

DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

OIG Project No. 18-I-02PO

March 2018



OFFICE OF CONTRACTING AND PROCUREMENT

EVALUATION OF SELECTED D.C. SUPPLY SCHEDULE TEMPORARY SUPPORT SERVICES CONTRACTS



Guiding Principles

*Workforce Engagement * Stakeholders Engagement * Process-oriented * Innovation*
Accountability * Professionalism * Objectivity and Independence * Communication * Collaboration
* Diversity * Measurement * Continuous Improvement*

Mission

Our mission is to independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

- prevent and detect corruption, mismanagement, waste, fraud, and abuse;
- promote economy, efficiency, effectiveness, and accountability;
- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.

Vision

Our vision is to be a world-class Office of the Inspector General that is customer-focused, and sets the standard for oversight excellence!

Core Values

Excellence * Integrity * Respect * Creativity * Ownership
* Transparency * Empowerment * Courage * Passion
* Leadership



HIGHLIGHTS PAGE

OIG Project No. 18-I-02PO

March 2018



Why the OIG Did This Evaluation

“Temporary Support Services” (TSS) is a D.C. Supply Schedule (DCSS) category that permits contracts with an annual billing “ceiling” of up to \$10 million. The Office of the Inspector General (OIG) selected three of these contracts for review in large part because of the high billing ceilings. This evaluation is part of an ongoing initiative to assess District government contracts for vulnerabilities to fraud, waste, abuse, and mismanagement.

The objectives of this inspection were to: (1) identify TSS contract terms or conditions that are unfavorable to the District or that conflict with best practices or applicable criteria; (2) determine whether Office of Contracting and Procurement (OCP) and agencies receiving services through the contracts maintain proper oversight of deliverables and enforce key contract terms; and (3) identify recommendations for strengthening the effectiveness and sufficiency of the contracts.

What the OIG Recommends

This report presents four recommendations to strengthen TSS contracts and the District’s oversight of contract terms and deliverables.

OFFICE OF CONTRACTING AND PROCUREMENT:

D.C. Supply Schedule Temporary Support Services Contracts

The OIG reviewed OCP contracts with three temporary staffing companies to determine whether the contracts effectively meet the District’s needs. The OIG also assessed whether OCP and District agencies maintain proper oversight of these companies.

Both OCP and District agencies are involved in the procurement process for temporary support services, but key contract oversight and administration duties are not clearly defined or assigned. Specifically, requirements within OCP’s *DCSS Terms and Conditions* (Feb. 2010) and the contracts do not accurately reflect temporary support services procurement and oversight practices.

Further, OCP’s process for enforcing contractor reporting and sales discount requirements is cumbersome and inefficient. OCP’s mechanisms to determine how much each staffing contractor is billing the District are also inefficient. As a result, no District entity has an adequate understanding of procurement activities for TSS, such as which agencies procure such services, their value and duration, and whether a staffing services contractor has billed the District in excess of its contract’s annual ceiling.

We believe that OCP should put mechanisms in place so District government entities can easily and accurately analyze how TSS contracts are used and monitor compliance with contract terms.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



OIG

February 27, 2018

George A. Schutter
Chief Procurement Officer
Office of Contracting and Procurement
441 4th Street, N.W., Suite 700S
Washington, D.C. 20001

Dear Chief Procurement Officer Schutter:

Enclosed is our final report entitled *Office of Contracting and Procurement: Evaluation of Selected D.C. Supply Schedule Temporary Support Services Contracts* (OIG Project No. 18-I-02PO). The OIG conducted this evaluation in accordance with standards established by the Council of the Inspectors General on Integrity and Efficiency.

The OIG provided an initial draft to OCP on September 13, 2017, and OCP provided a written response on October 16, 2017. OIG and OCP employees met on October 24, 2017, to discuss their respective viewpoints on the findings and recommendations. Based on information and insights exchanged during that collaborative meeting, the OIG sent OCP a revised draft on December 22, 2017, asking for a new written response, which OCP provided on February 5, 2018.

In its revised response, OCP continued to disagree/partially disagree with all four OIG recommendations.

- Regarding the disagreement to Recommendation #1, which recommended updating the D.C. Supply Schedule Terms and Conditions and temporary support service contracts, the OIG anticipates that OCP promulgating current procedures and processes will begin to address the issues presented in the report.
- Regarding the disagreement to Recommendation #2, pertaining to administration of the 51% District Residents New Hire requirement, OCP cited the Department of Employment Services (DOES) as the agency responsible for verifying compliance with the District's First Source Employment Agreement Act of 1984. The OIG understands and acknowledges DOES' responsibility, and hopes that with the publication of this report, DOES and OCP will continue to collaborate to improve the District's administration of this requirement. As such, the OIG is providing a copy of this final

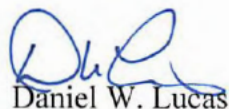
report to the Director, DOES, and the Chairperson, Committee on Labor and Workforce Development, Council of the District of Columbia, for action deemed appropriate.

