

DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

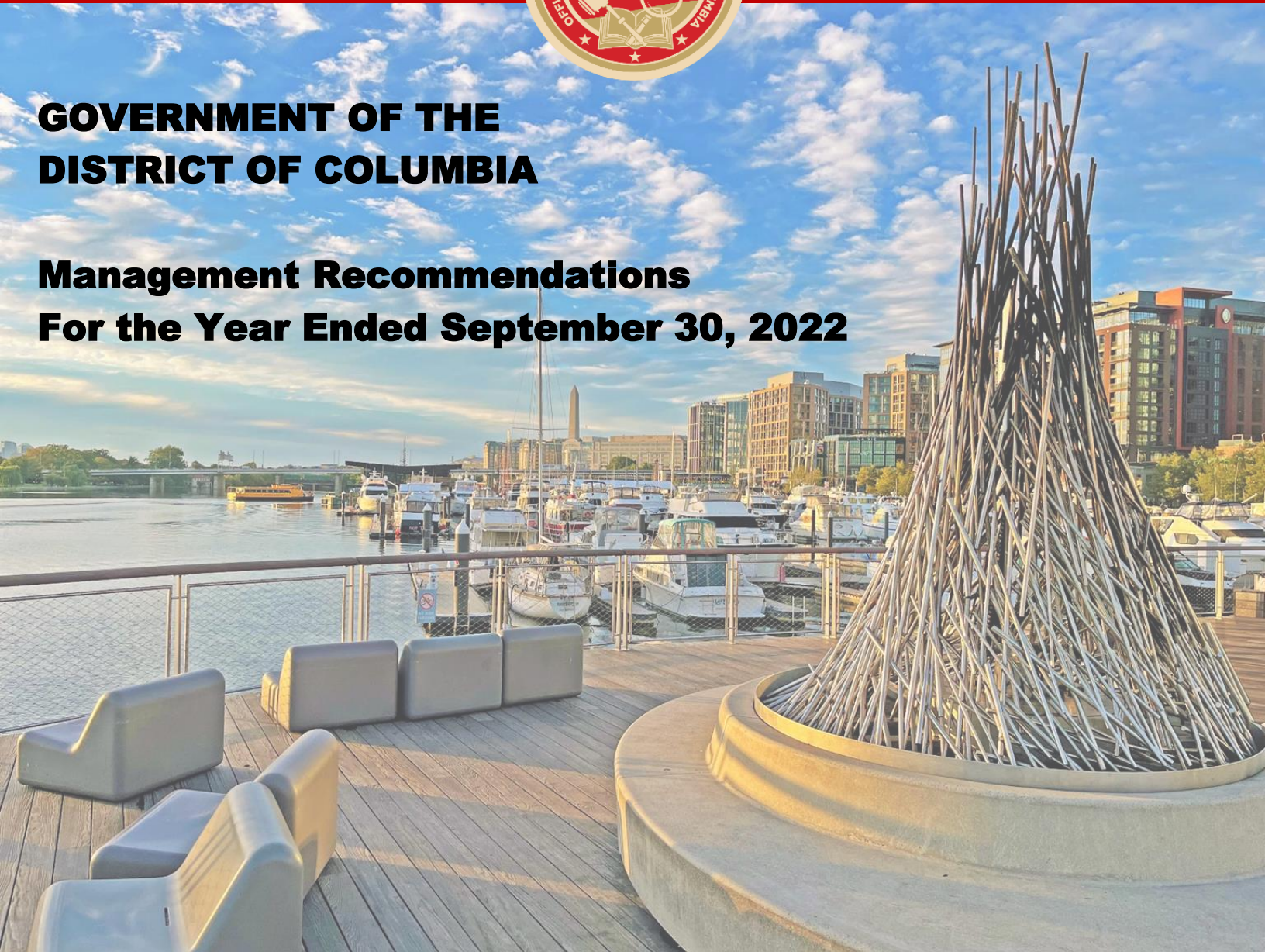
OIG Project No. 22-1-26MA(a)

January 2023



GOVERNMENT OF THE DISTRICT OF COLUMBIA

Management Recommendations For the Year Ended September 30, 2022



GUIDING PRINCIPLES

*ACCOUNTABILITY * INTEGRITY * PROFESSIONALISM
TRANSPARENCY * CONTINUOUS IMPROVEMENT * EXCELLENCE*

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

Accountability * Integrity * Professionalism
Transparency * Continuous Improvement * Excellence



GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



January 31, 2023

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

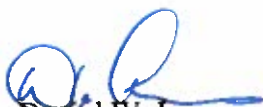
Dear Mayor Bowser and Chairman Mendelson:

Enclosed is the final report entitled *Government of the District of Columbia Management Recommendations for the Year Ended September 30, 2022* (OIG No. 22-1-26MA(a)). McConnell Jones, LLP (MJ) submitted this report as part of our overall contract for the audit of the District of Columbia's general-purpose financial statements for fiscal year 2022.

On January 24, 2023, MJ issued 34 recommendations intended to improve the effectiveness of internal controls over the District operations and programs. When addressed, these improvements can increase assurances that District agencies run their operations efficiently and effectively, report reliable information about their operations, and comply with applicable laws and regulations. The report also includes four of six prior year management recommendations as open and unresolved.

