. Oversight without accountability prevents the incentive for adaptation of recommended procedures that would have the capacity to improve the economy and efficiency of operations.

Fraud, waste, and abuse

The nature of the staffing model can impact potential exposure to fraud, waste, and abuse. Placing contracting staff at agency sites or having such organic assets in-house may create opportunities for improper influence. Less direct oversight by management knowledgeable of procurement regulations could result in failure to properly observe more junior staff's adherence to requisite policies and procedures. Similarly, over-identification with the supported agency and with the component departments or programs may result in a working environment where one is encouraged or even expected to expedite procurement actions outside established norms to compensate for inadequate operational planning and associated forecasting on the part of the agency. This could lead to circumventions of compliance requirements and result in less vendor competition, higher procurement costs, and legal exposure.

Resolution level

Resolution would be at the OCP level for agencies under the PPRA and OCP's authority and at the agency director level for agencies independent from OCP or exempt from the PPRA and OCP's authority. Escalation of OCP to a higher level within the District's organizational structure would require resolution by the Mayor and potentially the City Council.

Risk observation 7 – Inadequate monitoring of the receipt and quality of goods and services provided to the District may result in an inefficient use of resources, a need for rework, or program delays

Procedures to monitor the receipt and quality of goods and services continue to be inconsistent across District agencies, and this was further exacerbated during the COVID-19 pandemic. District agencies used emergency P-Cards for a large portion of their spending needs, which limited the ability to validate the receipt and quality of the goods and services prior to paying the vendor.

Our survey results indicated:

- Of the agencies responding, 42% indicated they did not have a formal process in place that monitors the quality of products received. Of those agencies, 79% are subject to the CPO's authority and 7% are independent from the CPO's authority but subject to the PPRA.
- 61% indicated they do not have a formal process in place that monitors the quality of services received. Of those agencies, 73% are subject to the CPO's authority and 7% are independent from the CPO's authority but subject to the PPRA.
- Of the agencies responding that are subject to OCP governance, 59% did not have a formal process in place to utilize OCP's Contractor Performance Evaluation System, which is an electronic feedback survey related to supplier performance. This electronic survey form was launched in 2019 and is centrally fed into OCP's system, which allows agencies to track certain key performance indicators. Of those agencies, 61% are subject to the CPO's governance and 18% are independent from the CPO's authority but subject to the PPRA.

Additionally, supporting documentation required to pay contractor services is inconsistent across the District. Some contractors are required to enter time directly into the District's timekeeping system, while others remit invoices only.

Financial impact

During the period March 2020 through September 2021, the District procured goods and services from approximately 30,503 different vendors. Given the size of the vendor population, inadequate monitoring of the receipt and quality of goods and services provided to the District may create financial and operational risks depending upon contract value and the complexity of the goods or services purchased.

Control environment

Controls over the vendor community is critically important and impacts the ability to monitor the goods and services received. Too many or too few vendors may create different types of risks. A high volume can lead to increased operational costs due to the need for more cost oversight and to lost opportunities for supplier consolidation and pricing discounts. An insufficient number of vendors may possibly lead to reduced competition and increased cost of goods or services. The table below represents where monitoring and management become more critical due to a high volume of vendors.

Table 8: Top ten agencies with the most vendors from March 2020 through September 2021

Agency	Number of vendors	Total expenditures per agency	Average expenditures per vendor
1	9,927	\$1,199,950,096	\$120,877
2	3,469	\$27,005,762	\$7,785
3	2,631	\$7,438,248,165	\$2,827,156
4	2,618	\$163,792,870	\$62,564

Agency	Number of vendors	Total expenditures per agency	Average expenditures per vendor
5	1,843	\$500,659,585	\$271,655
6	1,068	\$585,636,979	\$548,349
7	897	\$114,151,911	\$127,260
8	836	\$173,264,405	\$207,254
9	776	\$174,695,845	\$225,124
10	589	\$283,386,116	\$481,131

Conversely, an insufficient number of vendors may possibly lead to reduced competition and increased costs of goods and services. The table below represents the top 10 agencies in the District that use limited vendors to provide goods and services.

Table 9: Top ten agencies with the least number of vendors from March 2020 through September 2021

Agency	Number of vendors	Total expenditures per agency	Average expenditures per vendor
1	1	\$374,166,443	\$374,166,443
2	1	\$109,933,000	\$109,933,000
3	1	\$70,478,000	\$70,478,000
4	1	\$59,580,000	\$59,580,000
5	1	\$30,152,786	\$30,152,786
6	1	\$1,208,000	\$1,208,000
7	1	\$586,333	\$586,333
8	1	\$403,614	\$403,614
9	1	\$160,000	\$160,000
10	1	\$1,980	\$1,980

Economy and efficiency

Providing sufficient oversight over the goods and services received from the vendors and coordinating vendor management District-wide will allow the District to take advantage of volume discount pricing and will provide for operational efficiencies and cost savings in the overall procurement process.

Fraud, waste, and abuse

Inadequate oversight of the receipt of goods and services and vendor management practices across/within agencies may create opportunities for fraud, waste, and abuse. If the vendor knows they are not being monitored for contract performance or for product quality, there is an opportunity to take advantage of the District. Even though most agencies insist upon due diligence, conflict of interest avoidance and independence, and relationships between contract and program staff, there is a risk that a contract specialist may have an existing relationship with a vendor. The risk associated with program managers increases for longer-term contracts, and contract administrator/vendor relationships should be evaluated on a periodic basis to identify any conflicts of interest.

Resolution level

Independent/exempt agency heads and OCP for agencies under PPRA/OCP authority would likely be required to set and enforce policy to address this issue.

Risk observation 8 – Misalignment between systems’ data fields hinder the ability to conduct meaningful data analytics on procurement data

The Procurement Automated Support System (PASS) and System of Accounting and Reporting (SOAR) do not have standard data field definitions and do not always interface data, which continues to hinder reconciliation efforts and impacts the ability for meaningful portfolio analyses.

While PASS and SOAR interface with each other to some extent, a formal reconciliation process between the two systems still does not exist. Misalignment between systems’ data fields (SOAR and PASS) hinders the ability to conduct meaningful analysis. Inconsistent data fields, lack of a complete data dictionary, and data entry practices impact the usefulness of the systems’ content.

Financial impact

As part of our assessment, our team performed in-depth analyses on several sets of data from the PASS and SOAR systems and made concerted efforts to reconcile the data sets. However, our team was unable to perform a comprehensive reconciliation due to misaligned data fields, lack of a complete data dictionary, and different data field usage by different agencies.

The District had procured over \$26.9 billion in goods and services throughout the assessment review period (March 2020 – September 2021) across its 109 different agencies, funds, transfers, and subsidies. Given that PASS and SOAR applications are currently in use across the District, defining and standardizing data elements and resident fields would require significant effort to develop and train the personnel using the systems.

For the purchase order process, there are three systems involved in disbursing payments to vendors:

- Vendor Portal – the flow for payments starts with the vendor portal. The vendors submit electronic invoices referencing the purchase order. It appears that the linkage between invoice number and purchase order number is established here.
- PASS – the payment flows through PASS to go through procurement staff and stakeholder agencies to receive a round of approvals.
- SOAR – the information flows from PASS to SOAR, where the final approvals from accounting are processed, accounts payable is performed, and a book of record is logged to be represented in the District’s financial record.

We held multiple working sessions with OCP and OCFO to develop an understanding of how these systems functioned in respect to one another. We attempted to perform a reconciliation between PASS and SOAR in an effort to validate the data flow communicated to us. Despite being assured by OCP that automatic reconciliations are performed, we found significant disconnects from the samples provided to us. Our approach was to receive data sets for the assessment period from two different sources. This was to test the assertion that the data flows directly from PASS to SOAR and vice versa in some instances.

The table below displays the SOAR and PASS files we received and used in our analysis and testing:

Table 10: Data outputs received by source

Agency name	Date received	File name	File type	System
SOAR Complete population data				
OCFO	11/1/2021	KPMG Data – FY 2020 (Mar 2020).xlsx	Spend Data	SOAR
OCFO	11/12/2021	April2020-June2020.xlsx	Spend Data	SOAR

Agency name	Date received	File name	File type	System
SOAR Complete population data				
OCFO	11/15/2021	July 2020 thru September 2020.xlsx	Spend Data	SOAR
OCFO	11/16/2021	July 2020 – Dec 2020.xlsx	Spend Data	SOAR
OCFO	11/19/2021	Jan-Mar 2021 Data.xlsx	Spend Data	SOAR
OCFO	11/25/2021	April 2021 – June 2021.xlsx.xlsx	Spend Data	SOAR
OCFO	11/29/2021	July 2021 – September 2021.xlsx	Spend Data	SOAR
PASS Complete population data				
OCP	11/16/2021	All Agencies_Invoice Rpt March 2020-Sept 2021.xlsx	PO Data	PASS
OCP	12/13/2021	All Agencies_PO Rpt Mar 2020 to Sept 2021.xlsx	PO Data	PASS
OCP	12/14/2021	All Agencies_PO Last Approver Rpt March 2020-Sept 2021.xlsx	PO Data	PASS

Our testing included only transactions that had occurred in relation to purchase orders.

— We have identified 30,717 purchase orders for total expenditures of \$6,998,807,668 in SOAR.

— We have identified 24,553 purchase orders for total expenditures of \$5,434,641,907 in PASS.

Looking further into the disconnect, we determined that there are missing transactions recorded from both systems in respect to each other. Among other issues, the PASS data only included expenditures from purchase orders initiated during the requested period and did not produce expenditure data from purchase orders generated from prior periods.

We requested data for the same periods from both SOAR and PASS and determined:

- 8,915 or 29% of the total number of purchase orders totaling \$2,756,663,903 or 39% of total expenditures in SOAR were not included in the PASS data set.
- 2,750 or 11% of the total number of purchase orders with expenditures totaling \$361,918,321 or 7% of total expenditures in PASS were not included in the SOAR data set.

Control environment

During our data analysis efforts, we learned that some of the same observations from the 2017 risk assessment persist, such as multiple data fields in various District agencies' procurement applications both within and outside of PASS (e.g., unit price, sum_PO_Count, sum_PO_Quantity, supplier state) are either not used or inconsistently populated (e.g., presence or absence of leading zeros, trailing zeros, haphazard use of commas and periods). Moreover, we learned that the invoice number field that is initially generated by Vendor Master may not be a required field in SOAR for processing a payment. This lack of standardization puts at risk the quality of procurement transaction data for reporting, monitoring, and budgeting purposes. The result of consistent use of data fields would likely allow for more robust data analytics on the costs of goods and services, easier matching to invoiced amounts, and easier maintenance of compliance routines.

Economy and efficiency

Unlike the 2017 assessment, we were able to extract PASS data in a malleable format and run data analytics. However, data fields and interface between SOAR continue to be limited. For example, there is a limited capability to reconcile purchase order data between PASS and SOAR. Select data updates made in SOAR are not revised in PASS. If updates are made in PASS at the purchase order level, it appears that only monetary changes are updated, omitting other revised data content in SOAR. Because of these conditions, a complete reconciliation of purchase order transactions between PASS and SOAR is not feasible.

Fraud, waste, and abuse

As part of our data analysis, we compared a sample population of select data attributes in SOAR and PASS. We noted a number of inconsistencies among data fields in these systems. For example, an invoice number is generated initially in PASS, but an invoice number is not a required field in SOAR for processing payments. In addition, a purchase order number is updated in PASS for each instance of a modification, but these changes are not reflected in SOAR. Account ID and Comp ID fields are the same in PASS but do not relate to the GL account in SOAR. Comptroller Object and Account Code are not directly related, Comptroller Object will show cash fund in SOAR. Every revenue and expense object are associated with a Comptroller Object code. For every expenditure and revenue, there is a Comptroller object code, for example, 0409 represents contractual services. In addition, some common shared fields contain different values on a wide-scale, particularly supplier address.

This misalignment is further exacerbated by the number of different systems (QuickBooks, Banner, Yardi Voyager, Oracle ERP, etc.,) used by independent agencies, which creates opportunities for fraud, waste, and abuse.

In addition, as noted in the 2017 risk assessment, unit price and quantity data fields continue to be overlooked by PASS and SOAR system users, making it seemingly impossible to reconcile spend or quantity fields across both applications. The PASS PO reports did not include quantity, unit, and tax fields.

Resolution level

Resolution to define standards for data fields and updates to PASS/SOAR configuration would likely need to be addressed by OCP and OCFO respectively. Resolution by exempt agencies would require actions by their governing boards of directors or agency directors, depending upon the agency.

Risk observation 9 – Surplus property disposal program

Since 2017, most agencies have become accustomed to using OCP's surplus property disposal program. However, some issues reported in 2017 continue to persist:

- Agencies expressed they have experienced long wait times for the surplus property disposal program to process their requests, which they have attributed to limited program staff.
- Limited program staff may create risk associated with segregation of duties and oversight of the third-party finance and information technology support.
- The 2019 OIG audit recommendation to institute an auction revenue verification process was not implemented by OCP.
- Some independent agencies participate in the program; however, there are still a number of independent exempt agencies that do not participate in the program, which could indicate the lack of awareness of the existence of the program and/or policies have not reached all of the District offices.