- Regarding the disagreement to Recommendation #3, which discussed the collection of D.C. Supply Schedule (DCSS) rebate revenue, OCP states that the process “would be more appropriately managed by the OCFO, not OCP.” The OCP and OCFO leadership are encouraged to discuss this matter further. In order to facilitate a discussion, I am providing a copy of this final report to the Chief Financial Officer, Office of the Chief Financial Officer, and the Chairperson, Committee on Finance and Revenue, Council of the District of Columbia, for action deemed appropriate.
- Finally, regarding the partial agreement to Recommendation #4, in which the OIG recommends improvements to the process in order to accurately capture DCSS contractor billing data, OCP stated “[PASS] do[es] not have the technical capability to collect the ‘meta-data’ that would be needed for very specific analyses; such as purchases by line item, by agency, by Task Order, and by supplier....” Further, OCP stated “due to technical constraints, this particular reporting approach [which would provide the ability to generate reports that summarize all procurement activity under a specific contract within PASS] is not accessible.” The OIG believes this sort of interoperability within the PASS system will greatly benefit the integrity and oversight of District procurements managed through PASS. As a result, the OIG is providing a copy of this final report to the Interim Chief Technology Officer, Office of the Chief Technology Officer, and the Chairperson, Committee on Government Operations, Council of the District of Columbia, for action deemed appropriate.

OCP’s written response to the revised draft report is included in its entirety in Appendix E.

We appreciate the collaboration with your agency and courtesies extended to our staff during this project. If you have any questions concerning this report, please contact me or Edward Farley, Assistant Inspector General for Inspections and Evaluations, at (202) 727-2540.

Sincerely,



Daniel W. Lucas
Inspector General

DWL/ejf

Enclosure

cc: See Distribution List

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BACKGROUND

OCP's mission is "to partner with vendors and District agencies to purchase quality goods and services in a timely manner and at reasonable cost while ensuring that all purchasing actions are conducted fairly and impartially."¹

Temporary Support Services (TSS) is a D.C. Supply Schedule (DCSS) category "intended to provide District agencies with a temporary solution to augment staffing needs."² The contracts in this category are indefinite delivery/indefinite quantity (IDIQ) contracts, each of which has an annual "Not to Exceed" (NTE) ceiling specifying the maximum spending amount.

We reviewed current TSS contracts for All-U-Need, The Coles Group, and Midtown Personnel, each consisting of a base year and up to a total of four (4), one-year option periods that OCP may exercise.³ The current annual ceiling for the All-U-Need contract is \$950,000, while ceilings for The Coles Group and Midtown Personnel contracts are \$10 million each.⁴

To procure temporary staffing services through one of the contracts, a District agency's procurement staff executes a task order directly with the contractor. OCP's role is to charge and collect a 1 percent fee from the contractor on "all sales, purchase orders, delivery orders, task orders, and purchase card transactions made under contracts awarded to contractors under the DCSS."⁵ Authorized by the Procurement Practices Reform Act of 2010, OCP collects these fees, also referred to as sales discounts,⁶ to pay operating and maintenance costs for various programs it administers.⁷

¹ The Office of Contracting and Procurement's website at <https://ocp.dc.gov/page/about-ocp> (last visited Aug. 31, 2017).

² E.g., Contract between OCP and All-U-Need Personnel, Contract No. CW36523, Sec. 2.2, executed Apr. 24, 2015 (available at http://app.ocp.dc.gov/RUI/information/award/award_detail.asp?award_id=8764) (last visited Sept. 1, 2017).

³ OCP's TSS contract with Midtown Personnel started on October 3, 2014. The contract with All-U-Need Personnel began on April 24, 2015. The Coles Group's TSS contract started on November 28, 2016.

⁴ OCP reported that Midtown Personnel's annual contract ceiling recently was increased to \$10 million. The ceiling for the prior contract year, which expired in April 2017, was \$950,000.

⁵ D.C. Code § 2-361.03(a) (Lexis current through D.C. Law 22-11 and Sept. 1, 2017).

⁶ As set forth on OCP's website, "DCSS contractors shall provide the District discounts based on the aggregate purchases made under the DCSS. Contractors shall remit, as a discount on sales, one percent (1%) of all Purchase Orders, Task Orders, and purchase card transactions under their contract on a monthly basis. The amount due shall be paid by check and delivered with each monthly sales report." REQUEST FOR APPLICATION FOR A DISTRICT OF COLUMBIA SUPPLY SCHEDULE CONTRACT, Sec. 2.8 available at <https://ocp.dc.gov/publication/temporary-support-services-dcss-schedule-category> (last visited Sept. 1, 2017).

⁷ As set forth in D.C. Code § 2-361.03(d) (2014 District of Columbia Code Archive), "[a]ll funds received pursuant to [D.C. Code § 2-361.03 – Supply schedule, purchase card, and training funds] shall be deposited in the unrestricted fund balance of the General Fund of the District of Columbia."

FINDINGS

Based on our initial reading and analysis of the three TSS contracts and the *DCSS Terms and Conditions*, in particular language that requires a contractor to submit a quarterly sales report to the DCSS Contracting Officer (CO), we had anticipated being able to understand which agencies procured TSS and the staffing needs they addressed; the typical duration and value of task orders; and whether annual billing approaches or exceeds contract ceilings. Such information was not readily available for analysis.

This report presents three findings and four recommendations aimed at strengthening TSS contract terms and deliverables to improve the District's administration and capability to analyze agencies' procurement of those services.