If you have 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/ws

Enclosure

cc: See Distribution List

DISTRIBUTION:

Mr. Kevin Donahue, City Administrator for the District of Columbia, Office of the City Administrator
Mr. Barry Kreiswirth, General Counsel, Office of the City Administrator, District of Columbia
Mr. Eugene Adams, Director, Mayor's Office of Legal Counsel
Mr. John Falcicchio, Deputy Mayor for Planning and Economic Development and Chief of Staff, Executive Office of the Mayor
The Honorable Kenyan R. McDuffie, Chair Pro Tempore/At-Large Councilmember, Council of the District of Columbia
The Honorable Anita Bonds, At-Large Councilmember, Council of the District of Columbia
The Honorable Christina Henderson, At-Large Councilmember, Council of the District of Columbia
The Honorable Robert C. White, Jr., At-Large Councilmember, Council of the District of Columbia
The Honorable Brianne K. Nadeau, Ward 1 Councilmember, Council of the District of Columbia
The Honorable Brooke Pinto, Ward 2 Councilmember, Council of the District of Columbia
The Honorable Matthew Frumin, Ward 3 Councilmember, Council of the District of Columbia
The Honorable Janeese Lewis George, Ward 4 Councilmember, Council of the District of Columbia
The Honorable Zachary Parker, Ward 5 Councilmember, Council of the District of Columbia
The Honorable Charles Allen, Ward 6 Councilmember, Council of the District of Columbia
The Honorable Vincent C. Gray, Ward 7 Councilmember, Council of the District of Columbia
The Honorable Trayon White, Sr., Ward 8 Councilmember, Council of the District of Columbia
Ms. Susana Castillo, Deputy Director of Communications/Press Secretary, Office of Communications, Executive Office of the Mayor
Ms. Jennifer Reed, Director, Office of Budget and Performance Management, Office of the City Administrator
Ms. Nyasha Smith, Secretary to the Council
The Honorable Brian L. Schwalb, Attorney General for the District of Columbia
Mr. Glen Lee, Chief Financial Officer, Office of the Chief Financial Officer
Mr. Timothy Barry, Executive Director, Office of Integrity and Oversight, Office of the Chief Financial Officer
The Honorable Kathy Patterson, D.C. Auditor, Office of the D.C. Auditor
Mr. Jed Ross, Director and Chief Risk Officer, Office of Risk Management
Mr. Wayne McConnell, Managing Partner, McConnell & Jones LLP

**GOVERNMENT OF
THE DISTRICT OF COLUMBIA**

MANAGEMENT RECOMMENDATIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2022



McConnell Jones

To the Mayor, Members of the Council of the District of Columbia,
Inspector General of the District of Columbia, and
Chief Financial Officer of the District of Columbia

In planning and performing our audit of the financial statements of the Government of the District of Columbia and related entities (the District), as of and for the year ended September 30, 2022, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* as promulgated by the Government Accountability Office (GAO), we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified certain matters involving the internal control and other operational matters, which are summarized below. This letter does not affect our independent auditor's report, or our report issued under *Government Auditing Standards*, dated January 24, 2023, on the financial statements of the District.

We will review the status of these comments during our next audit engagement. Our findings and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We believe that the implementation of these recommendations will provide the District with a stronger system of internal control while also making its operations more efficient. We will review the implementation status of our findings and recommendations during the next audit engagement.

This communication is intended solely for the information and use of management, others within the organization, the Mayor and Members of the Council of the District of Columbia, the Inspector General of the District of Columbia, and the Chief Financial Officer of the District of Columbia and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

Washington, D.C.
January 25, 2023

TABLE OF CONTENTS

I CURRENT YEAR FINDINGS

2022-4	DGS - Controls over Emergency Procurement are not operating effectively.	4
2022-5	OCP - Controls over Emergency Procurement are not operating effectively.	5
2022-6	DHS - Controls over Emergency Procurement P-Card Disbursements are not operating effectively.	6
2022-7	EOM - Controls over Emergency Procurement P-Card Disbursements are not operating effectively.	7
2022-8	DCSAA - Controls over Regular Procurement are not operating effectively.	9
2022-9	EDRC - Controls over Regular Procurement are not operating effectively.	10
2022-10	DCPS - Controls over Emergency Procurement are not operating effectively.	11
2022-11	DOH - Receipts and Acceptance controls over Emergency Procurement P-Cards are not operating effectively.	12
2022-12	DHS - Controls over Emergency Procurement P-Card Disbursements are not operating effectively.	13
2022-13	EOM - Controls over Emergency Procurement P-Card Disbursements are not operating effectively.	15
2022-14	District of Columbia Government – Controls over receipt and acceptance and maintaining procurement documentation continue to need improvement.	17

II PRIOR YEAR FINDINGS

Status of Prior Year Findings and Recommendations	21
---	----



I. CURRENT YEAR FINDINGS

DISTRICT OF COLUMBIA DEPARTMENT OF GENERAL SERVICES (DGS)

Finding 2022-4 – Controls over Emergency Procurement are not operating effectively.

According to the *Procurement Procedures Manual*, the Contract Specialist secures the Contracting Officer's (CO) signature on the contract and approval of the associated requisition in PASS. The CO's approval evidences the availability of funds and the review and authorization of the procurement for the approved amount.¹

Our testing identified an awarded purchase order (PO) to acquire construction services was recorded in an amount greater than the amount approved by the CO in the requisition and contract. After the initial contract award, there was a modification recorded against the PO, and a manual entry error occurred at the time that the obligation was recorded. The obligation amount recorded in the General Ledger (G/L) of \$167,774 exceeded the approved contract award of \$167,764 by \$10. The remaining balance of \$10 was not deobligated when the contract was completed in June 2022.

The excess obligation was recorded due to a human input error, which the review control over the requisition input and over the contract award input into PASS did not identify or prevent prior to recording.

The impact of the excess obligation is that budgeted funds for other acquisitions may not be available due to the overstatement.

Recommendations

1. Ensure that the approvers of the requisitions and contracts are both ensuring that the approved funding amounts and the obligation amounts entered into PASS are correct prior to processing the final approvals of the PO or contract awards. If the amounts are not entered in the exact amount of the supporting contracting documentation, the action should be sent back to the preparer to revise the entry of the obligation amount.
2. Institute a periodic review control during the fiscal year to verify that recorded obligation amounts remain valid. Review obligated amounts to ensure they remain valid and that excess amounts may be identified for deobligation. Obligated amounts that have not had expenditure activity within a reasonable period of time should be considered for review.

Management Response

DGS concurs with the finding. Before issuing a PO, it is standard practice to confirm the amount of the procurement action and amount of the requisition in PASS are the same. It is unfortunate that a human error resulted in the incorrect amount being entered into the G/L. Since the contracts and procurement

¹ The auditors received the Office of Contracting and Procurement (OCP) *Procurement Procedures Manual* from OCP, on July 21, 2022. See OCP Procurement Procedures Manual at 19 and 31, https://ocp.in.dc.gov/sites/default/files/dc/sites/OCP/page_content/attachments/Procurement_Procedures_Manual_%282018_update%29.pdf (last visited Jan. 23, 2023).



staff do not have access to the general ledger, we would not be aware of such an error. Controls to identify the error would likely be discovered during the financial closeout of the project or the OCFO fiscal year-end review.