Most agencies we interviewed stated that they do utilize the disposal program to dispose of old computers, office furniture, etc., and some have obtained office furniture through the program. However, some agencies indicated they go through the Federal warehouse program for office furniture rather than OCP due to the ease of use of the Federal program, which indicates there are areas of improvement for the District.

Financial impact

Following is the gross revenue history of the Surplus Property Program since FY 2014:

Table 11: Gross revenue history of the surplus property program

Fiscal year	Gross revenue
FY14	\$3,804,000
FY15	\$4,420,879
FY16	\$4,032,775
FY17	\$3,936,402
FY18	\$3,913,229
FY19	\$3,367,294
FY20	\$1,845,768
FY21	\$6,808,683
FY22 (projected)	\$4,458,998

Control environment

The program to recapture resources from the District has been in effect for several years, and awareness across District agencies has increased. Most agencies we interviewed stated that they have utilized the disposal program and overall it is easy to use, with the exception of some delays in processing. Agencies indicated delays may be caused by the program's limited assigned staff.

OCP maintains a log of all Accountable Property Officers (APO) assigned to agencies as required by 27 DCMR § 902.3. APOs are responsible for maintaining records that reflect accountability of property, ensuring proper utilization and care of all property, reconciling physical inventories, approving and reporting transfers, and dispositions of property. Out of the 121 agencies listed on the log, 32 appeared

to be missing updated designation forms for FY22. The missing forms may be an indication of either a shortage of staff or the agencies' lack of awareness to submit updated designation forms. APOs are generally tasked with coordinating with OCP for property surplus disposal, and vacant APO positions can impact whether an agency is utilizing the surplus property disposal to the maximum effort.

The auction services continue to be managed by external third parties, which requires OCP oversight of the vendor's IT and financial controls. To help mitigate this risk, the OCP was tasked to conduct periodic audits of the vendor's IT and financial controls. However, our team did not find any evidence of IT controls audit. The financial audit document provided to us appears to be revenue analysis and financial projections rather than an audit. Given the number of auctions held annually, additional control and oversight efforts are required from OCP's side to ensure the vendor is operating in the District's best interest.

The following tables show the number of auctions held by the vendor annually from FY14 through FY21:

Table 12: Number of OCP surplus auctions annually provided as part of previous risk assessment

Fiscal year	Auction activity
FY14	3,051
FY15	3,694
FY16	4,109
FY17	4,735
FY18	4,652
FY19	4,046
FY20	1,657
FY21	3,311

Economy and efficiency

District agencies under OCP's authority appear to fully participate in the surplus disposal program, while independent agencies utilize various methods for their surplus property disposal. Out of 24 agencies we interviewed, 4 had disclosed that they do not use OCP's surplus disposal program. One independent agency stated that they do not have any surplus property and others indicated some items are kept in their storage rooms, leaving opportunities for greater efficiency for the program. Moreover, the majority of agencies had disclosed no participation in auctioning or acquisition of surplus goods. This indicates concerns as to whether there is a prudent reuse of the District's assets.

Fraud, waste, and abuse

There are a preferred, select number of agencies that take full advantage of the program, while agencies with many heavy assets such as heavy equipment, trucks, and a large fleet of vehicles tended to be more involved and familiar with and benefit most from the program. Agencies that have less assets such as only computers and office furniture, were less familiar and did not benefit from the program. Agencies that had not been utilizing the program to their maximum benefit disclosed to us that they lacked guidance around the program. The only guidance we could find was a link on OCP's website for the program.

By providing uniform guidance around the surplus property program, OCP can centralize the process further and may increase the opportunity to maximize the recovery of the cost from excess property and minimize the possibility that the property is sold at a discounted price. The limited staff may also lead to missed opportunities in obtaining and selling surplus property timely.

Lastly, program staff levels continue to be an issue creating an increased segregation-of-duties risk as the program expands its reach to additional agencies while staff level remains constant. Some of the agencies we interviewed stated they have experienced delays in getting some of their surplus items picked up from their premises by the program due to staff shortage and the program could use additional staffing to better serve the District.

As per the OIG's 2019 Audit of OCP's Surplus Property Division, one recommendation that OCP had affirmed with was to Document the Auction Revenue Verification Process where OCP claimed to work to incorporate this requirement in its operations. The Auction Revenue Verification Process includes steps where the contract administrator is to audit and approve the revenue amount prior to issuing payment to the contractor. OCP has not presented any documentation evidencing the implementation and management of these audit procedures.

Resolution level

Resolution of issues related to the Program's design and execution, as well as participation for agencies subject to the PPRA should be the OCP's responsibility. Exempt agencies will require action by their governing boards of directors or executive director depending upon the agency.

Appendix A – Agencies subject to Title 27 DCMR

Table 13 – Agencies subject to Title 27 DCMR

Agency	Governance category	Subject to DCMR 27/other
Office of Planning	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
Department of Insurance, Securities and Banking (DISB)	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
DC Contract Appeals Board	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
Metropolitan Washington Council of Governments	Exempt	Other
DC Office of the Chief Medical Examiner	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
DC Green Finance Authority	Exempt	Other
Office of Zoning	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
DC National Guard	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
DC Department of Parks and Recreation	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
Office of Risk Management/Employees' Compensation Fund	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
Office of Unified Communications	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
DC Board of Ethics and Government Accountability	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
Office of the DC Auditor	Limited applicability of the PPRA and Exempt from the CPO's authority	Yes
Office of Police Complaints	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
Office of the Secretary	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
DC Office of Victim Services and Justice Grants	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
Public Service Commission	Subject to the PPRA and Independent from the CPO's authority	Yes
Office of the Deputy Mayor for Public Safety and Justice	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
The office of Neighborhood and Safety	Exempt	Other
Department on Disability Services	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes

Agency	Governance category	Subject to DCMR 27/other
DC Department of Housing and Community Development	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
Criminal Code Reform Commission	Subject to the PPRA and Independent from the CPO's authority	Yes
Real Property Tax Appeals Commission	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
Department of Motor Vehicles	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
Workforce Investment Council	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
Depart of Behavioral Health	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
Office of Attorney General for the District of Columbia	Subject to the PPRA and Independent from the CPO's authority	Yes
DC Office of Administrative Hearings	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
The Mayor's Office of Legal Counsel	Exempt	Other
Department of General Services	Subject to the PPRA and Independent from the CPO's authority	Yes
DC Health Benefit Exchange Authority	Limited applicability of the PPRA and Exempt from the CPO's authority	Other
District of Columbia Water and Sewer Authority	Exempt from PPRA and the CPO's authority	Other
Office of the Chief Financial Officer	Subject to the PPRA and Independent from the CPO's authority	Yes
District of Columbia Housing Authority	Limited applicability of the PPRA and Exempt from the CPO's authority	Other
District of Columbia Department of Health	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
DC Public Library	Subject to the PPRA and Independent from the CPO's authority	Yes
Rental Housing Commission	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
Department of Small and Local Business Development	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
University of the District of Columbia	Subject to the PPRA and Independent from the CPO's authority	Yes
Department of Public Works	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes

Agency	Governance category	Subject to DCMR 27/other
Office of the Advisory Neighborhood Commissions	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
Captive Insurance Agency	Exempt from PPRA and the CPO's authority	Other
Not for Profit Hospital Corporation	Exempt	Yes
Department of For-Hire Vehicles	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
Office of the Tenant Advocate	Exempt	Other
The Metropolitan Police Department	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
Office of State Superintendent of Education	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
Department of Youth Rehabilitation Services	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
DC Housing Finance Agency	Exempt	Other
Department of Consumer and Regulatory Affairs	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
DC FIRE AND EMS DEPARTMENT	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
Corrections Information Council (CIC)	Subject to the PPRA and Independent from the CPO's authority	Yes
Department of Energy and Environment	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
DC State Board of Education	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
District of Columbia Child and Family Services Agency	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
Office on Latino Affairs	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
District Department of Transportation	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
Office of the Deputy Mayor for Planning and Economic Development	Subject to the PPRA and Independent from the CPO's authority	Yes
DC Department of Human Services	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
Office of Contracting and Procurement	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes

Agency	Governance category	Subject to DCMR 27/other
Department of Health Care Finance	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
District of Columbia Retirement Board	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
District of Columbia Public Schools	Subject to the PPRA and Independent from the CPO's authority	Yes
Department of Aging & Community Living	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
Office of the Chief Technology Officer	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes
Criminal Justice Coordinating Council	Procurement Practices Reform Act of 2010 (PPRA) and the CPO authority	Yes

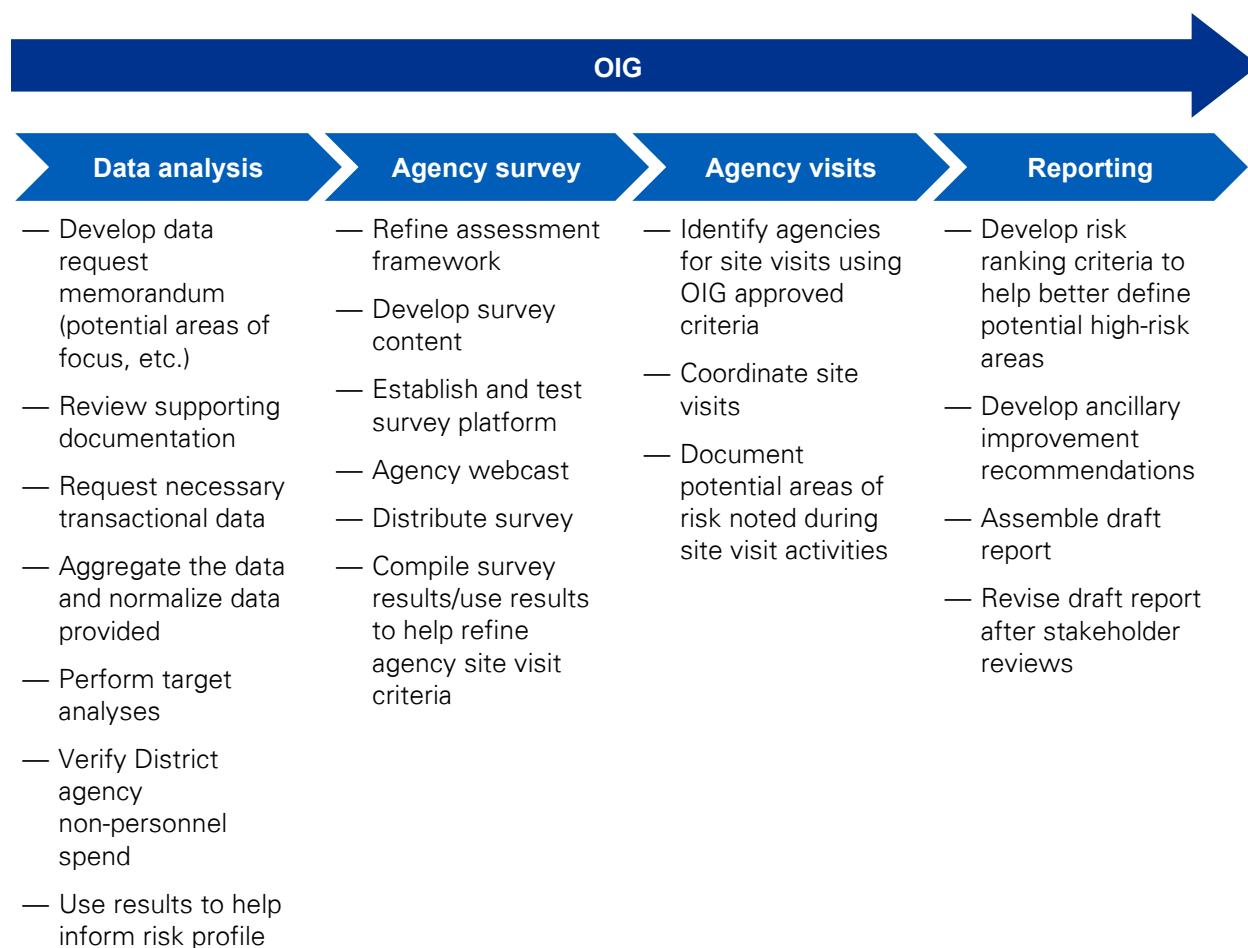
Appendix B – Project approach

The three phases of this assessment are summarized as follows:

- **Phase one: Project initiation and data gathering** – Phase one consisted of a program initiation, documentation review, analysis of agency spend data using analytic techniques, and an agency self-assessment survey. The survey allowed agencies to provide responses evidencing their current procurement-related practices as well as supporting documentation to help substantiate their responses.
- **Phase two: Fieldwork** – Phase two consisted of agency on-site visits, including functional data gathering, assessment of process level risks, identification of preliminary risk observations, and refinement and validation of risk observations.
- **Phase three: Reporting** – Phase three entailed generating focus areas from the observations noted during Phase two fieldwork.

Figure 2: Key project steps

Presented below in Figure 2 are the key steps of the project:



Data analysis

We obtained the District of Columbia’s Annual Operating Budget and Capital Plans (CFO Budget Book) for fiscal year 2021 and the schedules of non-personnel services funding spent by each agency and reconciled the information to the list of agencies included in the scope of this assessment.

We obtained data from the District's PASS and SOAR systems, as well as select data from the purchasing and financial systems of non-PASS/SOAR users seeking to develop a series of routines that sought to gauge specific procurement-related attributes as outlined in the table below.