***DCSS TERMS AND CONDITIONS* AND CONTRACT LANGUAGE DO NOT CLEARLY IDENTIFY AND DEFINE OVERSIGHT ROLES AND RESPONSIBILITIES**

Neither the contracts we evaluated nor the *DCSS Terms and Conditions* clearly assigns or delineates contract administration responsibilities between OCP personnel (the OCP CO and contracting administrator (CA)⁸ identified in the contract) and procurement personnel at agencies. For example, in addition to an OCP CO, two of the contracts identify an OCP CA⁹ who:

is responsible for general administration of the contract and advising the Contracting Officer as to the Contractor's compliance or noncompliance with the contract. In addition, the CA is responsible for day to day monitoring and supervision of the contract, of [sic] ensuring that the work conforms to the requirements of this contract and such other responsibilities and authorities as may be specified in the contract. **The agency CA for this contract will be determined at the time of issuance of task or delivery orders.** [Emphasis included.]

Based on our review of documentation and interviews with OCP personnel, we concluded there is no clear assignment of duties between OCP personnel and procurement personnel at the agencies. OCP COs reported they would only become involved in contract administration if a District agency has a problem with a contractor and requests OCP's assistance. Otherwise, OCP COs are unaware of how contractors perform and are not involved in contract oversight.

⁸ We note that the three contracts under review use the terminology "Contracting Administrator (CA)" rather than "Contract Administrator."

⁹ The third contract assigns these same responsibilities to an OCP "Contracting Officer's Technical Representative (COTR), a term since replaced by Contracting (or Contract) Administrator.

Both the OCP CA and the agency CAs receive the same CA Delegation Letter; however, OCP stated that the two roles have different responsibilities. OCP told us that its CA performs a 90-day, 180-day, and end-of-year evaluation on each contractor using e-Val,¹⁰ which an OCP CO reviews and approves. With regard to agencies' oversight, OCP's standard CA Delegation Memorandum states that a CA must evaluate a contractor's performance every 30 days via e-Val; OCP personnel told us that although agency CAs are responsible for completing contractor evaluations every 30 days, they do not know whether agencies routinely complete them. Our sense from interviews is that District agencies provide little information to OCP regarding contractors' performance. Without periodic communication between OCP and procurement personnel at District agencies, OCP COs lack insight about contractor performance that is necessary to decide whether to exercise a contract option year.

Another example of a responsibility that is not clearly assigned is the monitoring of contractors' compliance with the First Source Employment Agreement, 51% District Residents New Hires¹¹ requirement. *DCSS Terms and Conditions*, Section 20(e), states: "With the submission of the Contractor's final request for payment from the District, the Contractor shall ... [d]ocument in a report to the Contracting Officer its compliance" with the hiring requirement. It is unclear, however, whether responsibility for compliance rests with OCP's CO or the CO at an agency. Given that numerous agencies issue task orders during a 5-year contract period, it is also unclear what constitutes the Contractor's "final request for payment from the District," and as such, when compliance with the hiring requirement should be verified.

The OIG is concerned that no District entity is monitoring compliance with the hiring requirement. Contractors' non-compliance with District hiring requirements denies District residents employment opportunities and impacts the local economy.¹² *DCSS Terms and Conditions*, Section 20(c), states the contractor shall submit monthly compliance reports to DOES verifying its First Source Agreement compliance for the preceding month; however, these reports are not currently shared with OCP.¹³ OCP also stated responsibility for reporting the contractor's noncompliance rests with the agencies. Because the OCP CO enters TSS contracts on behalf of the District, and is the only person who may issue an order, directive, or request to

¹⁰ e-Val is OCP's system for contractor performance evaluations.

¹¹ *DCSS Terms and Conditions*, Section 20(d) states: "If the contract amount is equal to or greater than \$100,000, the Contractor agrees that 51% of the new employees hired for the Contract shall be District residents." (The OIG assumes the stipulation intends to say "at least 51%.")

¹² During a 2010 audit of the Office of the Chief Technology Officer (08-2-06TO)(a)), the OIG found that hiring compliance reviews were not conducted due to a lack of detailed guidance and assigned responsibility. The OIG concluded that contractor's non-compliant hiring practices resulted in nearly \$2.1 million lost to the District's economy during fiscal years (FY) 2007 and 2008. D.C. OFFICE OF THE INSPECTOR GENERAL, AUDIT OF THE CONTRACTING ACTIONS AT THE OFFICE OF THE CHIEF TECHNOLOGY OFFICER 14 (OIG No. 08-2-06TO(a) Sept. 15, 2010).

¹³ During a 2010 audit of the Office of the Chief Technology Officer (08-2-06TO)(a), OCP and DOES agreed that the mechanism for sharing First Source Employment Agreement contractor compliance information was inadequate and that the agencies had initiated discussions on how to improve the flow of information. D.C. OFFICE OF THE INSPECTOR GENERAL, AUDIT OF THE CONTRACTING ACTIONS AT THE OFFICE OF THE CHIEF TECHNOLOGY OFFICER 25 (OIG No. 08-2-06TO(a) Sept. 15, 2010).

the contractor, the OIG believes that OCP is best positioned to assess contractor compliance and impose fines or sanctions for noncompliance, if necessary.¹⁴

Recommendations: Therefore, we recommend that OCP:

- (1) Update the *DCSS Terms and Conditions* (Feb. 2010) and insert language in all new TSS contracts to (a) clearly define all contract oversight processes, including but not limited to, contractor evaluation and compliance with the 51% District Residents New Hires requirement, and (b) assign specific responsibilities to OCP personnel and District agency procurement personnel who issue task orders under TSS contracts.