OFFICE OF CONTRACTING AND PROCUREMENT (OCP)

Finding 2022-5 – Controls over Emergency Procurement are not operating effectively.

According to DC Official Code Section 7-2304(b), as enacted by the COVID-19 Response Emergency Act of 2020,² a summary of each emergency procurement (EP) entered during a period for which a public health emergency is declared shall be provided to the City Council no later than 7 days after the contract is awarded. Such a summary shall include a description of the goods or services procured; the source selection method; the award amount; and the name of the awardee.

Our testing identified two emergency procurements which the City Council was not notified of within seven days after award. One of the transactions noted as an exception was a procurement of health and COVID-related services in the amount of \$135,657 and the other transaction was for health and safety contact investigation services for \$6,030,783.

The failure to notify the City Council of the two EP awards within seven days was due to OCP management not performing a review of the list of awards and ensuring its completeness prior to submission to City Council.

The failure to notify City Council is a violation of D.C. Code, and it prevents the Council from exercising its oversight responsibilities as required by law.

Recommendations

3. OCP needs to improve the controls put in place to ensure that the City Council is receiving the requisite notifications for all emergency procurements within the mandated seven-day period.
4. A listing should be prepared and compared to all procurement awards made, and there should be evidence of this control being performed. A responsible official should be tasked to verify and document the awards and indicate through approval that all noted actions were authorized and the listing is complete for the designated period.

Management Response

OCP concurs with the finding and will improve the current process to ensure that City Council is notified of the new contracts within 7 days of execution.

² D.C. Code [§ 7-2304. Issuance of emergency executive order; contents; actions of Mayor after issuance. | D.C. Law Library \(dccouncil.gov\)](#), (last visited Oct. 30, 2022).



DISTRICT OF COLUMBIA DEPARTMENT OF HUMAN SERVICES (DHS)

Finding 2022-6 – Controls over Emergency Procurement P-Card Disbursements are not operating effectively.

According to Section 1706.2(d) of the Quick Payment Act of 1984 implementing regulations, District agencies must prepare a proper receiving report, which includes the date that the property or service was delivered.³ Also, the Purchase Card Program Policy & Procedures Manual issued by OCP requires the Card Holder and Accountable Official to maintain the receipts and use them in the P-Card reconciliation process.⁴

Additionally, the D.C. Municipal Regulations (DCMR), outline the requirements for receiving reports or documentation under 27 DCMR § 1706.2. Under this section, the employee who receives the goods or services acquired, in this case the Contract Administrator (CA), is responsible to prepare a receiving report or document that contains the contract number, date of and description of the delivery or performance, the quantity, their signature, their printed name, title, telephone number, and mailing address.⁵

Our testing identified four payments that had signatures which were meant to signify “OK to pay,” which we could not read. The “OK to Pay” was legible, but the name of the contact administrator was not. The signer did not clearly sign their name or initials such that anyone could determine if they were the appropriate party to make the approval. We were able to obtain the name of the designated CA from the respective contracts. Upon inquiry, the CA identified in the contract was the Deputy Operations Section Chief for the Human Services Branch, and she confirmed that it was her signature on the four purchase card (P-Card) receipts. She was trying to sign in a way that could not be forged. Unfortunately, it could not be used to identify her during our audit procedures, and she did not indicate a date of actual receipt. DHS did not maintain listings of the CA names matched to their respective signatures and initials.

Three of these transactions were for hotel charges incurred to house un-homed people during the pandemic with an aggregate value of \$2,263,214. The fourth transaction was for professional cleaning services in the amount of \$461,811.

The CA did not prepare a receiving report or similar documentation. She signed the invoice, but did not date it and her signature was illegible. The CA stated she did this in an effort to protect against the misuse of her signature. The lack of a receipt date was due to human error.

The illegible signatures make it difficult to ensure accountability and proper authorization to approve disbursements on behalf of the District, which could result in improper payments and overstatement of liabilities and expenses.

³ [D.C. Law 5-164, District of Columbia Government Quick Payment Act of 1984](#), | [D.C. Law Library \(dcouncil.gov\)](#) (codified as amended at D.C. Code §§ 2-221.01 – 221.06), (last visited Oct. 30, 2022).

⁴ OFFICE OF CONTRACTING & PROCUREMENT, *PURCHASE CARD PROGRAM POLICY & PROCEDURES*, OCP POLICY NO. 9000.02, Part IV, ¶ A.2.a (Sept. 2, 2014). The *Purchase Card Program Policy & Procedures* issued by OCP on September 2, 2014 was provided to the auditors during the FY 2020 Audit of the D.C. Government.

⁵ 1 DCMR §§ 1700 – 1799, [Search - DCRegs](#), (last visited Oct. 30, 2022).



Recommendations

5. DHS personnel charged with receiving deliveries should indicate their name, preferably their title and organization, and the date of the receipt of goods and/or services. Electronic signature or manual signatures can be used, but they must be legible for the purposes of establishing accountability and preventing improper payments.
6. If manual signatures are to be used, management of the buying activity should maintain a listing of authorized officials and copies of their signatures and initials.
7. Develop and implement a receiving template for P-Card transactions, which should include, but not be limited to, the name and signature of the receiver, the quantity received, the date received, and whether the goods and/or services are accepted and acceptable for purposes of this procurement.

Management Response

DHS concurs with the finding and will follow guidance set forth in the Purchase Card Program Policy & Procedures Manual. The personnel in charge of receiving deliveries will indicate their name, title and organization, and the date of the receipt of goods and/or services. Electronic or manual signatures can be used, but they must be legible for the purpose of establishing accountability and preventing improper payments.

DISTRICT OF COLUMBIA EXECUTIVE OFFICE OF THE MAYOR (EOM)

Finding 2022-7 – Controls over Emergency Procurement P-Card Disbursements are not operating effectively.