Table 14: Routines performed during data analysis phase

Routine reference	Routine title	Routine objectives/description
1.	Total Procurement Expenditures by Agency	Aggregates all expenditures by agency and fiscal year.
2.	Total Monthly Expenditures by Agency	Calculates monthly expenditures for each agency. This routine can be used to determine the months with the highest expenditures as well as target agencies that may be abusing spending during certain months.
3.	September Spend Percentage by Agency	Identifies agencies with a majority of budget spending in September.
4.	Commodity Analysis	Identifies commodity concentration by agency.
5.	Vendor Concentration	Calculates the vendor concentration risk by totaling annual vendor expenditure.
6.	Different Supplier Address: PASS v. SOAR	Identifies transactions in which the supplier address in SOAR differs from that in PASS.
7.	Segregation of Duties: VOs	Checks for matching user IDs for both the VO creator and approver roles.
8.	Duplicate Invoices	Identifies duplicate invoices from vendors where the following data elements are identical: Vendor, Invoice #, Amount, and Date
9.	Whole Number Amounts	Identifies all transactions with whole number denominations.
10.	Contract Stringing	Boundary condition test that identifies POs between \$900K and \$1 million where a risk for stringing of contracts is prominent whereby \$1 million and greater is the threshold for whether preparation for Council review is required.

Agency survey

We constructed a survey self-assessment instrument using procurement function leading practice attributes. The resulting agency survey focused on agency governance, strategic sourcing, operational procurement, supplier relationship management, supporting the IT environment (IT Capital Projects), and potential procurement fraud areas including COVID-19 funding. We reviewed the survey responses provided by agencies and considered any supporting documentation provided. We grouped survey responses in specific categories based upon a perceived level of agency maturity against the attributes of the framework.

We defined processes and procedures with qualitative descriptions in our questions to gain an understanding of how procedures were developed and performed. We provided the following definitions in the survey as a framework for the questions.

- Routinely: As a matter of regular occurrence.
- Occasionally: Infrequent or irregular intervals.
- Formal procedure: Pre-established procedure that is required to be completed and its performance is monitored.
- Informal procedure: Not pre-established, no requirements or monitoring to complete.

We reviewed the survey responses provided by agencies and considered any supporting documentation provided as weighing risk factors. Survey responses were structured using a 4-point Likert scale methodology, where survey scores were aggregated and compared against the average of the entire survey result in determining the risk levels of each agency's procurement practices. We received submissions from 68 out of 94 surveys distributed from the District agencies. Of those 94 surveys, thirteen agencies did not have any spend subject to procurement and was not required to complete the survey. We received 68 completed surveys, and our response rate was calculated at 84% (68/81).

Agency site visits

In order to help identify and prioritize agency site visits, we utilized the outputs of the data analysis, individual agency survey responses, and the supporting documentation received in support of the agency survey responses, as well as the OIG's prior experience. For the site visit selection criteria, we employed the following:

- **Survey score:** Agencies' responses were scored using a point system based upon factors such as self-assessed maturity levels and strength of the supporting evidence provided.
- **Vendor fragmentation:** Ranked agencies by the least number of vendors under contract to the most vendors under contract.
- **Agency non-personnel total spend:** Ranked agencies from those having the lowest amount of total yearly spend to those having the highest amount of total annual spend.
- **Agency non-personnel fiscal year-end spend:** Ranked agencies based on their non-personnel spending in August and September as a portion of the total annual non-personnel spend.

Professional judgment based on past experience was also used when rating the agencies. The table below outlines a summary of these criteria.

Table 15: Criteria for site visit prioritization

Modified self-assessment survey score	Agency self-assessment survey score with modifications applied for no or inadequate supporting documentation.
Data Routines	Agencies that were flagged as high risk in the various data routines performed.
Total agency budget	We grouped agencies into buckets representative of their appropriated budget.
Total agency spend	Total agency non-personnel expenditures (March 2020 – September 2021).
OIG assessment	Qualitative factors as determined by the OIG not captured through the criteria listed above.

The agencies were separated into four groups by procurement governance model, three of which are reflected below. The agencies that were selected for site visits are as follows:

Table 16: Site visit selection

Governance arrangement	Agency title
Agencies under PPRA and OCP	<ul style="list-style-type: none"> — JA0 – Department of Human Services — HC0 – Department of Health — RM0 – Department of Behavioral Health — DB0 – Department of Housing and Community Development — FB0 – Fire and Emergency Medical Services Department — FA0 – Metropolitan Police Department — CF0 – Department of Employment Services — FL0 – Department of Corrections — RL0 – Child and Family Services Agency — JM0 – Department on Disability Services — BN0 – Homeland Security and Emergency Management Agency — BY0 – Department of Aging and Community Living — JZ0 – Department of Youth Rehabilitation Services — UC0 – Office of Unified Communications — CQ0 – Office of the Tenant Advocate — FO0 – Office of Victim Services and Justice Grants — HG0 – Office of the Deputy Mayor for Health and Human Services — GO0 – Special Education Transportation — AI0 – Office of the Senior Advisor — TO0 – Office of the Chief Technology Officer
Agencies subject to PPRA and independent from OCP	<ul style="list-style-type: none"> — GG0 – University of the District of Columbia — GC0 – District of Columbia Public Charter Schools
Agencies exempt from PPRA and OCP	<ul style="list-style-type: none"> — ES0 – Washington Convention and Sports Authority — HX0 – Not-for-Profit Hospital Corporation

Reporting

We organized this report in the following manner:

- **Executive summary:** Summarizes the key observations from the work conducted and the risk assessment execution procedures performed.

- **Risk areas:** Each risk area discussion begins with a purpose/introduction section that provides some background of the topic. We then discuss each risk in the context of the risk evaluation criteria and the analysis performed in the course of fieldwork.
- **Appendices:** We include multiple appendices at the end of this report offering more details supporting our analysis and areas for additional OIG consideration, such as:
 - Appendix A: District agencies subject to Title 27 DCMR:** Contains a listing of District agencies subject to Title 27 DCMR.
 - Appendix B: Project approach:** Provides orientation information to help define our team’s approach to project execution.
 - Appendix C: Overview of project objectives:** Presents and discusses overarching project objectives with related principles from the GAO Green Book.
 - Appendix D: Agencies responded to survey:** Provides a summary of the agencies that responded to the survey.
 - Appendix E: Risk criteria and definitions:** An introduction to risk, component criteria, and supporting definitions.
 - Appendix F: Survey Score Results:** A breakdown of survey risk scoring.
 - Appendix G: Survey Questions and Responses:** Aggregation of survey results per each survey question.

Constraints and limitations

The following constraints and limitations should be considered in the interpretation of the observations offered in this assessment report:

- **Unaudited source material:** We did not audit or research the validity of the information and/or statements provided by the agencies.
- **Survey response rate:** We received completed survey self-assessments from 68 of 94 agencies identified for participation. As such, the observations in this report are limited to feedback offered by these respondents and may not be an all-inclusive representation of the District as a whole.
- **Supporting documentation:** Numerous survey respondents provided documentation to support their responses. To provide supporting documentation was mandatory as part of the risk assessment survey. Survey risk scoring has been adjusted for agencies that had not uploaded sufficient documentation to support various survey answers.
- **Supporting evidence:** Supporting evidence obtained during the conduct of this project is largely observation and inquiry. No substantive test work was performed in the course of fieldwork.
- **Nature of engagement:** This engagement did not constitute a financial audit, performance audit, or attestation engagement as defined by Government Auditing Standards. Rather, the report is intended as an assessment of existing practices and select policies and procedures to help identify potential risk areas for the OIG to consider in its future procurement audit planning.

Appendix C – Overview of project objectives

Overview of project objectives

Overview

The overarching objectives for the OIG’s risk assessment of the District of Columbia’s procurement system are to: (1) identify District procurement practices subject to the highest risk of corruption, fraud, waste, and abuse; (2) identify high-risk incongruences in the various procurement rules and regulations; and (3) identify high-risk structural issues related to the District’s procurement system.

Consistent with the overarching objectives for this procurement system risk assessment outlined above, we seek to relate these objectives to select related internal control principles within the U.S. GAO’s Green Book. The Green Book defines the standards through components and principles and explains why they are integral to an entity’s internal control system. The Green Book clarifies what processes management considers part of internal control.

Because policymakers and program managers frequently seek ways to improve accountability, a key factor in such efforts is to implement an effective internal control system. Such a system can help an entity adapt to shifting environments, evolving demands, changing risks, and new priorities. As programs change and entities strive to improve operational processes, management continually evaluates its internal control system so that it is effective and updated when necessary.

For each project objective below, we discuss and characterize the intent of this project’s three overarching objectives, citing select relevant principles, and share how these concepts helped guide our planning and execution of this project.

Objective 1– Identify District procurement practices subject to the highest risk of corruption, fraud, waste, and abuse (Practices)

In considering the “Practices” objective, *Principle 8 – Assess Fraud Risk* in the Green Book contains three attributes: types of fraud (fraudulent financial reporting, misappropriation of assets, and corruption); the risk factors constituting fraud risk (incentives/pressure, opportunity, and attitude/rationalization); and an entity’s response to fraud risks through an identification process and design of mitigation, which can include segregation of duties.

Our team used the following methods to help identify the potential for fraud risk and how agencies identify, analyze, and respond to fraud instances within the District:

- Our data analysis efforts in this area included receipt and analysis of nonpersonnel expenditure and vendor use data for March 2020 through September 2021. Analysis included high-level procedures to identify inconsistent user roles (originator/approver) and the number and extent of whole number dollar value purchase orders and spending pattern analysis. We also evaluated for inconsistency in the data elements captured and retained from agencies’ procurement activity.
- The procurement survey also included specific questions to assess how agencies assessed themselves on fraud prevention and monitoring measures, such as employee training and access to/use of whistleblower hotlines.
- Agency site visits included inquiries of agency procurement contracting personnel, including discussion about potential key risk areas around specific systems and processes; and employee-oriented questions around fraud opportunity; and how management seeks to proactively identify and manage the threat of fraudulent activity. In addition to follow-up on the data analytics and survey responses, subjects addressed during site visits include topics such as COVID-19 emergency spending, IT capital projects, employee physical locations, prioritization of operational/programmatic work assignments, and associated roles.

Objective 2 – Identify high-risk incongruences in the various procurement rules and regulations (Rules and Regulations)

Two Green Book principles, Principle 12 – Management should implement control activities through policies, and Principle 14 – Communicate internally, are closely aligned to the second objective as presented below:

- **Management should implement control activities through policies** – This principle consists of two attributes: document responsibilities through policies and periodic review of control activities. Policies should be documented for each unit at the appropriate level of detail to allow management to effectively monitor the control activity. The policies should be reviewed periodically and updated.
- **Communicate internally** – This principle consists of two attributes: communication throughout the entity and appropriate methods of communication. Communication throughout the entity is when quality information is communicated in various ways to all levels of the organization.

Our team employed the following methods to help understand the policies and the internal and external communications practices used to support the District’s procurement practices:

- During the data analysis, we reviewed the relevant rules and regulations governing procurement activities within the District. This review considered guidance, such as the Home Rule Act, Title 27 DC Municipal Regulations, supporting elements of the D.C. Code, the Procurement Practices Reform Act of 2010 (PPRA) and select District agencies’ procurement policies. We sought to assess consistency in this guidance offered with specific focus on levels of authority (e.g., Mayor and CPO) as well as identify potential differences.
- The procurement survey sought to identify and obtain examples of any internal agency supplements in areas such as policies, procedures, desktop guides, and supplemental training materials that may be leveraged by other District agencies. We also inquired on how the policies were communicated and about specific agency practices for contract negotiations and conflict of interest identification and management.
- Our site visits looked to gather additional information on how select organizations disseminate information to agency members or how they communicate among themselves. We sought to identify the existence and use of internal communication media, such as agency internal shared drives and locally created supplemental materials. We inquired about professional forum attendance as well as informal consultations and information exchanges among agency contracting employees.

Objective 3 – Identify high-risk structural issues related to the District’s procurement system (Structure)

Multiple Green Book principles relate to the OIG’s objective pertaining to procurement structure but the following two principles (*Principle 3 – Establish structure, responsibility, and authority, and Principle 16 – Perform monitoring activities*) appear the most relevant in terms of execution planning for this final objective.

- **Establish structure, responsibility, and authority** – This principle includes three attributes: organizational structure; assignment of responsibility and delegation of authority; and documentation of the internal control system. Organizational structure is designed when executive management assigns responsibilities to different units of the organization to plan, execute, control, and assess the achievement of objectives. Based on the nature of the assigned responsibilities and level of authority, management chooses the type and number of discrete units, such as divisions, offices, and related subunits. Management also provides for how the units should interact with each other. Appropriate segregation of duties is considered to prevent fraud, waste, and abuse. The documentation of the internal control establishes the “who, what, when, where, and why” of internal control execution to personnel; it also provides a means to retain organizational knowledge and allow for effective communication.
- **Perform monitoring activities** – The following three attributes: establishment of a baseline; internal control system monitoring; and evaluation of results, comprise this principle. The baseline is the current state of the internal control system, which represents the difference between the criteria of the design and the current condition of the controls. Ongoing monitoring of the design and operating effectiveness should be built into the operations, performed continually, and should be responsive to change. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine activities that may also include automated tools to increase objectivity and efficiency. Separate evaluations should also be performed in the form of self-assessments, including cross-operating unit or cross-functional as well as audits (internal, contract, inspector general reviews). Management should evaluate the results of the various monitoring efforts against the baseline to identify issues that should be addressed.