Agree _____ Disagree X

OCP's February 2018 Response to Recommendation 1, As Received:¹⁵ *D.C. statute and the DCMR clearly define the roles and responsibilities of the CO.*

Further, Page 11, Section 4.7 of the Temporary Support Services (TSS) contract clearly outlines the responsibility of the CA; and provides that the CO will assign the CA at the task order level, when awarded. And, Section 4 of the DCSS Terms and Conditions for 2010 clearly delineates ordering procedures for District COs.

To ensure clarity Districtwide however, OCP will further promulgate its current DCSS procedures and processes to District Contracting Officers (COs) and Ordering Officials.

- (2) Implement a process through which OCP, prior to exercising an option year, requests information from DOES regarding a contractor's compliance with the 51% District Residents New Hire requirement.

Agree _____ Disagree X

OCP's February 2018 Response to Recommendation 2, As Received: *Currently, OCP achieves verification of compliance with First Source Employment Agreement Act of 1984 prior to exercising an option year contract, via the Bidder-Offendor Certification Form submitted by the contractor to the CO. Section 20 of the DCSS Terms & Conditions (T&C) defines the requirements for First Source compliance. Specifically, Section 20(c) requires the contractor to submit a compliance report to the Department of Employment Services (DOES) each month; and Section 20(e) requires the contractor, when submitting the final request for payment, to document their compliance in a report to the CO.*

In accordance with District statute, DOES, not OCP, has responsibility for management of, and compliance with the First Source Act after a contract has been awarded. In addition to the Bidder-Offendor Certification, if DOES informs OCP of a contractor's non-compliance with the First Source Agreement, the CO would address this through the

¹⁴ *DCSS Terms and Conditions*, Section 20(h) provides that willful breach of the agreement may result in monetary fines of 5 percent of the total amount of labor costs under the contract.

¹⁵ The full text of OCP's February 2018 response to the revised draft report is found in Appendix E.

contract “cure” process, up to and including canceling the contract.

OCP DOES NOT HAVE AN EFFICIENT PROCESS FOR VERIFYING COMPLIANCE WITH DCSS QUARTERLY REPORTING AND 1 PERCENT SALES DISCOUNT REQUIREMENTS

Contractors must submit a sales report to OCP every quarter. Specifically, *DCSS Terms and Conditions*, Section 2 requires the contractor to:

furnish a quarterly report itemizing the dollar value of all sales under the award during the preceding 3-month period, to include any partial month, by District Agency. The dollar value of a sale is the price invoiced by the Contractor to the customer for products or services received on a DCSS contract, as recorded by the Contractor. The report is due within 30 days following the completion of the reporting period.

The report must include the following information:

- Jurisdiction
- Agency Name
- DCSS Contract Number
- Task or Delivery Order Number
- Order Date
- Total Order Amount for Each Agency
- Total Dollars for the Quarter[.]

In addition to the quarterly reports, contractors are required to give the District a discount. The *DCSS Terms and Conditions* states:

Contractors shall remit, as a discount on sales, one percent (1%) of all sales Purchase Orders..., Delivery Orders..., Task Orders..., and purchase card transactions to the District of Columbia on a quarterly basis. The amount due shall be paid by check, made payable to the DC Treasurer and delivered with each quarterly sales report to the DCSS Contracting Officer.... Failure to comply... may result in suspension or termination of your DCSS contract.

The contracts we evaluated reiterate the 1 percent fee and quarterly report requirements, and that failure to submit the quarterly sales report may be cause for termination or not exercising an option year.

Based on our initial analysis of the contracts and *DCSS Terms and Conditions*, we anticipated using information contained in the contractors’ quarterly reports to analyze District agencies’ usage of TSS and whether contractors approach or exceed their annual ceilings. The quarterly

sales reports that we received from OCP, however, often failed to reference specific contract numbers and order dates (see Appendix D for an example of a quarterly sales report).

OCP developed its reporting process out of a desire to work with contractors to increase compliance. OCP's Temporary Support Services Contract CA said that OCP started providing information to vendors for their quarterly reports because of instances where vendors were unsure of their sales discount due, and OCP was receiving payments that were not clearly documented. However, to accommodate the contractors, OCP administers cumbersome, manual processes to compile and provide information that the staffing services contractors use to calculate and remit payment of their 1 percent sales discounts. OCP relies primarily on reports from the District's Procurement Automated Support System (PASS), but PASS does not have the capability to easily produce all quarterly report information required by the *DCSS Terms and Conditions* and contracts. The fundamental problem is that PASS does not have the capability to produce a report that details all procurement activities associated with a specific contract number.

Lack of fundamental information in quarterly sales reports and an inability to query and sort information in PASS by DCSS contract numbers prevent OCP, as well as District oversight entities such as the OIG, the D.C. Auditor, and the D.C. Council, from answering questions about which agencies are procuring TSS, how often, and at what cost.¹⁶ Further, with the lack of fundamental information, OCP does not have adequate assurance that the District is receiving all quarterly remittances owed by contractors.