According to the Purchase Card Program Policy & Procedures Manual⁶ issued by the Office of Contracting and Procurement, the Card Holder and Accountable Official need to maintain the receipts and use them in the P-Card reconciliation process.

Additionally, the D.C. Municipal Regulations (DCMR), outline the requirements for receiving reports or documentation under 27 DCMR § 1706.2. Under this section, the employee who receives the goods or services acquired, in this case the Contract Administrator (CA), is responsible to prepare a receiving report or document that contains the contract number, date of and description of the delivery or performance, the quantity, their signature, their printed name, title, telephone number, and mailing address.⁷

Furthermore, the DCMR requires agency heads to issue timely payments for proper invoices under 27 DCMR § 1702.⁸

⁶ *Supra* note 4.

⁷ *Supra* note 5.

⁸ *Id.*



Our testing identified one payment that had a signature which was meant to signify “OK to pay,” which we could not read. We could not identify the signer and there was no date of receipt noted on the vendor invoice. This transaction was for professional cleaning services in the amount of \$3,000. The CA signed their name, but it was illegible and we could not determine if they were the appropriate party to approve the transaction. This procurement did not require a contract so we could not obtain the CA’s name from that document. The EOM did not maintain listings of the CA names matched to their respective signatures and initials.

The CA did not prepare a receiving report or similar documentation. She signed the invoice but did not date it and her signature was illegible. The CA stated she did this in an effort to protect against the misuse of her signature. The lack of a receipt date was due to human error.

The illegible signatures make it difficult to ensure accountability and proper authorization to approve disbursements on behalf of the District, which could result in improper payments and overstatement of liabilities and expenses. Furthermore, if the receipt is not prepared and dated in a timely manner, payments to vendors may not be made timely and could cause the District to incur interest penalties, if applicable.

Recommendations

8. The personnel in charge of receiving deliveries should indicate their name, preferably their title and organization, and the date of the receipt of goods and/or services. Electronic signature or manual signatures can be used, but they must be legible for the purpose of establishing accountability and preventing improper payments.
9. If manual signatures are to be used, management of the buying activity should maintain a listing of authorized officials and copies of their signatures and initials.
10. Develop and implement a receiving template for P-Card transactions, which should include, but not be limited to, the name and signature of the receiver, the quantity received, the date received, and whether the goods and/or services are accepted and acceptable for purposes of this procurement.

Management Response

EOM concurs with the finding. They did not provide a response and we will follow up with EOM during the next period.



DISTRICT OF COLUMBIA STATE ATHLETIC ASSOCIATION (DCSAA)

Finding 2022-8 – Controls over Regular Procurement are not operating effectively.

According to the Procurement Procedures Manual, *section 2.4.5 Award*,⁹, if the contract package is less than \$1 million, the Contract Specialist needs to contact the contractor to sign the award or contract form. The Contract Specialist is responsible for securing the CO's signature on the contract and approval of the associated requisition in PASS.

The DCSAA entered into an agreement with Georgetown University (GU) to acquire the use of athletic facilities for the state high school football playoffs. There was an approved contract award within PASS. Additionally, GU provided DCSAA with a separate written rental agreement. This agreement was not authorized or signed by the District or by GU. After conferring with the CA, it was determined that the agreement provided by GU should have been signed by both parties. The agreement may have been mistaken for an attachment to the contract award in PASS, but it should have been executed by both parties. The award amount was \$10,490.

The Contracting Officer failed to ensure that the separate written agreement was executed by both parties prior to the contract approval in PASS.

If the obligation to acquire the use of the athletic fields was not properly approved, it is possible payments could have been made against an unauthorized agreement and/or contrary to the terms and requirements of the agreement and the related contract

Recommendations

11. DCSAA needs to ensure that all contracts entered into PASS are signed by the vendor and the contracting officer. This will ensure the agreement of both parties to the obligations detailed therein.
12. DCSAA should require that the responsible CO and Contract Specialist for the subject procurement re-review the requirements set forth in the Procurement Procedures Manual issued by OCP.

Management Response

DCSAA agreed with the recommendation and will ensure that contracting staff review the procedures manual to ensure oversights such as this do not happen.

⁹ *Supra* note 1 at 31.



ECONOMIC DEVELOPMENT AND REGULATION CLUSTER (EDRC)

Finding 2022-9 – Controls over Regular Procurement are not operating effectively.

According to the Procurement Practices Reform Act of 2010,¹⁰ the contract administrator is required to approve or reject a contractor invoice. Also, Section G.1 Invoice Payment and G.2 Invoice Submittal of the contract award number CW51141 detail the requirements for a proper invoice, its content, and how to submit. Section G.1 on Contract Administration sets the criteria for payment, including submission of a proper invoice with prices stipulated in the contract. Section G.2 outlines the required elements of the invoice, including name, tax ID, invoice date, invoice number, contract number, description of goods/services, price, quantity, date of delivery/performance, as well as contact information for the payee, invoice preparer, and point of contact in the event of a defective invoice. The District must make payments to the contractor upon the submission of proper invoices, at the prices stipulated in the contract.

ERDC approved a service invoice with the incorrect billing rates. The vendor prepared the invoice with two labor categories billed at the Option Year 1 rates, despite the service being performed in Option Year 2. According to audit evidence provided, the approver knew of this error in the bill rates, discussed it with the vendor and approved the invoice. The Option Year 1 rates were lower, so it was an underpayment.

The Contract Administrator failed to reject the improper invoice which did not have the stipulated contract prices for Option Year 2.

The approval of the improper service invoice could result in a misstatement of liabilities and expenses.

Recommendations

13. The District needs to ensure that all invoices are approved using the appropriate and agreed upon contract rates as required by the terms and requirements of awarded contracts. This will ensure that proper payments are being made and minimize any risks of improper payments.
14. ERDC needs to ensure that the invoice approver for the subject transaction review the requirements surrounding the approval of invoices to be paid, including the verification of the appropriate contract pricing.