The following steps during fieldwork assisted our team in assessing risk to the multiple procurement structures among District agencies:

- Site visits sought to assess the existence of monitoring activities noted during the data analysis and survey effort. We inquired about the nature and extent of interaction performed by staff with agency program managers on upcoming procurements, the prevalence of early planning for contract re-competition or renewal, and periodic reviews with vendors. We looked to gauge the potential impact the multiple procurement governance models in use had on intra-agency communication between contracting staff (CCOs, COs, CSs) and the operational/program personnel supported (both co-located and separately housed). We considered the numbers and types of professionals supporting agency procurement functions and the different approaches to task prioritization and staff management employed. Our team gathered information on how vendor performance outcomes were captured and shared internally. We also considered the practices for overseeing designated operational/program contract administration staff. Finally, we sought to gather some insight on oversight practices for purchasing vehicles, such as procurement cards and how use of these tools is monitored.
- Reviews of survey results assessed the nature and extent of procurement forecasting and sourcing practices in place at a range of District agencies. We sought to identify and better understand any procedures or enabling tools used to facilitate the processes across all procurement governance models.

Table 17: Objective and identified risk alignment

Project objective title	Project objective definition	Risk number/description
Practices (fraud, waste, and abuse)	Identify District procurement practices subject to the highest risk of corruption, fraud, waste, and abuse	<p>Risk 1 – Fraud prevention</p> <p>Risk 2 – OCFO fiscal management</p> <p>Risk 3 – Unsupported procurement actions</p> <p>Risk 8 – Misalignment between systems’ data fields</p> <p>Risk 9 – Surplus property disposal program</p>
Rules and Regulations	Identify high-risk incongruences in various procurement rules and regulations	<p>Risk 3 – Unsupported procurement actions</p> <p>Risk 4 – Incomplete procurement procedures manual</p> <p>Risk 5 – Lack of procurement planning and coordination</p>
Structure	Identify high-risk structural issues related to the District’s procurement system	<p>Risk 2 – OCFO fiscal management</p> <p>Risk 5 – Lack of procurement planning and coordination</p> <p>Risk 6 – Misalignment between organization and function</p> <p>Risk 7 – Inadequate monitoring of receipt and quality of goods and services</p>

Appendix D – Agencies responded to survey

The table below lists the District agencies invited to participate in the project Procurement Maturity Assessment survey and the status of their responses. A total of 94 surveys were sent out that covered the agencies listed in Table 18 below. Of those 94 surveys, thirteen agencies did not have any spend subject to procurement and was not required to complete the survey. We received 68 completed surveys, and our response rate was calculated at 84% (68/81).

Table 18: Survey response summary

Agency	Submitted	No response
HT0 – Department of Health Care Finance	✓	
GA0 – District of Columbia Public Schools	✓	
GD0 – Office of the State Superintendent of Education	✓	
JA0 – Department of Human Services	✓	
GC0 – District of Columbia Public Charter Schools		✓
FA0 – Metropolitan Police Department	✓	
KE0 – Washington Metropolitan Area Transit Authority		✓
HC0 – Department of Health	✓	
AM0 – Department of General Services	✓	
RM0 – Department of Behavioral Health	✓	
FB0 – Fire and Emergency Medical Services Department	✓	
BN0 – Homeland Security and Emergency Management Agency		✓
ES0 – Washington Convention and Sports Authority		✓
RL0 – Child and Family Services Agency	✓	
JM0 – Department on Disability Services	✓	
CF0 – Department of Employment Services		✓
AT0 – Office of the Chief Financial Officer	✓	
FL0 – Department of Corrections		✓
HY0 – Housing Authority Subsidy	✓	
KT0 – Department of Public Works	✓	
KG0 – Department of Energy and Environment	✓	
KA0 – District Department of Transportation	✓	
CB0 – Office of the Attorney General for the District of Columbia	✓	
EB0 – Office of the Deputy Mayor for Planning and Economic Development	✓	
PO0 – Office of Contracting and Procurement	✓	
DB0 – Department of Housing and Community Development	✓	
EZ0 – Convention Center Transfer		✓
GO0 – Special Education Transportation		✓

Agency	Submitted	No response
FD0 – Police Officers’ and Firefighters’ Retirement System	✓	
GG0 – University of the District of Columbia Subsidy Account	✓	
TO0 – Office of the Chief Technology Officer	✓	
JZ0 – Department of Youth Rehabilitation Services	✓	
CE0 – District of Columbia Public Library	✓	
CR0 – Department of Consumer and Regulatory Affairs	✓	
GX0 – Teachers’ Retirement System	✓	
FO0 – Office of Victim Services and Justice Grants	✓	
HA0 – Department of Parks and Recreation	✓	
DU0 – Medicaid Reserve		✓
BY0 – Department of Aging and Community Living	✓	
UC0 – Office of Unified Communications	✓	
KV0 – Department of Motor Vehicles	✓	
BX0 – Commission on the Arts and Humanities		✓
FR0 – Department of Forensic Sciences		✓
SB0 – Inaugural Expenses		✓
SR0 – Department of Insurance, Securities, and Banking	✓	
HI0 – Health Benefit Exchange Authority	✓	
BG0 – Employees’ Compensation Fund	✓	
AB0 – Council of the District of Columbia		✓
ZH0 – Settlements and Judgments		✓
AA0 – Executive Office of the Mayor		✓
KB0 – Green Finance Authority	✓	
GW0 – Office of the Deputy Mayor for Education		✓
AD0 – Office of the Inspector General	✓	
EN0 – Department of Small and Local Business Development	✓	
DH0 – Public Service Commission	✓	
HP0 – Housing Production Trust Fund Subsidy		✓
TC0 – Department of For-Hire Vehicles	✓	
FK0 – District of Columbia National Guard	✓	
HF0 – Housing Finance Agency	✓	
HX0 – Not-for-Profit Hospital Corporation Subsidy	✓	
CI0 – Office of Cable Television, Film, Music, and Entertainment		✓

Agency	Submitted	No response
FX0 – Office of the Chief Medical Examiner	✓	
DL0 – Board of Elections		✓
BD0 – Office of Planning	✓	
AE0 – Office of the City Administrator		✓
BE0 – Department of Human Resources		✓
LQ0 – Alcoholic Beverage Regulation Administration		✓
DJ0 – Office of the People’s Counsel		✓
FS0 – Office of Administrative Hearings	✓	
NS0 – Office of Neighborhood Safety and Engagement	✓	
GB0 – District of Columbia Public Charter School Board		✓
CJ0 – Office of Campaign Finance		✓
HM0 – Office of Human Rights		✓
RJ0 – Captive Insurance Agency	✓	
AC0 – Office of the District of Columbia Auditor	✓	
BH0 – Unemployment Compensation Fund		✓
BZ0 – Office on Latino Affairs	✓	
FJ0 – Criminal Justice Coordinating Council	✓	
BA0 – Office of the Secretary	✓	
RK0 – Office of Risk Management	✓	
CQ0 – Office of the Tenant Advocate	✓	
UP0 – Workforce Investments Account	✓	
AI0 – Office of the Senior Advisor		✓
BJ0 – Office of Zoning	✓	
AG0 – Board of Ethics and Government Accountability	✓	
FH0 – Office of Police Complaints	✓	
CH0 – Office of Employee Appeals		✓
GE0 – State Board of Education	✓	
HG0 – Office of the Deputy Mayor for Health and Human Services		✓
RC0 – Office on Returning Citizen Affairs		✓
DA0 – Real Property Tax Appeals Commission	✓	
JR0 – Office of Disability Rights		✓
AF0 – Contract Appeals Board	✓	
FQ0 – Office of the Deputy Mayor for Public Safety and Justice	✓	

Agency	Submitted	No response
AH0 – Mayor’s Office of Legal Counsel	✓	
DX0 – Office of Advisory Neighborhood Commissions	✓	
AP0 – Office on Asian and Pacific Islander Affairs		✓
DR0 – Rental Housing Commission	✓	
KO0 – Office of the Deputy Mayor for Operations and Infrastructure		✓
CG0 – Public Employee Relations Board		✓
GL0 – District of Columbia State Athletics Commission		✓
FZ0 – District of Columbia Sentencing Commission		✓
FI0 – Corrections Information Council	✓	
VA0 – Office of Veterans’ Affairs		✓
MA0 – Criminal Code Reform Commission	✓	
LA0 – District of Columbia Water and Sewer Authority	✓	
EA0 – Metropolitan Washington Council of Governments	✓	
DQ0 – Commission on Judicial Disabilities and Tenure		✓
DV0 – Judicial Nomination Commission		✓
AR0 – Statehood Initiatives		✓
KC0 – Washington Metropolitan Area Transit Commission		✓
AL0 – Uniform Law Commission		✓
EM0 – Office of the Deputy Mayor for Greater Economic Opportunity		✓
PE0 – Section 103 Judgments-Public Education System		✓

Appendix E – Risk criteria and definitions

Risk criteria and definitions

The purpose of this assessment is to help the District of Columbia OIG identify the principal body of procurement risks facing the District. As we conducted this assessment, we sought to focus on potential risk factors critical to the achievement of District agency objectives. Summarizing and analyzing the details gathered during this effort into a prioritized risk profile should help inform the Office's future procurement-related audit activities. As an orientation for this effort, we begin with introducing and outlining the key concepts around risk and the rating criteria and supporting scheme employed for this assessment.

What is risk?

Risk identifies the potential of an event or action that may adversely affect an organization's ability to achieve its organizational objectives and execute its strategies successfully. This does not mean the condition operationally exists or that the agency is unaware or has not taken actions to mitigate the risk. Understanding risk in the context of a related operational area should help the subject agency address events or actions through risk management activities and hopefully minimize the probability of occurrence and consequences of an adverse event. Additionally, risk can be associated and identified for new opportunities the organization is exploring so that a more informed assessment of the success of the initiative can be considered. Every organization has risk and there are fundamental risks and uncertainties that are common to all organizations.

How are risks mitigated?

Risks are mitigated by internal controls—as defined in the GAO Green Book, comprising 17 principles that include the entire system of (1) establishing the control environment, (2) assessing risk, (3) developing control activities and policies, (4) providing internal and external information and communication, and (5) monitoring and follow-up. The mitigating influence of controls is considered in determining the residual risks. The risk assessment process does not include testing of or a judgment on the effectiveness of internal controls.

How are risks identified and categorized?

The risk assessment process sought to identify and gather the body of higher-level, portfolio-level procurement risks facing the District. These potential risks include those risks germane to this specific operational process and are grouped using the attributes below:

Gross risk: the threat that an event or action may adversely affect an organization's ability to achieve its organizational objectives and execute its strategies successfully or the positive opportunity that may be present. Business risk is a measure of risk before taking into consideration an evaluation of risk control techniques that are employed by management. Gross risk has two components: (1) the likelihood of occurrence or probability; and (2) the impact that the event or action would have on the organization.

Potential probability: the likelihood of a risk occurring. The potential probability considers external and internal risk factors and is ranked from "Almost Certain" to "Rare."

Potential impact: The type and magnitude of impact. The potential impact considers external and internal risk factors, such as finance, controls, fraud, economy and efficiency, and resolution level and is ranked from "Critical" to "Insignificant."

Risk Management Techniques (Controls): the system of policies, methods, and procedures that reportedly, via inquiry, encompass the control environment instituted to manage the organization's activities and risks.

Residual Risk: The risk remaining after considering the mitigating influence of the control environment/risk management techniques.

Table 19: Risk rating criteria – Likelihood measures

Almost certain (5)	<ul style="list-style-type: none"> — Event is expected to occur in most circumstances — More than a 90 percent chance of occurring in any year-long period
Likely (4)	<ul style="list-style-type: none"> — Event will probably occur in most circumstances — 50–90 percent chance of occurring in any year-long period
Moderate (3)	<ul style="list-style-type: none"> — Event should occur at some time — 20–50 percent chance of occurring in any year-long period
Unlikely (2)	<ul style="list-style-type: none"> — Event could occur at some time — 5–20 percent chance of occurring in any year-long period
Rare (1)	<ul style="list-style-type: none"> — May occur but only in exceptional circumstances — Less than a 5 percent chance of occurring in any year-long period

Table 20: Risk rating criteria – Impact measures

Critical (5)	<ul style="list-style-type: none"> — Critical impact on financial condition — Material weakness in internal controls — Significant risk of fraud exists — Material weakness noted in economy/efficiency — Assigned to the board or agency head for resolution
Major (4)	<ul style="list-style-type: none"> — Major impact on financial condition — Significant deficiency in internal controls — Significant risk of fraud exists — Significant deficiency noted in economy/efficiency, not reportable conditions — Delegated to board/agency head and senior management for resolution
Moderate (3)	<ul style="list-style-type: none"> — Moderate impact on financial condition — Deficiency in internal controls — Medium risk of fraud exists — Deficiency noted in economy/efficiency — Delegated to senior and middle management for resolution

Minor (2)	<ul style="list-style-type: none"> — Minor impact on financial condition — Process improvement opportunity noted in internal controls, not a reportable condition — Minimum risk of fraud exists — Process improvement opportunity noted in economy/efficiency, not a reportable condition — Delegated to middle management for resolution
Insignificant (1)	<ul style="list-style-type: none"> — Insignificant impact on financial condition — No gap in internal controls — No risk of fraud — No risk of inefficiency — Delegated to junior management and staff to resolve

Using the risk areas presented in the body of this report and the likelihood and magnitude assessment criteria outlined above, the table below depicts the risk scale ratings for the individual risk areas discussed earlier in this document.