Recommendation: Therefore, we recommend that OCP:

- (3) Require contractors to submit quarterly sales reports that contain all information required by the terms of their contracts; establish a process for timely addressing contractors' non-compliance with reporting requirements; and implement a mechanism for verifying information presented in contractors' quarterly reports to confirm their sales discount payments are accurate.

Agree _____ Disagree X

OCP's February 2018 Response to Recommendation 3, As Received: *OCP agrees that the process is manually intense and not efficient, however, the recommendation noted reflects our current processes, which OCP will continue. To reiterate, when a DCSS contract is awarded, the DCSS Terms and Conditions clearly specify the suppliers reporting obligations.*

¹⁶ A previous report by the OIG's Audit Unit found similar failures to obtain and review quarterly reports for accuracy and timeliness and reconcile transactions against quarterly reports—a condition that resulted in a loss of \$669,787 in DCSS-related revenues in FY 2013. D.C. OFFICE OF THE INSPECTOR GENERAL, AUDIT OF THE DISTRICT OF COLUMBIA SUPPLY SCHEDULE DISCOUNT REVENUE 2 (OIG Project No. 13-1-19PO Mar. 4, 2016).

OCP recognizes that the current process is labor intensive, due to the technical limitations of our present system. Further improvements to the system, as part of OCP's planned upgrades to PASS, will lead to improved processes.

In light of the OIG's recommendation, it is obvious that the process of invoicing, collecting and accounting for DCSS rebate revenue is an Accounts Receivable and cash collection function, and would be more appropriately managed by the OCFO, not OCP.

OCP DOES NOT HAVE AN EFFICIENT PROCESS TO ACCURATELY CAPTURE DCSS CONTRACTOR BILLING DATA

As mentioned in the previous finding, OCP administers manual processes to produce reports for the temporary staffing services contractors. OCP relies on this same combination of PASS reports and employees' manual review and analysis of information to determine how much each contractor has billed under its TSS contract. This process consists of running task order/purchase order reports by vendor name, which yield results for all orders associated with the vendor. To isolate TSS contract data, the CA must manually exclude, based on his or her knowledge of the contract and any descriptions included with each task/purchase order, procurements related to other DCSS contracts. The process depends heavily on OCP personnel's familiarity with other contracts a contractor may have on the DCSS and their ability to discern information applicable to a specific contract.

We found that information in PASS was not formatted and detailed enough for a thorough analysis. For instance, we reviewed a task order report from PASS provided by OCP and found two primary problems with the information: (1) none of the task orders referenced a TSS contract number (a contract number is important because staffing vendors often have more than one contract on the DCSS); and (2) position titles in the report often did not match position titles in the contract. Because of the lack of information and the inconsistencies, the OIG could not confidently analyze activities against the contracts, including identifying which agencies had used TSS, the length of time an agency procured services, and the amount billed.

OCP leadership described an additional method of generating reports from PASS that links task and purchase orders to specific DCSS contracts. However, if an agency CO does not enter all necessary information, PASS will not provide complete and accurate contract billing reports.

An inability to produce reliable contract reports through either of the methods described by OCP means that OCP and other oversight entities cannot effectively monitor NTE ceiling amounts of contracts, or detect potential fraud or abuse of TSS contracts.¹⁷

¹⁷ OCP reported that a previous system, Central Contract Tracking System (CCTS), alerted the CO when a contract was nearing its NTE ceiling limit; however, OCP has not implemented such capability in PASS. Additionally, a previous OIG audit report (see FN 12) shows that OCP stated that it was implementing PASS modules that would provide reports on the awards of TOs; however, this feature has not been implemented.

Recommendations: Therefore, we recommend that OCP:

- (4) Create a capability in PASS that (a) reliably links task orders/purchase orders to a specific contract number, and (b) allows authorized PASS users, including OCP DCSS staff, to generate reports that summarize all procurement activity under a specific contract.

Agree with (a) Disagree with (b)

OCP's February 2018 Response to Recommendation 4, As Received: *OCP agrees with (4a), but without technological improvements to PASS, as referenced in our response to recommendation #3, we do not have the technical capability to collect the "meta-data" that would be needed for very specific analyses; such as purchases by line item, by agency, by Task Order, and by supplier, within the PASS system.*

While PASS is technically capable of linking a task order to a base contract, the current system, as designed, is not yet configured to allow this.

OCP partially agrees with 4(b). PASS already provides this functionality; which we use to determine the 1% rebate amount for each DCSS contract. However, due to technical constraints, this particular reporting approach is not accessible. The improvements to PASS that are sought by OCP – if funded – will allow for this functionality. The contemplated upgrade to our system will provide better data capture and more robust reporting. This upgraded system is planned for 2020.

CONCLUSION

The information contained in the contractors' quarterly reports was incomplete and the OIG could not use it to analyze District agencies' usage of temporary staffing services and whether contractors approach or exceed their annual ceilings. The OIG believes that OCP should revise written guidance and implement changes to PASS that together would lead to more effective administration and transparent oversight of District agencies' procurement of TSS.