Management Response

EDRC concurs with the finding. The approval of the original invoice was not consistent with the existing procurement policy. The approver in question has acknowledged the error and has been instructed on the appropriate procedures for only approving invoices which have the correct contract rates. Additional guidance related to the approval of invoices will be provided to agency contract administrators.

¹⁰ Procurement Practices Reform Act of 2010 (PPRA of 2010 or the Act), D.C. Law 18-371, eff. Apr. 8, 2011 (codified as amended at D.C. Code §§ 2-351.01 – 362.03 (2011)). [Chapter 3A. Government Procurement. | D.C. Law Library \(dccouncil.gov\)](#) (last visited Oct. 30, 2022).



DISTRICT OF COLUMBIA PUBLIC SCHOOLS (DCPS)

Finding 2022-10 – Controls over Emergency Procurement are not operating effectively.

According to D.C. Official Code Section 7-2304(b), as enacted by the COVID-19 Response Emergency Act of 2020,¹¹ a summary of each emergency procurement entered into during a period for which a public health emergency is declared shall be provided to the Council no later than 7 days after the contract is awarded. Such a summary shall include a description of the goods or services procured; the source selection method; the award amount; and the name of the awardee.

Our testing identified one emergency procurement transaction of which the City Council was not notified within seven days after award. The subject transaction acquired COVID contact tracing and it was awarded in the amount of \$7,717,398.

The failure to notify City Council of the emergency procurement award within seven days was due to a failure by DCPS management to review and ensure the completeness of the listing prior to submission to City Council.

The failure to notify City Council is a violation of D.C. Code, and it prevents the Council from exercising its oversight responsibilities as required by law.

Recommendations

15. DCPS needs to improve controls put in place to ensure that City Council is receiving the requisite notifications for all emergency procurements within the mandated seven-day period.
16. A listing should be prepared and compared to all procurement awards made, and there should be evidence of this control being performed. A responsible official should be tasked to verify and document the awards and indicate through approval that all noted actions were authorized and the listing is complete for the designated period.

Management Response

DCPS will implement a control to ensure that the City Council receives the requisite notifications for all emergency procurement within the mandated period per any enacted emergency legislation. DCPS will prepare a listing and compare all emergency procurement awards made, and document evidence of this control being performed. A responsible official shall be tasked to verify and document the awards and indicate through a signed checklist that all noted actions were authorized and the listing is complete for the designated period.

¹¹ D.C. Code § 7-2304. [Issuance of emergency executive order; contents; actions of Mayor after issuance. | D.C. Law Library \(dccouncil.gov\)](#), (last visited Oct. 30, 2022).



DISTRICT OF COLUMBIA DEPARTMENT OF HEALTH (DOH)

Finding 2022-11 – Receipts and Acceptance controls over Emergency Procurement P-Cards are not operating effectively.

According to Section 1706.2(d) of the Quick Payment Act of 1984 implementing regulations,¹² agencies are required to prepare a proper receiving report, which includes the date that the property or service was delivered. Additional criteria for the Emergency P- Card Transactions comes from the Purchase Card Program Policy & Procedures Manual¹³ issued by the Office of Contracting and Procurement. The Purchase Card Program Policies and Procedures state the requirements placed upon the Card Holder (CH) and Accountable Official (AO) to maintain the receipts and use them in the P-Cards reconciliation process. According to the section on *Delivery Procedures*, a cardholder can arrange and accept delivery of goods and services ordered using the P-Card. The CH may accept delivery at the Point-of-Sale if the items are in stock, and the CH must get a receipt. The CH or a designated staff member may pick up an order at the merchant's facility. Whichever party picks up the order, he or she should sign as having received the order, and obtain original receipts, packing slips, and/or any other proof of transaction for the CH's records.

Additionally, the D.C. Municipal Regulations (DCMR), outline the requirements for receiving reports or documentation under 27 DCMR § 1706.2. Under this section, the employee who receives the goods or services acquired, in this case the Contract Administrator (CA), is responsible to prepare a receiving report or document that contains the contract number, date of and description of the delivery or performance, the quantity, their signature, their printed name, title, telephone number, and mailing address.¹⁴

Furthermore, the DCMR requires agency heads to issue timely payments for proper invoices under 27 DCMR § 1701.3.¹⁵

This guidance applies to the use of P-Cards in the normal course of business, but there is no documented guidance for the use of the P-Card to specifically make emergency procurement acquisitions.

Our testing identified one transaction where the receipt document was not signed or dated by the program's CA to indicate that the goods or services were delivered or received. Additionally, there was no written indication by the program CA that the transaction was "OK to pay". The selected transaction procured COVID testing services in the amount of \$900,000.

The CA did not prepare a receiving report or similar documentation. The lack of receipt for the emergency purchase card transactions was due to failure of the approval controls over the disbursement and the P-Card reconciliation, as well as recordkeeping.

The failure to maintain receipt support for the P-Card transactions could result in the District paying for goods or services that may not have been received and/or approved. Additionally, the identity of the receiving party is unknown, which makes follow-up on this transaction difficult. This could result

¹² *Supra* note 5.

¹³ *Supra* note 4.

¹⁴ *Supra* note 5.

¹⁵ *Id.*



in an overstatement of liabilities and expenses in the financial statements. Furthermore, if the receipt is not prepared and dated in a timely manner, payments to vendors may not be made timely and could cause the District to incur interest penalties, if applicable.

Recommendations

17. The *Purchase Card Program Policy & Procedures Manual* should be updated to include guidance on the management of Emergency P-Card transactions. Presently, there is no specific section which provides directives on how to manage these transactions.
18. The District should maintain all applicable documentation supporting the procurement of and payment for goods and services procured using emergency procurement processes.
19. Supporting documentation for the receipt of P-Card transactions should be maintained for all acquisitions. In the absence of more direct P-Card guidance for emergency procurements, buying activities should follow the guidance set forth in the *Purchase Card Program Policy & Procedures Manual*. At a minimum, the substance of the receipt should identify the receiving party, the date, what was received, and it should be linked to the subject procurement.
20. District personnel charged with receiving deliveries should comply with the requirements of 27 DCMR § 1706.2 which contains the contract number, date of and description of the delivery or performance, the quantity, their signature, their printed name, title, telephone number, and mailing address. Electronic signature or manual signatures can be used, but they must be legible for purposes of establishing accountability and preventing improper payments. Furthermore, if manual signatures are to be used, management of the buying activity should maintain a listing of authorized officials and copies of their signatures and initials.