Table 21: Summary risk area ratings

Risk observation number/description		Likelihood	Impact	Total rating
1	Fraud Prevention	3	3	9
2	OCFO fiscal management	5	4	20
3	Unsupported procurement actions and decisions	4	4	16
4	Incomplete procurement procedures manual	4	3	12
5	Lack of procurement planning and coordination across the District	5	4	20
6	Misalignment between procurement organization and function	4	3	12
7	Inadequate monitoring of the receipt and quality of goods and services	4	4	16
8	Misalignment between PASS and SOAR data fields	5	4	20
9	Surplus property disposal	3	3	9

Appendix F – Survey score results

The 4-point Likert scale survey method enabled us to map out a distribution of risk scores across the agencies that participated in the Procurement Risk Assessment Survey. In mapping out the result, we grouped agencies into buckets representative of their appropriated budget⁸. The buckets are intended to differentiate the agency's size relative to their procurement risks. Table 22 below describes the thresholds for each bucket as well as survey response rate per bucket.

Table 22: Agency bucket grouping definitions

Bucket	Definition	Total responded per bucket	% responded per bucket
A	Covers all agencies that make up 50% of total budget with a threshold of \$500mil and above	5	83%
B	Covers all agencies that make up 30% of total budget with a threshold of \$150mil to \$500mil	11	69%
C	Covers all agencies that make up 12% of total budget with a threshold of \$50mil to \$150mil	15	83%
D	Covers all agencies that make up 5% of total budget with a threshold of \$10mil to \$50mil	15	48%
E	Covers all agencies that make up 1% of total budget with a threshold of \$1mil to \$10mil	18	58%
F	Covers all agencies that make up less than 1% of total budget with a threshold of \$0mil to \$1mil	4	33%

Each question presented on the survey is presented with answers that provide a scale for risk factors. The answers were presented in order with the first answer choice providing 1 point and the fourth answer choice providing 4 points. For aggregating the survey scoring, a higher survey score indicates lower risk, and a lower survey score indicates higher risk. The model below determines how the scoring for each agency's answers was determined.

Table 23: Agency survey 4-point Likert scoring methodology

Question scale	Risk
1	Highest Risk
2	Medium High Risk
3	Medium Low Risk
4	Lowest Risk

⁸ DC Financial Status Report – SOAR (02/28/2021)

Table 24: Agency survey scores

Agency ID and name	Bucket	Risk survey score
BA0 – Office of the Secretary	E	57
DB0 – Department of Housing and Community Development	C	57
CQ0 – Office of the Tenant Advocate	E	57
GE0 – State Board of Education	E	58
DA0 – Real Property Tax Appeals Commission	E	59
FH0 – Office of Police Complaints	E	59
JM0 – Department on Disability Services	B	59
DX0 – Office of Advisory Neighborhood Commissions	E	60
KV0 – Department of Motor Vehicles	D	61
RM0 – Department of Behavioral Health	B	61
DR0 – Rental Housing Commission	E	63
FA0 – Metropolitan Police Department	A	65
AG0 – Board of Ethics and Government Accountability	E	65
AH0 – Mayor’s Office of Legal Counsel	E	70
RK0 – Office of Risk Management/BG0 – Employees’ Compensation Fund	D	71
FB0 – Fire and Emergency Medical Services Department	B	71
FQ0 – Office of the Deputy Mayor for Public Safety and Justice	E	73
BD0 – Office of Planning	D	75
FO0 – Office of Victim Services and Justice Grants	C	79
RJ0 – Captive Insurance Agency	E	82
JA0 – Department of Human Services	A	86
MA0 – Criminal Code Reform Commission	F	87
BJ0 – Office of Zoning	E	88
SR0 – Department of Insurance, Securities, and Banking	D	92
HF0 – Housing Finance Agency	D	92
AF0 – Contract Appeals Board	E	93
FK0 – District of Columbia National Guard	D	93
TC0 – Department of For-Hire Vehicles	D	97
RL0 – Child and Family Services Agency	B	98
HC0 – Department of Health	B	98
FX0 – Office of the Chief Medical Examiner	D	98

Agency ID and name	Bucket	Risk survey score
AC0 – Office of the District of Columbia Auditor	E	99
HT0 – Department of Health Care Finance	A	100
JZ0 – Department of Youth Rehabilitation Services	C	105
UP0 – Workforce Investments Account	E	105
GD0 – Office of the State Superintendent of Education	A	108
UC0 – Office of Unified Communications	C	109
BY0 – Department of Aging and Community Living	C	110
DH0 – Public Service Commission	D	110
HX0 – Not-for-Profit Hospital Corporation Subsidy	D	111
TO0 – Office of the Chief Technology Officer	C	113
KB0 – Green Finance Authority	D	113
GG0 – University of the District of Columbia Subsidy Account	C	113
EA0 – Metropolitan Washington Council of Governments	F	116
FS0 – Office of Administrative Hearings	D	119
EB0 – Office of the Deputy Mayor for Planning and Economic Development	C	122
FD0 – Police Officers’ and Firefighters’ Retirement System/GX0 – Teachers’ Retirement System	C	122
CR0 – Department of Consumer and Regulatory Affairs	C	123
HY0 – Housing Authority Subsidy	B	123
GA0 – District of Columbia Public Schools	A	127
HA0 – Department of Parks and Recreation	C	130
CE0 – District of Columbia Public Library	C	131
BZ0 – Office on Latino Affairs	E	133
AT0 – Office of the Chief Financial Officer	B	136
FJ0 – Criminal Justice Coordinating Council	E	138
FI0 – Corrections Information Council	F	139
EN0 – Department of Small and Local Business Development	D	140
NS0 – Office of Neighborhood Safety and Engagement	D	142
HI0 – Health Benefit Exchange Authority	D	143
KT0 – Department of Public Works	B	143
PO0 – Office of Contracting and Procurement	C	145
KA0 – District Department of Transportation	B	148

Agency ID and name	Bucket	Risk survey score
CB0 – Office of the Attorney General for the District of Columbia	C	150
AM0 – Department of General Services	B	152
KG0 – Department of Energy and Environment	B	155
LA0 – District of Columbia Water and Sewer Authority	F	159

Appendix G – Survey questions and responses

The figures below reflect the elements of the Procurement Maturity Survey conducted as part of this risk assessment effort.

Apart from mandated and formally documented District procurement regulations or guides required for use by the agency, does your agency have internal customized policies/procedures/user reference guides to help manage its procurement processes?



- | | |
|---|------------|
| 1. Customized and documented policies and procedures and specific control activities do not exist. | 38% |
| 2. Customized and documented policies and procedures and specific control activities exist and have been updated less than every three (3) years. | 15% |
| 3. Customized and documented policies and procedures and specific control exists and have been updated within the last three (3) years.. | 29% |
| 4. Customized and documented policies and procedures and specific control exists and are updated annually. | 17% |

Does your agencies policies and procedures required to be included in the procurement files to help manage and document compliance with its source selection methods cover the following areas:

- Requirements for competitive sealed bids
- Requirements for competitive sealed proposals
- Regulation of the use of sole source procurements
- Regulation of provisioning and authorizing exemptions for competition requirements
- Authorization for emergency procurements
- Authorization for human care agreements
- Requirements for small purchase procurements
- Authorizations for special procurements
- Requirements for the cancellation of solicitations

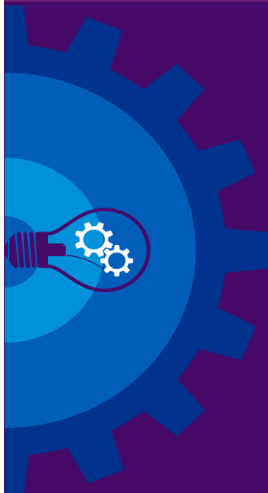
- | | | |
|----|---|------------|
| 1. | The agency does not have any other policies, procedures, or standardized checklists and forms to help manage and document source selection methods. | 50% |
| 2. | The agency has updated policies and procedures and required standardized forms and checklists, but they do not cover any of the listed areas in a comprehensive manner. | 5% |
| 3. | The agency has updated policies and procedures and required standardized forms and checklists for some of the above categories of procurements to help manage and document compliance with the source selection methods and has a policy to regularly review and update them if necessary. | 30% |
| 4. | The agency has policies and procedures and required standardized forms and checklists for all of the above categories of procurements to help manage and document compliance with the source selection methods and has a policy to regularly review and update them if necessary. | 15% |

Does the agency define supplier requirements in a manner to help maximize competition by avoiding these issue areas:

- Placing unreasonable requirements on firms in order for them to qualify to do business
- Requiring unnecessary experience and excessive bonding;
- Noncompetitive pricing practices between firms or between affiliated companies;
- Noncompetitive contracts to consultants that are on retainer contracts;
- Specifying only a "brand name" product instead of allowing "an equal" product to be offered and describing the performance or other relevant requirements of the procurement; and
- Any arbitrary action in the procurement process.

- | | | |
|----|---|-----|
| 1. | The agency does not maintain requirements to help maximize supplier competition. | 30% |
| 2. | The agency outlined requirements to help maximize competition, but the requirements are not updated to its current supplier market. | 5% |
| 3. | The agency maintains and observes updated requirements to help maximize supplier competition. | 32% |
| 4. | The agency follows current requirements for maximizing competition and has implemented systems/protocols to ensure internal observation of such requirements. | 33% |

Does the agency have a formally documented delegation of authority process for procurement that separates the roles of initiator, approver, monitoring, etc. And how often does the agency update the delegation of authority process?



- | | | |
|----|---|-----|
| 1. | The agency does not have a formally documented delegation of authority process. | 33% |
| 2. | The agency has a formally documented delegation of authority process and updated less than every three (3) years. | 15% |
| 3. | The agency has a formally documented delegation of authority process updated within the last three (3) years. | 32% |
| 4. | The agency has a formally documented delegation of authority process updated at least annually. | 20% |

Does the agency have a formally documented process for cancellation of solicitations?



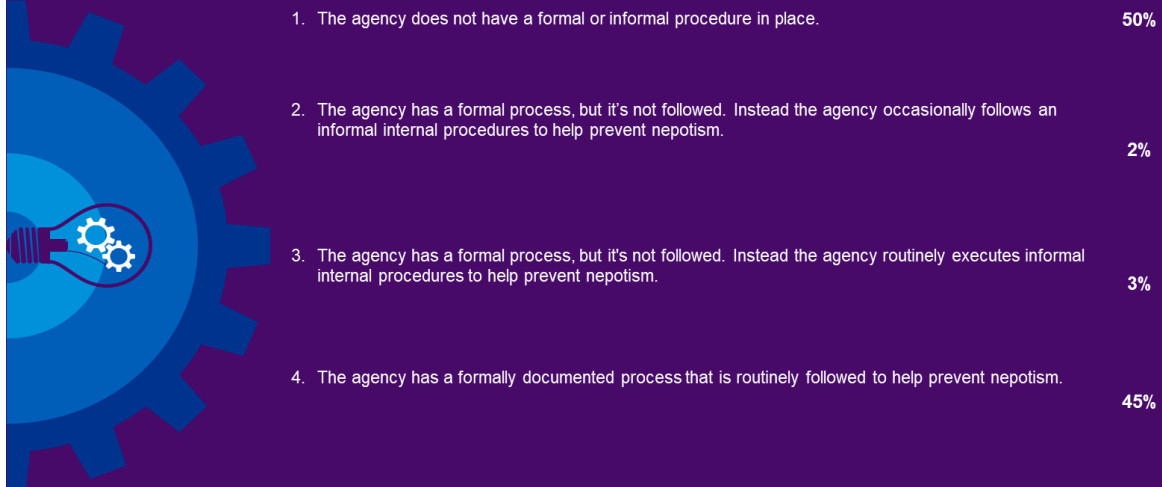
- | | |
|---|------------|
| 1. The agency does not have a formally documented nor an informally observed process for cancellation of solicitations. | 42% |
| 2. The agency does not have formally documented procedures; however, the agency does observe an informal practice occasionally for cancellation of solicitations. | 8% |
| 3. The agency regularly practices informal procedures for the solicitation process for cancellation of solicitations. | 17% |
| 4. The agency has and observes a formally documented process for cancellation of solicitations. | 33% |

Does the agency have a formally documented resolution process for contractual disputes that arise during performance of a contract?