Contract administration functions are poorly defined in both the contracts and the *DCSS Terms and Conditions*. As OCP contracting officers and contracting administrators, as well as procurement personnel at agencies, are involved in overseeing temporary staffing services contractors, it is important that both the contracts and the *DCSS Terms and Conditions* explicitly assign oversight duties. Otherwise, there is no assurance that vendors are complying with key terms, such as the 51% District Residents New Hires requirement, sales discounts, and annual billing ceilings. Improvements to PASS capabilities (e.g., the ability to easily query all activity against a specific contract) would allow OCP and other District oversight entities to monitor District agencies' use of TSS and to identify potential fraud in the procurement process, such as overbilling. Until improvements to PASS are realized, OCP should enforce quarterly reporting requirements so that it can more effectively track procurement activities against specific TSS contracts.

APPENDIX A. OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this inspection were to: (1) assess the District’s supply schedule contracts with three staffing services contractors to ascertain whether there are any terms or conditions that are unfavorable to the District or conflict with best practices or applicable criteria; (2) determine whether OCP and those agencies that receive services through these contracts maintain proper oversight of deliverables and the implementation of key contract terms; and (3) identify recommendations for strengthening the effectiveness and sufficiency of the contracts.

The scope of this inspection includes Temporary Support Contracts under the DCSS for All-U-Need Temporary Services (Contract #CW36523), The Coles Group, L.L.C. (Contract #CW45729), and Midtown Personnel, Inc. (Contract #CW28635).

We conducted interviews of OCP staff and observations, including PASS features for producing reports and OCP’s internal electronic system for storing contract documents. We also reviewed and analyzed several reports, including electronic Excel worksheets that OCP generated for The Coles Group and Midtown Personnel; and hardcopy quarterly reports from the three contractors.

Our evaluation was conducted in accordance with standards established by the Council of the Inspectors General on Integrity and Efficiency. As a matter of standard practice, our inspections pay particular attention to the quality of internal control.¹⁸

¹⁸ “Internal control” is defined by the U.S. Government Accountability Office (GAO) as comprising “the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity” and is not one event, but a series of actions that occur throughout an entity’s operations. Furthermore, internal control is a process that provides reasonable assurance that the objectives of an entity will be achieved, serves as the first line of defense in safeguarding assets, and is an integral part of the operational processes management uses to guide its operations. U.S. GOVERNMENT ACCOUNTABILITY OFFICE, STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT 5-6, GAO-14-704G (Sept. 2014).

APPENDIX B. ACRONYMS AND ABBREVIATIONS

CA	Contract Administrator
CO	Contracting Officer
DCSS	District of Columbia Supply Schedule
IDIQ	Indefinite Delivery/Indefinite Quantity
OCP	Office of Contracting and Procurement
OIG	Office of Inspector General
NTE	Not To Exceed
PASS	Procurement Automated Support System
TSS	Temporary Support Services

APPENDIX C. OCCUPATIONAL CATEGORIES IN DCSS TEMPORARY SUPPORT SERVICES CONTRACTS

Administrative Support and Clerical Occupations

Administrative Clerk, Accounting Clerk I-IV, Court Reporter, Motor Vehicle Dispatcher, Document Preparation Clerk, Messenger (Courier), Duplicating Machine Operator, Film/Tape Librarian, General Clerk I-IV, Housing Referral Assistant, Key Entry Operator I-II, Order Clerk I-II, Personnel Assistant (Employment) I-IV, Production Control Clerk, Rental Clerk, Secretary I- thru V, Service Order Dispatcher, Stenographer I-II, Switchboard Operator-Receptionist, Test Examiner, Test Proctor, Travel Clerk I-III, Word Processor I-III, Maintenance Scheduler, Survey Worker (Interviewer)

Technical and Professional Occupations

Cartographic Technician, Computer Based Training (CBT), Specialist/Instructor, Civil Engineering Technician, Drafter I-IV, Engineering Technician I-VI, Environmental Technician, Graphic Artist (Designer), Paralegal/Legal Assistant I-IV, Instructor, Laboratory Technician (Laboratory Tester), Technical Writer, Attorney