Management Response

DOH concurs with the finding. DOH has well established receipt and acceptance protocols over DC Health agency-issued credit cards. The urgency, uniqueness, and critical nature of the COVID-19 response made it neither possible nor practical, given the limitations of agency-issued credit cards, to follow normal operations practice.

DISTRICT OF COLUMBIA DEPARTMENT OF HUMAN SERVICES (DHS)

Finding 2022-12 – Controls over Emergency Procurement P-Cards Disbursements are not operating effectively.

According to Section 1706.2(d) of the Quick Payment Act of 1984 implementing regulations,¹⁶ agencies are required to prepare a proper receiving report, which includes the date that the property or service was delivered. Additional criteria for the Emergency Purchase Card Transactions comes from the Purchase Card Program Policy & Procedures Manual¹⁷ issued by OCP, part II Purchase Card standard of usage: compliance with applicable laws, regulations and directives and part IV, Documentation,

¹⁶ *Supra* note 5.

¹⁷ *Supra* note 4.



Reconciliation, and Payment: purchase card transaction documentation. The Purchase Card Program Policies and Procedures state the requirements for the CH and AO to maintain the receipts and use them in the purchase cards reconciliation process.

Additionally, the D.C. Municipal Regulations (DCMR) outline the requirements for receiving reports or documentation under 27 DCMR § 1706.2. Under this section, the employee who receives the goods or services acquired, in this case the Contract Administrator (CA), is responsible to prepare a receiving report or document that contains the contract number, date of and description of the delivery or performance, the quantity, their signature, their printed name, title, telephone number, and mailing address.¹⁸

Furthermore, the DCMR requires agency heads to issue timely payments for proper invoices under 27 DCMR § 1701.3.¹⁹

This guidance applies to the use of P-Cards in the normal course of business, but there is no documented guidance for the use of the P-Card to specifically make emergency procurement acquisitions.

As part of our testing, we noted that the selected transaction receipt was signed and noted as being approved but was not dated by the CA. The selected transaction procured laundry services in the amount of \$2,623.

The CA did not prepare a receiving report or similar documentation. The lack of receipt for the Emergency P-Card transactions was due to failures in the approval controls over the disbursement and the card reconciliation, as well as recordkeeping.

The failure to maintain receipt support for the P-Card transactions could result in the District paying for goods or services that may not have been received and/or approved. Additionally, the identity of the receiving party is unknown, which makes follow-up on this transaction difficult. This could result in an overstatement of liabilities and expenses in the financial statements. Furthermore, if the receipt is not prepared and dated in a timely manner, payments to vendors may not be made timely and could cause the District to incur interest penalties, if applicable.

Recommendations

21. The *Purchase Card Program Policy & Procedures Manual* should be updated to include guidance on the management of Emergency P-Card transactions. Presently, there is no specific section which provides directives on how to manage these transactions.
22. The District should maintain all applicable documentation supporting the procurement of and payment for goods and services procured using emergency procurement processes.
23. Supporting documentation for the receipt of purchase cards transactions should be maintained for all acquisitions. Buying activities should follow the guidance set forth in the *Purchase Card Program Policy & Procedures Manual*. At a minimum, the substance of the receipt

¹⁸ *Supra* note 5.

¹⁹ *Id.*



should identify the receiving party, the date, what was received, and it should be linked to the subject procurement.

24. District personnel charged with receiving deliveries should comply with the requirements of 27 DCMR 1706.2 which contains the contract number, date of and description of the delivery or performance, the quantity, their signature, their printed name, title, telephone number, and mailing address. Electronic signature or manual signatures can be used, but they must be legible for purposes of establishing accountability and preventing improper payments. Furthermore, if manual signatures are to be used, management of the buying activity should maintain a listing of authorized officials and copies of their signatures and initials.

Management Response

DHS concurs with this finding. Moving forward, DHS will follow guidance set forth in the Purchase Card Program Policy and Procedures Manual. The personnel charged with receiving deliveries will indicate their name, title and organization, and the date of the receipt of goods and/or services. Electronic signature or manual signature can be used, but they must be legible for the purpose of establishing accountability and preventing improper payments. Additionally, DHS will maintain supporting documentation for the purchase and receipt of all purchase cards transactions.

DISTRICT OF COLUMBIA EXECUTIVE OFFICE OF THE MAYOR (EOM)

Finding 2022-13 – Controls over Emergency Procurement P-Cards Disbursements are not operating effectively.

According to Section 1706.2(d) of the Quick Payment Act of 1984 implementing regulations,²⁰ agencies are required to prepare a proper receiving report which includes the date that the property or service was delivered. Additional criteria for the Emergency P-Card Transactions comes from the Purchase Card Program Policy & Procedures Manual²¹ issued by the Office of Contracting and Procurement, part II Purchase Card standard of usage: compliance with applicable laws, regulations and directives and part IV, Documentation, Reconciliation, and Payment: purchase card transaction documentation. The Purchase Card Program Policies and Procedures state the requirements for the CH and AO to maintain the receipts and use them in the purchase cards reconciliation process.

Additionally, the D.C. Municipal Regulations (DCMR) outline the requirements for receiving reports or documentation under 27 DCMR 1706.2. Under this section, the employee who receives the goods or services acquired, in this case the Contract Administrator (CA), is responsible to prepare a receiving report or document that contains the contract number, date of and description of the delivery or performance, the quantity, their signature, their printed name, title, telephone number, and mailing address.²²

²⁰ *Supra* note 5.

²¹ *Supra* note 4.

²² *Supra* note 5.



Furthermore, the DCMR requires agency heads to issue timely payments for proper invoices under 27 DCMR 1701.3.²³

During our testing, we noted a procurement for the EOM, which did not have a receipt that was signed or dated by the CA, and there was no written indication that the transaction was “OK to pay”. The selected transaction procured advertising services in the amount of \$40,000.