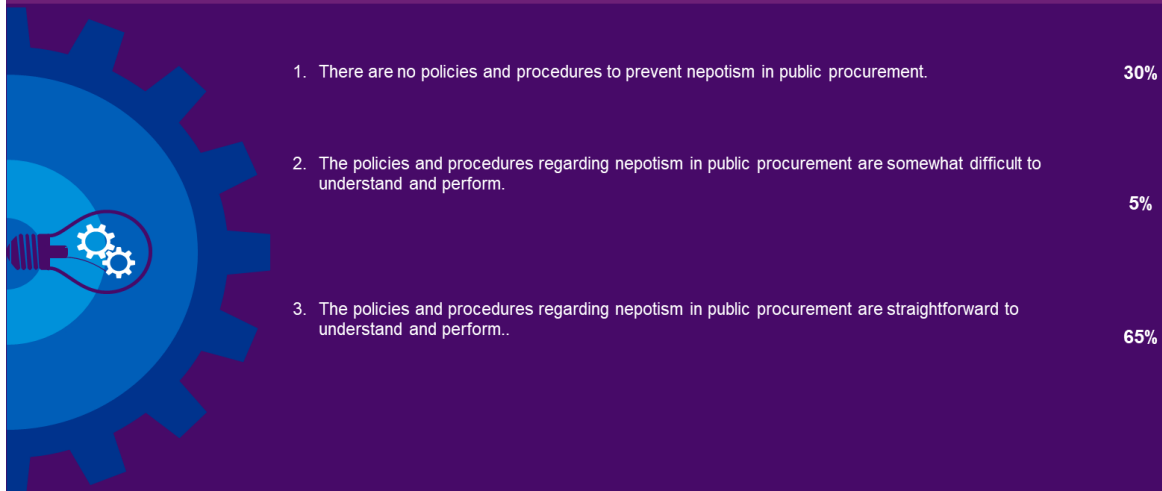


- | | |
|---|------------|
| 1. The agency does not have a formally documented nor an informally observed process for the resolution of contractual disputes. | 31% |
| 2. The agency does not have formally documented procedures for the resolution of contractual disputes; however, the agency does observe an informal practice for such disputes on occasion. | 14% |
| 3. The agency regularly practices informal procedures for the resolution of contractual disputes. | 11% |
| 4. The agency has and observes a formally documented resolution process for contractual disputes that arise during performance of a contract. | 45% |

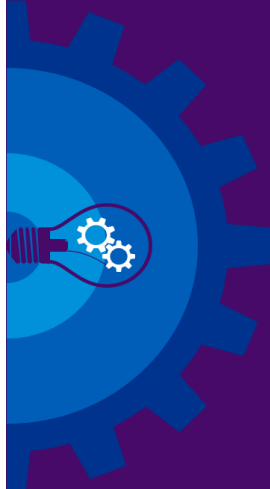
Does the agency have formally documented rules and procedures to prevent nepotism in public procurement?



Are procurement policies and procedures to prevent nepotism in public procurement easy to understand and perform?



Does the agency formally utilize different contract templates to address the unique financing arrangements (i.e. fixed fee, time and materials, cost-plus-a-percentage)?



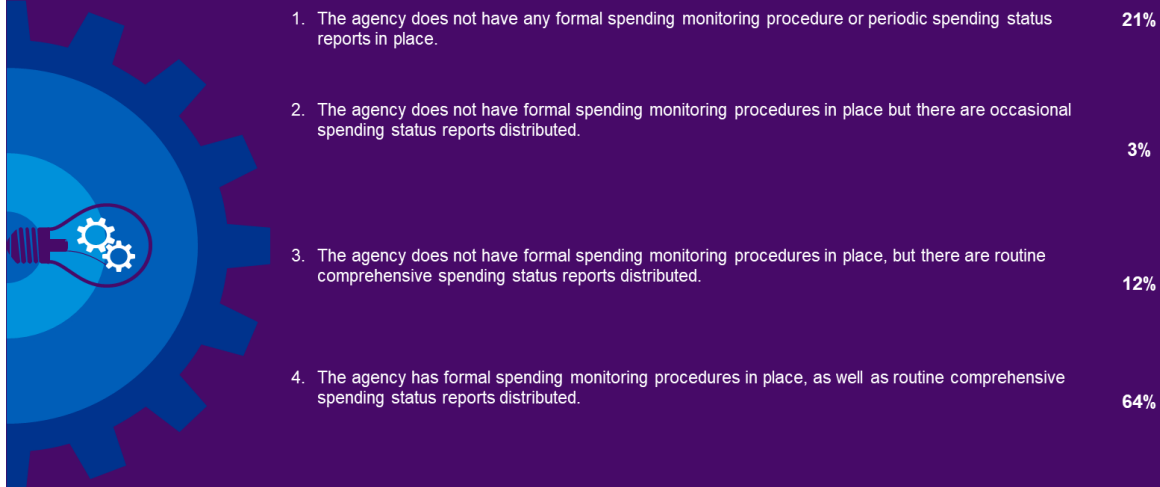
- | | |
|---|------------|
| 1. The agency has no formal or informal processes in place to differentiate unique contract financing arrangements. | 48% |
| 2. The agency has a formal process in place, but it's not followed. The agency routinely executes informal internal procedures to differentiate unique contract financing arrangements. | 3% |
| 3. The agency has a formally documented process that is routinely followed to unique contract financing arrangements. | 48% |

Does the agency outsource its procurement management function to another District agency or to a third-party vendor other than OCP?

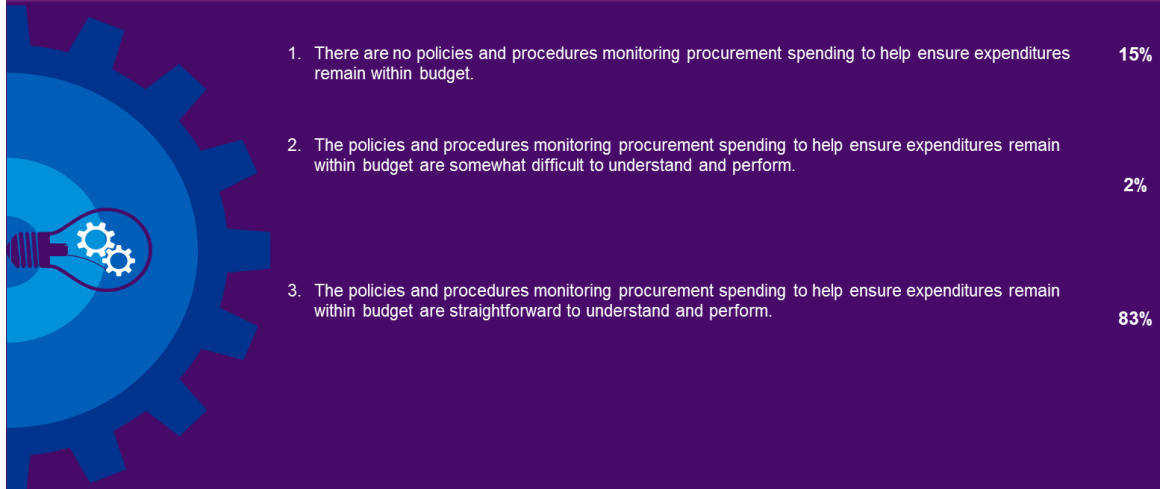


- | | |
|---|------------|
| 1. The agency completely outsources its procurement management function to another agency or a third-party vendor. | 5% |
| 2. The agency does not completely outsource its procurement management function to another agency or a third-party vendor but it does utilize outsourcing for some of its procurement functions, such as through temporary staffing service contracts for at least one procurement function/role. | 6% |
| 3. The agency manages its complete procurement management function internally and does not outsource any of its procurement management function to another agency or a third-party vendor. | 27% |
| 4. The agency's procurement function is completely managed by OCP. | 62% |

Does the agency have a formal spending monitoring procedure in place, as well as periodic comprehensive spending status reports of products and services to help ensure expenditures are within budget?



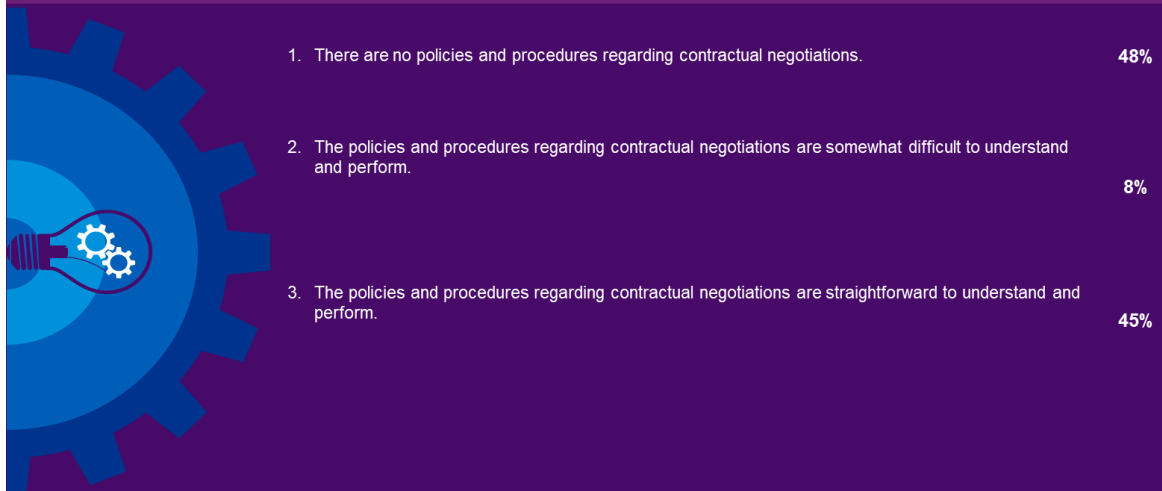
Are procurement spend monitoring procedures designed to help ensure expenditures remain within budget easy to understand and perform?



Does the agency have a formal negotiation process for contract terms and conditions that is regularly employed, reviewed, and updated?



Are procurement policies and procedures regarding negotiation processes easy to understand and perform?

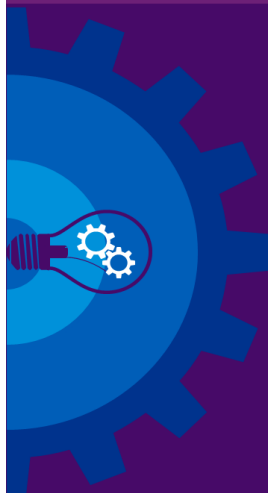


Does the agency regularly conduct vendor cost and market pricing analyses to determine if a vendor's set prices for goods and/or services are reasonable?



- | | |
|--|------------|
| 1. The agency does not conduct vendor cost and market pricing analyses to determine if a vendor's set prices for goods and/or services are reasonable. | 56% |
| 2. The agency conducts vendor cost and market pricing analyses using data that has not been updated for greater than three (3) years to determine if a vendor's set prices for goods and/or services are reasonable. | 3% |
| 3. The agency conducts vendor cost and market pricing analyses to determine if a vendor's set prices for goods and/or services are reasonable using data that is updated every three (3) years. | 11% |
| 4. The agency conducts vendor cost and market pricing analyses to determine if a vendor's set prices for goods and/or services are reasonable using data that is updated at least annually. | 30% |

Does the agency have formal processes in place for contract maintenance, documentation, retention processes and guidelines?



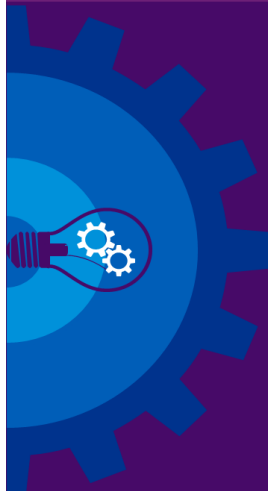
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| 1. The agency does not have a formal or informal process in place for contracting actions regarding documentation maintenance and retention. | 33% |
| 2. The agency has a formal process, but it's not followed. The agency routinely executes informal internal procedures for contracting actions regarding documentation maintenance and retention. | 5% |
| 3. The agency has a formally documented process that is routinely followed for contracting actions regarding documentation maintenance and retention. | 62% |

Does the agency consistently save, maintain, and retain all procurements and contracting documents in a centrally maintained, and secure location?



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| 1. The agency does not consistently save, maintain, and retain all procurements and contracting documents in a centrally maintained, and secure location. | 14% |
| 2. The agency occasionally saves, maintains, and retains all procurements and contracting documents, in a centrally maintained, and secure location, but the location does not meet all the criteria of being centrally maintained, and secure location. | 2% |
| 3. The agency routinely saves, maintains, and retains all procurements and contracting documents, in a location, but the location does not meet all the criteria of being centrally maintained, and secure location. | 14% |
| 4. The agency routinely saves, maintains, and retains all procurements and contracting documents in a centrally maintained, and secure location. | 71% |

Does the agency have specific procedures and contract document templates for different types of contracts (e.g., goods vs. services, construction, IT arrangements, etc.)?



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| 1. The agency has no formal or informal procedures and contract document templates in place for different types of contracts. | 42% |
| 2. The agency occasionally follows informal internal procedures differentiating between different contract types. | 2% |
| 3. The agency routinely follows informal internal procedures differentiating between different contract types. | 15% |
| 4. The agency has formal procedures and contract document templates for different contract types, and the agency routinely follows formal procedures differentiating between different contract types. | 41% |

How does the agency manage its procure-to-pay process?