APPENDIX D. SAMPLE QUARTERLY REPORT

DC SUPPLY SCHEDULE QUARTERLY SALES REPORT FORM						
PLEASE DO NOT DUPLICATE OR ALTER THIS FORM						
Contractor Name						
Submission Date		02/26/2016				
Quarter Ending Date		12/31/2015				
<p>In accordance with the terms and conditions of your DC Supply Schedule (DCSS) Contract, you are required to submit the following information for all DCSS sales (including Purchase Card Sales) for the current quarter:</p> <p><input type="checkbox"/> Quarterly Sales Report (Even if there are no recorded sales, you are still required to submit a Quarterly Sales Report reflecting "No Sales."). Please EMAIL this report to: dcssgroup@dc.gov.</p> <p><input type="checkbox"/> Check for 1% of the total invoiced sales (if applicable). All checks must be made payable to the "DC TREASURER" and hand delivered or mailed to D.C. Office of Contracting and Procurement, Attn: DCSS Contracting Officer, 441-4th Street, N.W., Suite 700 S Washington, DC 20001. Please indicate on your check the quarter ending date.</p>						
AGENCY NAME	DCSS CONTRACT NUMBER	PURCHASE ORDER NUMBER	ORDER DATE (XX/XX/XXXX)	TOTAL ORDER AMOUNT (\$)	TOTAL AMOUNT INVOICED (\$ for this quarter)	1% OF TOTAL AMOUNT INVOICED
KGO		529516			\$7,196.80	\$ 71.97
RLO		529799			\$12,377.16	\$ 123.77
AMO		530588			\$17,377.36	\$ 173.77
ATO		510760-V2			\$37,913.96	\$ 379.14
AMO		530858			\$63,429.07	\$ 634.29
AMO		530860			\$12,017.43	\$ 120.17
ATO		531123			\$91,512.06	\$ 915.12
AMO		531173			\$64,887.73	\$ 648.88
ATO		531174			\$26,301.41	\$ 263.01
ATO		517991-V2			\$40,305.90	\$ 403.06
GDO		528811			\$8,196.24	\$ 81.96
ATO		512349-V2			\$4,961.46	\$ 49.61
ATO		515038-V4			\$143,424.46	\$ 1,434.24
JZ2		531376			\$76,517.62	\$ 765.18
JZ2		531378			\$41,022.24	\$ 410.22
TCO		531377			\$13,692.00	\$ 136.92
AMO		531952			\$556.89	\$ 5.57
AMO		533148			\$49,630.19	\$ 496.30
AMO		533492			\$11,266.64	\$ 112.67
CRO		533922			\$99,855.43	\$ 998.55
ATO		534216			\$2,417.69	\$ 24.18
JZD		534205			\$7,124.74	\$ 71.25
				\$0.00	\$833,864.48	\$8,338.63

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APPENDIX D. SAMPLE QUARTERLY REPORT

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APPENDIX E. OCP RESPONSE TO DRAFT REPORT

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF CONTRACTING AND PROCUREMENT



OFFICE OF THE DIRECTOR

February 5, 2018

The Honorable Daniel W. Lucas
Inspector General
Office of the Inspector General
717 14th St, N.W.
Washington, DC 20005

Re: Draft Report; OIG Project No. 17-1-HT; Office of Contracting and Procurement
Inspection of the D.C. Supply Schedule, Selected Temporary Support Services Contracts

Dear Inspector General Lucas:

Thank you again for the opportunity to review the revised draft inspection report and provide our response. We appreciate the effort of the OIG, along with the skills and insight of its staff, to improve District of Columbia Supply Schedule (DCSS) operations. The entire leadership of the OCP, to include the Chief Contracting Officer for Government Operations looks forward to working with you to improve oversight and efficiency of DCSS and simplified acquisitions contracting.

Before addressing the specific recommendations of the OIG, we want to clarify and outline OCP's position, and address certain OIG's observations that form the premise for its recommendations.

OIG Narrative – Highlights Page:

“As a result, no District entity has an adequate understanding of procurement activities for TSS, such as which agencies procure such services, their value and duration, and whether a staffing services contractor has billed the District in excess of its contract's annual ceiling.”

OCP Comment to the Narrative:

OCP has a clear and firm understanding of TSS and DCSS requirements, but should further promulgate ordering instructions to all District Contracting Officers to ensure consistency.

APPENDIX E. OCP RESPONSE TO DRAFT REPORT

As contracts – and task orders are not authored and awarded directly within PASS, there is not, at the present time, a systematic way to evaluate and understand which agencies procured TSS and what staffing needs they addressed, the typical duration and their value. However, there is a manual process to capture this information.

OIG Narrative – Background Page (paragraph 3):

“To procure temporary staffing services through one of the contracts, a District agency’s procurement staff executes a task order directly with the contractor.”

OCP Comment to the Narrative:

OCP awards and administers DCSS contracts. A District, warranted Contracting Officer (CO) places orders against awarded DCSS contract. OCP is responsible for the overall administration of the underlying contract, to include the 1% rebate program (see below). The CO who places the order is responsible for designating a Contract Administrator (CA) at the time they place the order, and to monitor the contractors performance in fulfilling the requirements in the order. Accordingly, there is a lawful, procedural and operational distinction between contract oversight at the contract and task order levels.

OIG Narrative – Background Page (paragraph 3):

“OCP’s role is to charge and collect a 1 percent fee from the contractor on “all sales, purchase orders, delivery orders, task orders, and purchase card transactions made under contracts awarded to contractors under the DCSS.”

OCP Comment to the Narrative:

Part of the administration of the DCSS includes OCP charging and collecting a 1 % fee from the contractor on “all sales, purchase orders, delivery orders, task orders, and purchase card transactions made under contracts awarded to contractors under the DCSS.

OIG Narrative – Findings Section, Page 2 (last paragraph)

“Otherwise, OCP COs are unaware of how contractors perform and are not involved in contract oversight.”

OCP Comment to the Narrative:

Under the DCMR, before they can make award a contract, order or exercise a contract option, CO’s are required to ensure that the contractor; DCSS or otherwise, is “responsible”, an element of which is that the contractor has a satisfactory record of performance. In making such a determination the CO is required to evaluate the performance of the contractor, using a variety of resources (such as “E-Val”) and methods; to include formal and informal information provided by the ordering CO’s and order-level Contract Administrators.

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APPENDIX E. OCP RESPONSE TO DRAFT REPORT

Our response to each finding and related recommendation is forwarded below for your consideration.