The CA did not prepare a receiving report or similar documentation. The lack of receipt for the Emergency P-Card transactions was due to failures of the approval controls over the disbursement and the card reconciliation to operate effectively, as well as not keeping the appropriate record copies of documentation.

The failure to maintain receipt support for the P-Card transactions could result in the District paying for goods or services that may not have been received and/or approved. Additionally, the identity of the receiving party is unknown, which makes follow-up on this transaction difficult. This could result in an overstatement of liabilities and expenses in the financial statements. Furthermore, if the receipt is not prepared and dated in a timely manner, payments to vendors may not be made timely and could cause the District to incur interest penalties, if applicable.

Recommendations

25. The *Purchase Card Program Policy & Procedures Manual* should be updated to include guidance on the management of Emergency P-Card transactions. Presently, there is no specific section which provides directives on how to manage these transactions.
26. The District should maintain all applicable documentation supporting the procurement of and payment for goods and services procured using emergency procurement processes.
27. Supporting documentation for the receipt of P-Card transactions should be maintained for all acquisitions. Buying activities should follow the guidance set forth in the *Purchase Card Program Policy & Procedures Manual*. At a minimum, the substance of the receipt should identify the receiving party, the date, what was received, and it should be linked to the subject procurement.
28. District personnel charged with receiving deliveries should indicate their name, preferably their title and organization, and the date of the receipt of goods and/or services. Electronic signature or manual signatures can be used, but they must be legible for purposes of establishing accountability and preventing improper payments. Furthermore, if manual signatures are to be used, management of the buying activity should maintain a listing of authorized officials and copies of their signatures and initials.

Management Response

EOM, in coordination with OCP, will be providing all EOM P-Card holders with additional training pursuant to the Purchase Card Program Policy & Procedures Manual, issued by OCP. Further, OCP is

²³ *Id.*



examining whether the Manual adequately addresses emergency purchase card transactions, and if appropriate, will work to incorporate a section specifically tailored to Emergency Purchase Card Transactions. These efforts are underway, with an anticipated completion date of no later than September 30, 2023.

DISTRICT OF COLUMBIA GOVERNMENT

Finding 2022-14 – Controls over receipt and acceptance and maintaining procurement documentation continue to need improvement.

The *Procurement Procedures Manual* issued by OCP outlines the requirements for contract award processes and maintaining the related contract documentation for recordkeeping purposes.²⁴ The DCMR outlines the requirements for receiving reports or documentation under 27 DCMR 1706.2. Under this section, the employee who receives the goods or services acquired, in this case the CA, is responsible to prepare a receiving report or document that contains the contract number, date of and description of the delivery or performance, the quantity, their signature, their printed name, title, telephone number and mailing address.²⁵ According to Section 1706.2(d) of the Quick Payment Act of 1984 implementing regulations, agencies are required to prepare a proper receiving report which includes the date that the property or service was delivered.²⁶ Furthermore, the DCMR requires agency heads to issue timely payments for proper invoices under 27 DCMR 1701.3, which cannot be accomplished without appropriate receipt and acceptance and invoice approval information and documentation.²⁷

Additional criteria for the Emergency P-Card Transactions comes from the *Purchase Card Program Policy & Procedures Manual* issued by the Office of Contracting and Procurement, part II Purchase Card standard of usage: compliance with applicable laws, regulations and directives and part IV, Documentation, Reconciliation, and Payment: purchase card transaction documentation. The Purchase Card Program Policies and Procedures state the requirements for the CH and AO to maintain the receipts and use them in the purchase cards reconciliation process.²⁸

During the FY 2022 audit, we attempted to reperform the three-way match controls over procurement transactions within the Smartsheet system from OCP. We were not able to reperform the three-way match on 25 of 75 transactions tested from the Direct Voucher, P-Card and PO transaction populations within Smartsheet. We noted exceptions within our testing related to missing contract or procurement support, missing receiving documentation and missing invoices. While all the missing documentation prevents us from completing our testing, the lack of receiving documentation was most pervasive, accounting for 16 of 25 exceptions.

The lack of availability of this documentation is due to it not being maintained within the Smartsheet system. The lack of contracting documentation was due to the failure to maintain the documentation by the respective procurement activities throughout the District in compliance with the *Procurement*

²⁴ *Supra* note 1.

²⁵ *Supra* note 5.

²⁶ *Id.*

²⁷ *Id.*

²⁸ *Supra* note 4.



Procedures Manual. OCP may not have been the procuring activity for all of these transactions, so they are responsible for some, but not all of these procurement actions. OCP manages Smartsheet, and they are the central point of contact charged to acquire and maintain this documentation within Smartsheet.

The Contract Administrator is responsible for approving the receipts of these transactions and maintaining the appropriate receipt and invoice records. The CA did not prepare complete receiving reports or similar documentation for all transactions in compliance with the DCMR and/or the *Purchase Card Program Policy & Procedures Manual*. The lack of receipt was due to failures of the approval controls over the disbursements to operate effectively, as well as not keeping the appropriate record copies of documentation.

The failure to maintain the contracts, receipts, and invoices prevents the auditors from verifying the propriety and accuracy of the transactions. We cannot verify and validate that what the District agencies attempted to acquire was actually received pursuant to the terms of the respective procurements. We cannot verify the timeliness of the provision of services and processing of receipts which feed into the compliance with the Quick Payment Act.

Thus, the missing documentation could result in the District paying for goods or services that may not have been received and/or approved. Additionally, the identity of the receiving party is unknown, which makes follow-up on this transaction difficult. This could result in an overstatement of liabilities and expenses in the financial statements. Furthermore, if the receipt is not prepared and dated in a timely manner, payments to vendors may not be made timely and could cause the District to incur interest penalties, if applicable.