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| 1. The agency completes purchase orders and accounts payable transactions manually under loosely defined and non-uniform procedures with limited control/approvals. | 6% |
| 2. The agency uses semi-automatic process where purchase orders and accounts payables systems need to be manually adjusted. | 15% |
| 3. The agency adopted tenants of procurement to help automate transactions and reduce processing time (via transmission and receipt of electronic transactions with suppliers.) | 11% |
| 4. The agency uses a centralized accounts payable (invoice and payment activity) and transactional procurement shared service center. The agency has a full integration with key suppliers for Procure-to-Pay transactions. | 68% |

Does the agency make efforts to ensure that contracted Certified Business Enterprises (CBEs) cover a diverse range of CBE categories?



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| 1. The agency does not have a formal policy nor resources to help ensure contracted CBEs cover a diverse range of CBE categories. | 41% |
| 2. The agency has a formal policy to help ensure contracted CBEs cover a diverse range of CBE categories; however no resources have been assigned to the role. | 6% |
| 3. The agency has a formal policy to help ensure contracted CBEs cover a diverse range of CBE categories and a team/roles in charge of ensuring the supplier selection is diverse. | 26% |
| 4. The agency has a formal policy help ensure contracted CBEs cover a diverse range of CBE categories and a team/roles in charge of ensuring a diverse supplier set all of which are reviewed at least annually. | 27% |

Does the agency have a process in place to help make every reasonable effort to ensure that goods and/or services are not duplicated and that a contract vehicle for a supplier for such goods and/or services can be leveraged.



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| 1. The agency does not have a formal process established to help identify duplicative suppliers for procurement opportunities. | 32% |
| 2. The agency has an informal process to help determine if a preferred supplier already exists, but it is not enforced. | 11% |
| 3. The agency has a formal process to help determine if a preferred supplier already exists, but it is occasionally enforced. | 8% |
| 4. The agency has a formal, enforced process to help determine if a preferred supplier already exists, and it is routinely enforced. | 50% |

Does the agency have a process in place to help identify new qualified suppliers and vendors for procurement opportunities unique to the agency?



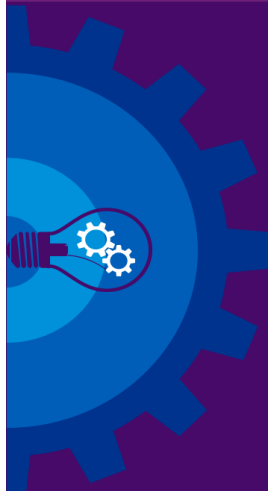
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| 1. The agency does not have a formal process established to help identify new qualified suppliers for procurement opportunities. | 55% |
| 2. The agency has an informal pre-qualification process to help determine supplier eligibility to work within the subject agency which is not enforced. | 9% |
| 3. The agency has a formal pre-qualification process to help determine supplier eligibility to work within the subject agency which is occasionally enforced. | 3% |
| 4. The agency has a formal pre-qualification process to help determine supplier eligibility to work with the subject agency which is routinely enforced. | 33% |

Does the agency have a process that reports on the quality and delivery of products (non-services)?



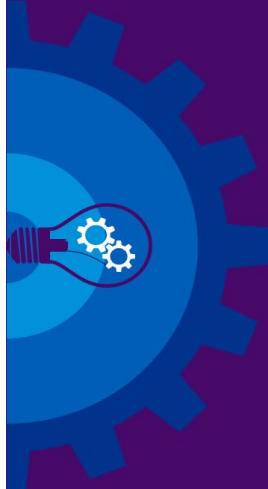
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| 1. The agency does not have a formal process established that monitors the quality of products. | 42% |
| 2. The agency has an informal process that monitors the quality of products which is occasionally enforced. | 26% |
| 3. The agency has a formal process that monitors the quality of products which is occasionally enforced. | 3% |
| 4. The agency has a formal process that monitors the quality of products which is routinely enforced. | 29% |

Does the agency have a process that monitors quality of services contracted? (such as reporting on deliverable quality, internal management of quality assurance, contracting for third-party quality assurance services)



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| 1. The agency does not have a formal process established that monitors the quality of services. | 61% |
| 2. The agency has an informal process that monitors the quality of services which is occasionally enforced. | 3% |
| 3. The agency has a formal process that monitors the quality of services which is occasionally enforced. | 3% |
| 4. The agency has a formal process that monitors the quality of services which is routinely enforced. | 33% |

Does the agency have internal processes and procedures utilizing the Contractor Performance Evaluation System (CPES)?



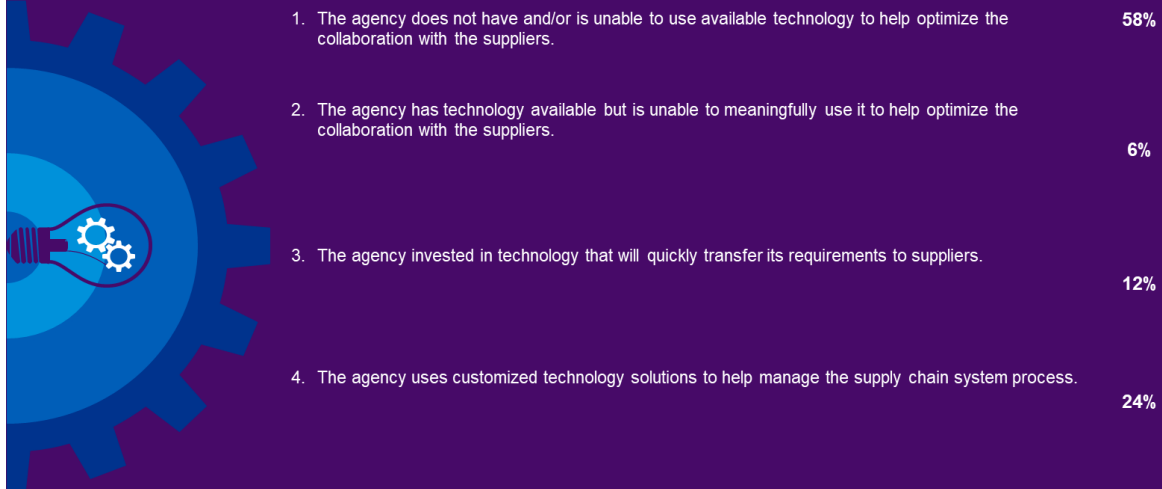
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| 1. The agency does not have a formal process that utilizes CPES. | 59% |
| 2. The agency has an informal process that utilizes CPES which is occasionally enforced . | 2% |
| 3. The agency has a formal process that utilizes CPES which is occasionally enforced . | 3% |
| 4. The agency has a formal process that utilizes CPES which is routinely enforced . | 36% |

Does the agency pursue/practice segmentation of its supplier base (e.g. strategic suppliers - 5%, critical suppliers - 10%, operational suppliers - balance of suppliers) and has a process to help achieve supplier segmentation?

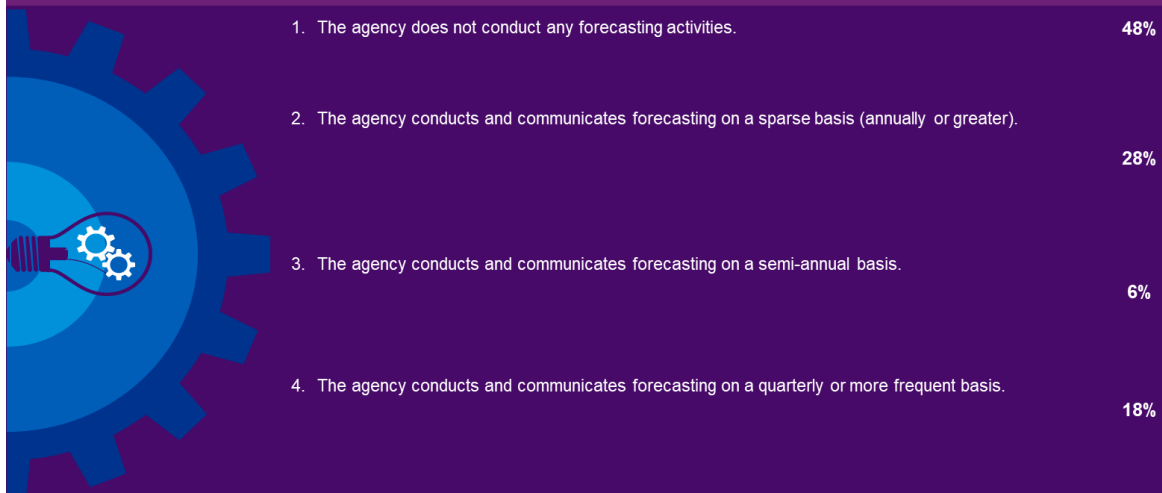


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| 1. The agency does not pursue/practice segmentation of its supplier base nor is it desired. | 92% |
| 2. The agency achieved some supplier segmentation, however there is no formal approach in place to help facilitate the process. | 3% |
| 3. The agency has incorporated some regular supplier segmentation in its operations. The agency maintains a specific guide that helps promote desired segmentation. | 2% |
| 4. The agency has fully incorporated supplier segmentation in its operations. The agency utilizes a segmentation model which is reviewed and updated at least annually. | 3% |

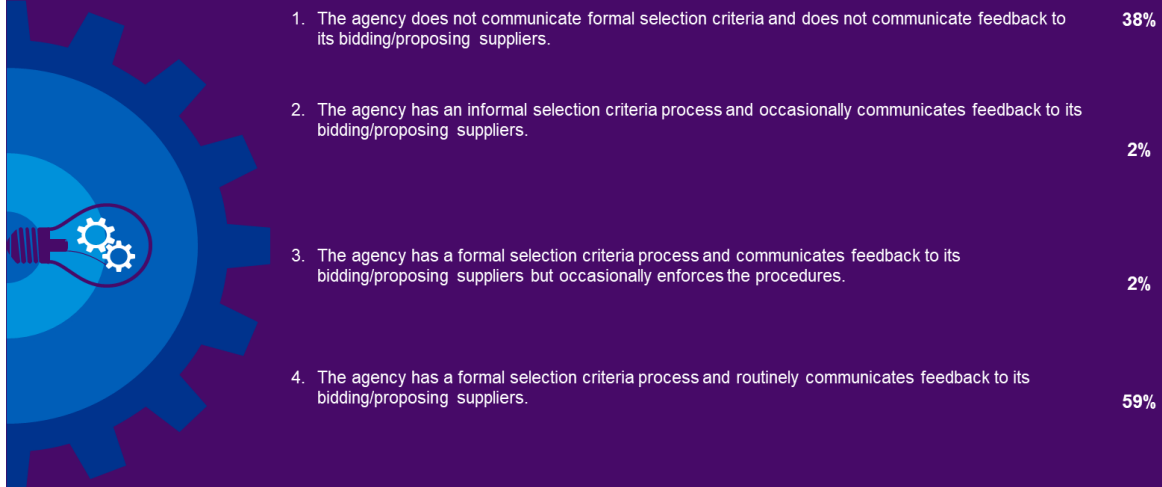
Does the agency maximize use of available technology to help optimize the collaboration with the suppliers e.g., responding to proposals, on-line ordering, assessing user satisfaction?



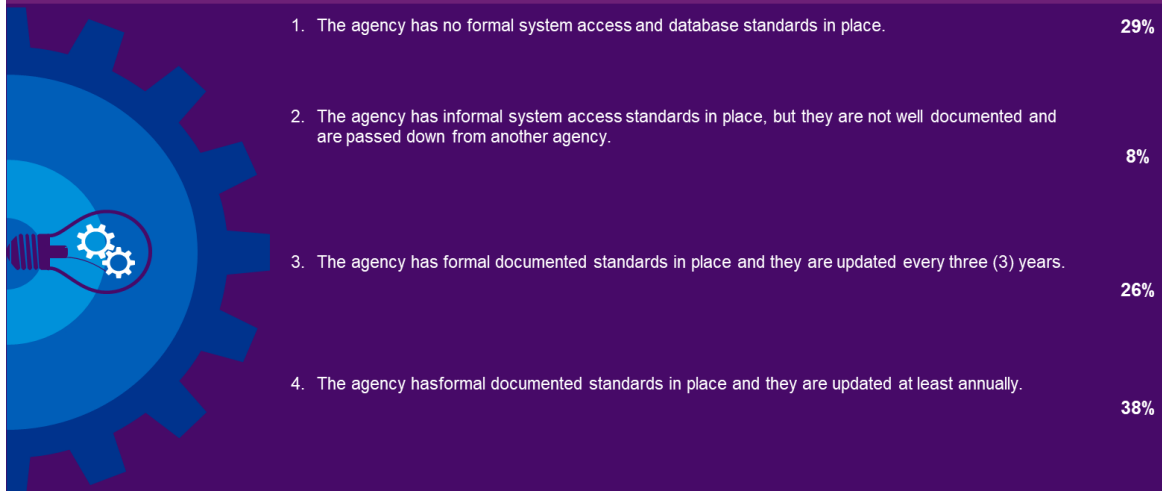
What level of forecasting transparency reporting does the agency conduct and communicate with its suppliers?