OIG FINDING: DCSS TERMS AND CONDITIONS AND CONTRACT LANGUAGE DO NOT CLEARLY IDENTIFY AND DEFINE OVERSIGHT ROLES AND RESPONSIBILITIES

OIG Recommendation 1:

- (1) Update the *DCSS Terms and Conditions* (Feb. 2010) and insert language in all new TSS contracts to (a) clearly define all contract oversight processes, including but not limited to, contractor evaluation and compliance with the 51% District Residents New Hires requirement, and (b) assign specific responsibilities to OCP personnel and District agency procurement personnel who issue task orders under TSS contracts.

Agree _____ Disagree X

OCP Response to Recommendation 1

D.C. statute and the DCMR clearly define the roles and responsibilities of the CO.

Further, Page 11, Section 4.7 of the Temporary Support Services (TSS) contract clearly outlines the responsibility of the CA; and provides that the CO will assign the CA at the task order level, when awarded. And, Section 4 of the DCSS Terms and Conditions for 2010 clearly delineates ordering procedures for District COs.

To ensure clarity Districtwide however, OCP will further promulgate its current DCSS procedures and processes to District Contracting Officers (COs) and Ordering Officials.

OIG Recommendation 2:

- (2) Implement a process through which OCP, prior to exercising an option year, requests information from DOES regarding a contractor's compliance with the 51% District Residents New Hire requirement.

Agree _____ Disagree X

OCP Response to Recommendation 2:

Currently, OCP achieves verification of compliance with First Source Employment Agreement Act of 1984 prior to exercising an option year contract, via the Bidder-Officer Certification Form submitted by the contractor to the CO. Section 20 of the DCSS Terms & Conditions (T&C) defines the requirements for First Source compliance. Specifically, Section 20(c) requires the contractor to submit a compliance report to the Department of Employment Services (DOES) each month; and Section

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APPENDIX E. OCP RESPONSE TO DRAFT REPORT

20(e) requires the contractor, when submitting the final request for payment, to document their compliance in a report to the CO.

In accordance with District statute, DOES, not OCP, has responsibility for management of, and compliance with the First Source Act after a contract has been awarded. In addition to the Bidder-Offeror Certification, if DOES informs OCP of a contractor's non-compliance with the First Source Agreement, the CO would address this through the contract "cure" process, up to and including canceling the contract.

OIG FINDING: OCP DOES NOT HAVE AN EFFICIENT PROCESS FOR VERIFYING COMPLIANCE WITH DCSS QUARTERLY REPORTING AND 1 PERCENT SALES DISCOUNT REQUIREMENTS

OIG Recommendation 3:

Require contractors to submit quarterly sales reports that contain all information required by the terms of their contracts; establish a process for timely addressing contractors' non-compliance with reporting requirements; and implement a mechanism for verifying information presented in contractors' quarterly reports to confirm their sales discount payments are accurate.

Agree _____ Disagree X

OCP Response to Recommendation 3:

OCP agrees that the process is manually intense and not efficient, however, the recommendation noted reflects our current processes, which OCP will continue. To reiterate, when a DCSS contract is awarded, the DCSS Terms and Conditions clearly specify the suppliers reporting obligations.

OCP recognizes that the current process is labor intensive, due to the technical limitations of our present system. Further improvements to the system, as part of OCP's planned upgrades to PASS, will lead to improved processes.

In light of the OIG's recommendation, it is obvious that the process of invoicing, collecting and accounting for DCSS rebate revenue is an Accounts Receivable and cash collection function, and would be more appropriately managed by the OCFO, not OCP.

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APPENDIX E. OCP RESPONSE TO DRAFT REPORT

OIG FINDING: OCP DOES NOT HAVE AN EFFICIENT PROCESS TO ACCURATELY CAPTURE DCSS CONTRACTOR BILLING DATA

OIG Recommendation 4:

Create a capability in PASS that (a) reliably links task orders/purchase orders to a specific contract number, and (b) allows authorized PASS users, including OCP DCSS staff to generate reports that summarize all procurement activity under a specific contract.

Agree with (a) Disagree with (b)

OCP Response to Recommendation 4:

OCP agrees with (4a), but without technological improvements to PASS, as referenced in our response to recommendation #3, we do not have the technical capability to collect the “meta-data” that would be needed for very specific analyses; such as purchases by line item, by agency, by Task Order, and by supplier, within the PASS system.

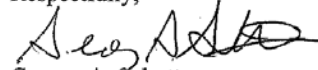
While PASS is technically capable of linking a task order to a base contract, the current system, as designed, is not yet configured to allow this.

OCP partially agrees with 4(b). PASS already provides this functionality; which we use to determine the 1% rebate amount for each DCSS contract. However, due to technical constraints, this particular reporting approach is not accessible. The improvements to PASS that are sought by OCP – if funded – will allow for this functionality. The contemplated upgrade to our system will provide better data capture and more robust reporting. This upgraded system is planned for 2020.

Consistent with the mission of the OIG, OCP looks forward to working with the OIG to ensure, improve and promote the economy, efficiency, effectiveness and accountability for all its operations in order to better-serve the residents and stakeholders of the District of Columbia. We thank you for your collaboration.

Please contact me if you require additional information.

Respectfully,



George A. Schutter
Chief Procurement Officer