Recommendations

29. The District should maintain all applicable documentation supporting the procurement of and payment for goods and services procured using emergency procurement processes.
30. OCP should verify and validate that all of the requisite support for the subject transactions are filed within Smartsheet and they should obtain any missing information from the respective procuring activities and the corresponding CAs.
31. OCP should work with the respective procuring activities to ensure that they are complying with the requirements of the DCMR, the *Procurement Procedures Manual* and the *Purchase Card Program Policy & Procedures Manual*.
32. The *Purchase Card Program Policy & Procedures Manual* should be updated to include guidance on the management of Emergency P-Card transactions. Presently, there is no specific section which provides directives on how to manage these transactions.
33. Supporting documentation for the receipt of purchase cards transactions should be maintained for all acquisitions. Buying activities should follow the guidance set forth in the *Purchase Card Program Policy & Procedures Manual*.



34. District personnel charged with receiving deliveries should comply with the requirements of 27 DCMR § 1706.2 which contains the contract number, date of and description of the delivery or performance, the quantity, their signature, their printed name, title, telephone number, and mailing address. Electronic signature or manual signatures can be used, but they must be legible for purposes of establishing accountability and preventing improper payments. Furthermore, if manual signatures are to be used, management of the buying activity should maintain a listing of authorized officials and copies of their signatures and initials.

Management Response

Management concurs with the findings and recommendations as outlined above and will take necessary steps to correct these findings prior to the fiscal year 2023 audit.

As a result of prior year findings in this area, the Office of the City Administrator and the Office of the Inspector General hired a vendor during fall 2022 to perform an inventory accounting analysis to quantify and value all COVID-19 emergency procurement supplies and equipment purchased between March 1, 2020 and September 30, 2022 and determine what inventory was on hand. The analysis was conducted to gain a clearer understanding of the potential magnitude of prior year findings as it relates to the entirety of the District's emergency procurements for services, supplies and equipment purchased to respond to the COVID-19 pandemic.

The inventory accounting analysis identified similar concerns raised in this years and prior year audit findings as it relates to the District's emergency procurements. Importantly, it also clarified that the magnitude of transactions that need additional follow-through are nominal. Overall, 75 percent of emergency procurement spending under COVID-19 was for services, the remainder categorized as goods or equipment. For that smaller universe of transactions that did not have verifiable documentation or proof of receipt readily available, the analysis provides a roadmap for the District to follow through and correct as it relates to disposed goods, equipment delivered directly to agencies and transactions that did not have enough supporting documentation readily available in the Smartsheet database.

Importantly, it also identified areas the District can improve to correct the findings such as properly configuring systems to track COVID-19 related procurements and inventory, integrating systems, standardizing units, and improved data governance and data maintenance.

With the recommendations noted above, as well as the extensive data and additional recommendations from the inventory analysis available, the District will take the following steps to correct these findings:

February 2023:

The Office of Contracting and Procurement (OCP) will update the *Purchase Card Program Policy & Procedures Manual* to include guidance on the management of Emergency P-Card transactions.

March 2023:

OCP will conduct a training with the respective procuring activities to review current guidance and ensure that they are complying with the requirements of the DCMR, the *Procurement Procedures Manual* and the *Purchase Card Program Policy & Procedures Manual*. This training will also cover



requirements for District personnel in charge of receiving deliveries pursuant to the requirements of 27 DCMR 1706.2.

February – April 2023:

The District will work to rectify the transactions that did not have readily available documentation or proof of receipt to ensure all transactions have sufficient supporting information.

The District will work with the Office of the Chief Technology Officer (OCTO) to examine the configuration of the District's procurement systems, look for opportunities to integrate systems, standardize units and have a stronger data governance and data management systems.

April – June 2023:

The District will implement recommendations from OCTO and OCP to improve data governance and management of emergency procurements.

July – August 2023:

The District will identify a sample of transactions from FY 2023 to internally audit and verify corrective action steps are being implemented.



II. PRIOR YEAR FINDINGS

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

The following chart outlines the status of the three prior year management recommendations that were not fully implemented as of September 30, 2022.

MANAGEMENT RECOMMENDATIONS – FY21		
#	RECOMMENDATIONS	STATUS
GENERAL GOVERNMENT		
2021-001	Manage, develop and implement a tracking solution relating to system vulnerabilities.	The Cybersecurity Risk Mitigation Activities order from the Chief Technology Officer was approved and required all DC agencies must report any known cybersecurity vulnerability to OCTO Security Operations Center (SOC) within 24 hours of becoming aware of the vulnerability. The report shall include 1) details of the system, 2) details of any existing controls, and 3) remediation plan. Additionally, cybersecurity incidents must be reported within 2 hours after the agency becomes aware of the incident, and report shall include 1) details of the system, 2) sensitivity of the system, and 3) details of any existing controls. Implementation has not been completed and OCTO is in the process of implementing a vulnerability/remediation tracking solution.
2021-002	Improve the Controls Over the tracking of lease transaction process where the District is the lessor.	DGS has developed corrective action steps relating to the above recommendation. Full remediation is expected to be completed in fiscal year 2023.



MANAGEMENT RECOMMENDATIONS – FY20		
#	RECOMMENDATIONS	STATUS
GENERAL GOVERNMENT		
2020-11	Controls Over Emergency Procurement were not operating effectively.	<p>In FY20, we tested the direct voucher payment process and identified 18 transactions that were not appropriately supported. Although the District paid for these 18 transactions in advance of receipt of goods, OCP did not maintain proof of receipts.</p> <p>In FY21, OCP provided additional supporting documentation related to the one of the 18 transactions valued at \$422,125. For the remaining 17 transactions valued at \$28,247,607, OCP was unable to provide proof of receipts.</p> <p>In FY22, OCP attempted to provide additional audit evidence to substantiate the receipt of the 17 transactions, but we remained unable to validate the receipt of these items and their linkage to the related procurement contracts or invoices.</p>



MANAGEMENT RECOMMENDATIONS – FY18		
#	RECOMMENDATIONS	STATUS
GENERAL GOVERNMENT		
2018-03	Implement a Risk Management Framework to Comply with National Institute of Standards and Technology (NIST) Publication 800-37.	Office of Chief Technology Officer is in the process of developing and implementing the risk management framework with full implementation in FY24.

To report fraud, waste, abuse, or mismanagement:



(202) 724-TIPS (8477) and (800) 521-1639



<http://oig.dc.gov>



oig@dc.gov