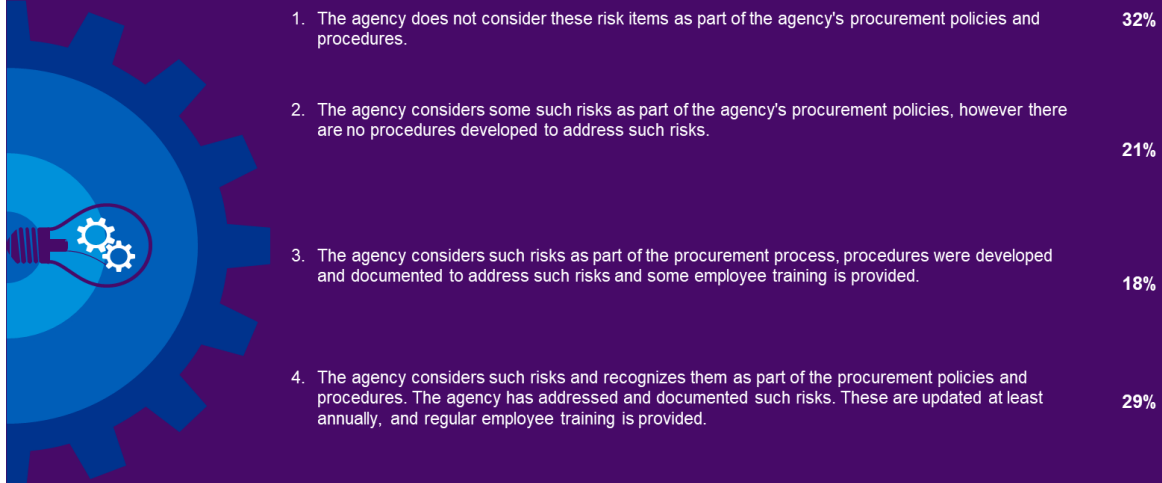
Does the agency demonstrate transparency by outlining the key selection criteria necessary for contract award to bidders/proposers?



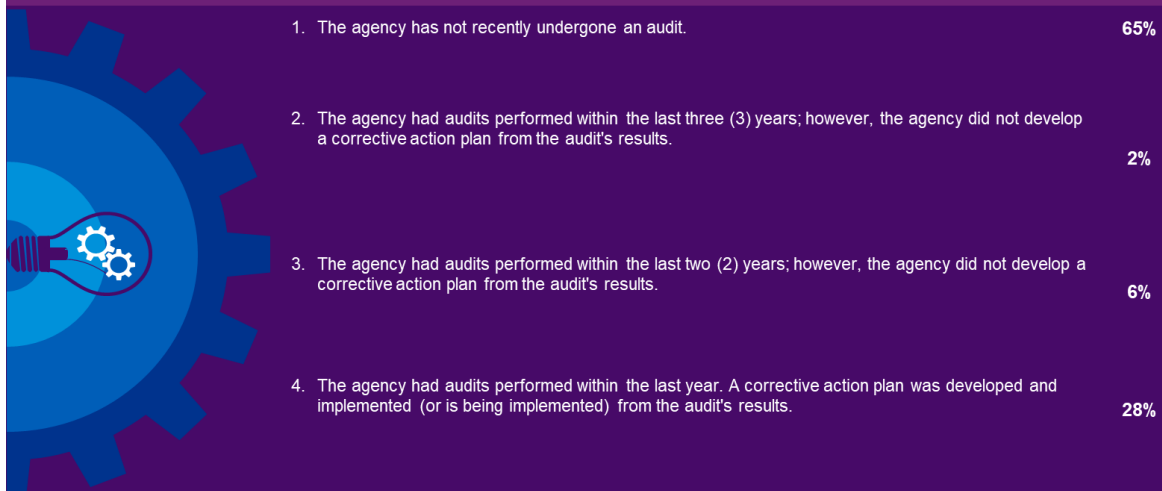
Does the agency have well-documented standards addressing system access and database management (e.g. system and database user access rights and who has rights to change access)?



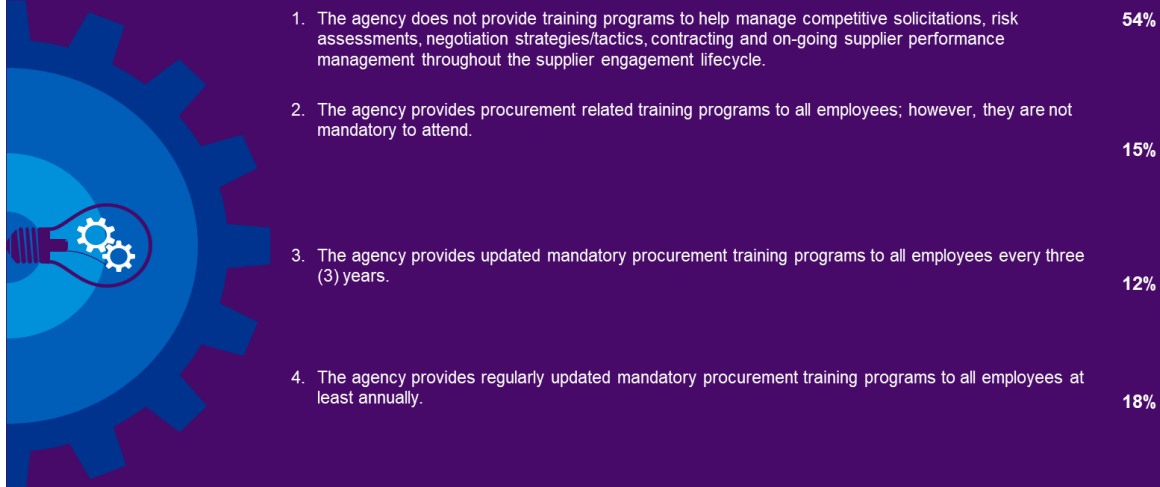
Does the agency perform deliberate procedures to help address fraud risks?



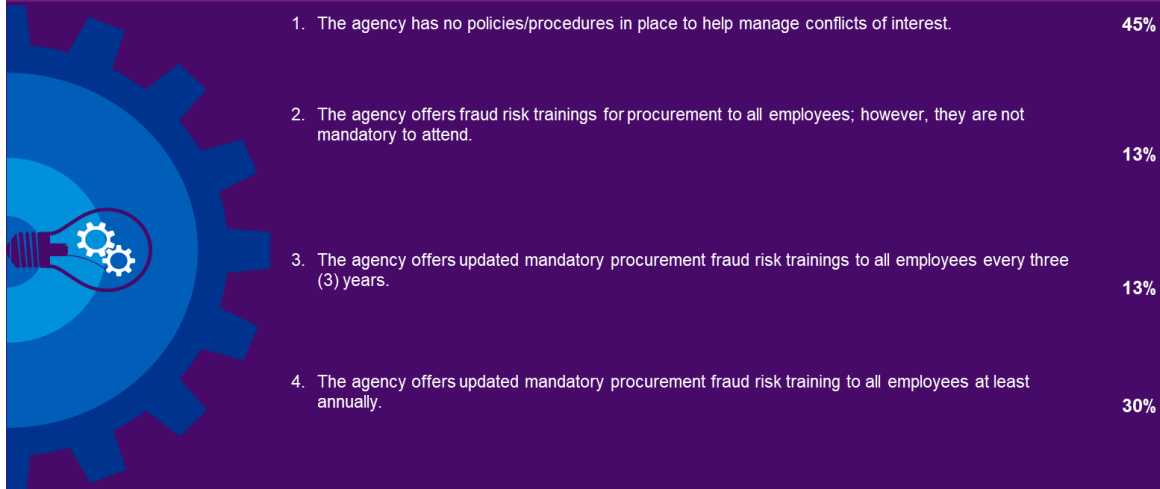
When was the last time the agency had a procurement-related audit or assessment performed? What were the results? What is the normal frequency of such audits?




Does the agency provide training programs to help manage competitive solicitations, risk assessments, negotiation strategies/tactics, contracting and on-going supplier performance management throughout the supplier engagement lifecycle?



Does the agency have policies and procedures to help manage conflicts of interest (e.g., employee certifications, training programs to help understand fraud risks throughout the procurement process)?

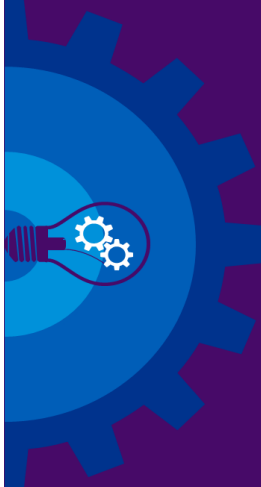


Does the agency employ and actively use an anonymous whistleblower reporting mechanism (e.g., hotline, web portal, drop-box)?



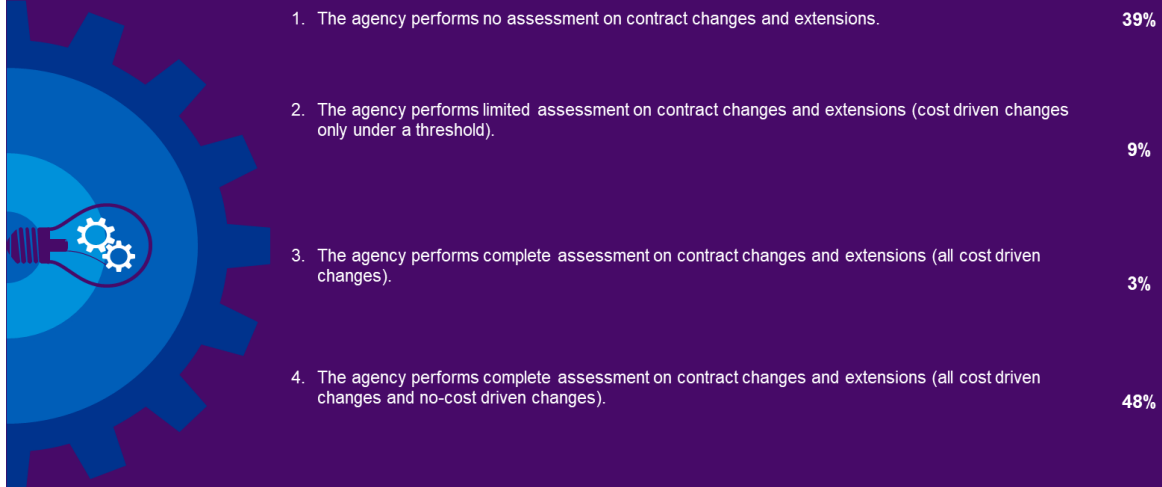
1. The agency does not have a whistleblower reporting mechanism.	50%
2. The agency employs a whistleblower reporting mechanism but lacks supporting protocols for monitoring/analyzing activity.	8%
3. The agency employs a whistleblower reporting mechanism, has supporting protocols for monitoring/analyzing activity, but does not follow-up on reports submitted.	2%
4. The agency has a dedicated team (i.e., internal investigations, compliance department) to review allegations of misconduct and take appropriate action to resolve the incident.	41%

Does the agency have a formal process and resources in place to address complaints submitted to an anonymous whistleblower reporting mechanism (e.g., hotline, web portal, drop-box)?

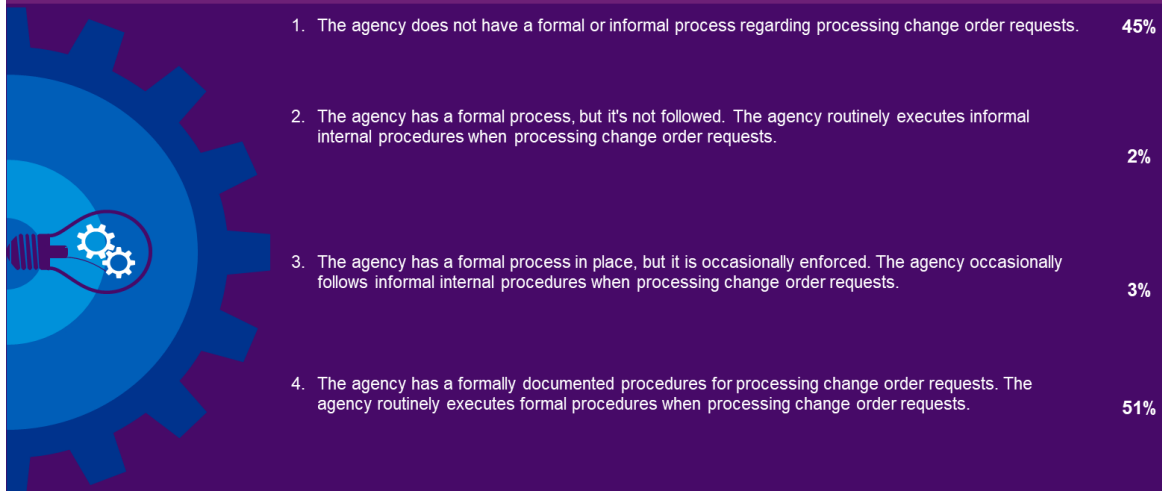


1. The agency does not have a formal process nor resources to take actions regarding complaints submitted to an anonymous whistleblower reporting mechanism.	70%
2. The agency has a formal process to take actions regarding complaints submitted to an anonymous whistleblower reporting mechanism; however, no resources have been assigned to the role.	2%
3. The agency has a formal process to take actions regarding complaints submitted to an anonymous whistleblower reporting mechanism and an internal team in charge of managing this process.	18%
4. The agency has a formal policy to take actions regarding complaints submitted to an anonymous whistleblower reporting mechanism and an independent third-party in charge of managing this process.	11%

Does the agency perform regular assessments of the determinations and rationale of contract changes and extensions?



Does the agency have formal processes and procedure regarding processing change order requests?





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