

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of Contracting and Procurement



Fiscal Year 2018 Performance Oversight Hearing

Testimony of
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Before the
Committee on Facilities and Procurement
The Honorable Robert White, Chairman

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Council of the District of Columbia
John A. Wilson Building
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Good morning, Chairman White and members of the Committee on Facilities and Procurement. My name is George Schutter, and I am the Director of the Office of Contracting and Procurement (OCP) and Chief Procurement Officer for the District of Columbia. On behalf of Mayor Muriel Bowser, I would like to thank you for the opportunity to provide testimony on the performance of the Office of Contracting and Procurement for Fiscal Year 2018 and Fiscal Year 2019 to date. Joining me today is my Deputy Chief Procurement Officer, Nancy Hapeman.

OCP has been through an incredible amount of change in recent years, much of which stems from the “Procurement Practices and Reform Act of 2010” (PPRA), which is the primary law governing the procurement process in the District of Columbia. The agency has transitioned from a decentralized model of procurement to a centralized model, bringing together procurement professionals throughout the District under one agency. This centralized approach provides the benefits of increased efficiency, better relationships with District agencies, the ability to better manage District requirements, and the ability to leverage subject matter expertise.

Today, OCP manages the purchase of goods, services, and construction annually on behalf of 78 District agencies. OCP is more efficient and effective because of our strategic approach, which includes updated policies and procedures; standardized training for all staff; access and use of common systems and compliance controls by contracting staff and the agencies we serve; the use of analytical visualization and performance metrics; and an expansion of our network of District team members providing subject matter expertise. OCP continues in its maturation process by improving its collaboration with District agencies; investing in its employees and workplace; and advancing its technology to achieve our vision of improving the efficiency, quality, compliance, and integrity of the procurement process and District-wide service delivery.

PROCUREMENT

In FY 2018, OCP negotiated and awarded a wide range of commodities, services, and construction contracts valued at approximately \$5.1 billion dollars. This represents billions of dollars that have gone into impactful programs and projects to create a better District for its residents and employees.

Emergency Operations

Noteworthy achievements during FY 2018 include OCP’s support of the District’s Emergency Operations Center. The District managed many emergencies last year. Using data showing the historical emergency needs of the District, OCP worked proactively with HSEMA and other agencies to put contract vehicles in place to support emergency needs. For example, beginning in FY 2018, we established Indefinite Delivery Indefinite Quantity (IDIQ) contracts to buy snow removal services if surge capacity was necessary. By negotiating and awarding these contracts prior to the emergencies, we prevented the District from potentially paying a premium. Because of this approach, no unexpected emergency procurements were required in FY 2018 or FY 2019 to date, which demonstrates the maturity of the contracting function.

Supporting Local Businesses through Acquisition Planning

One of OCP's top priorities is to ensure that the District's Small Business Enterprises (SBEs) and Certified Business Enterprises (CBEs) have access and opportunity to participate in the District Government contracting process. As indicated in the FY 2019 Green Book, the District spent more than \$814 million with SBEs in FY 2018. This was an increase of almost 10 percent from FY 2017 when the District spent over \$743 million with SBEs.

Through detailed acquisition planning, OCP contracting staff work with agency program staff to determine requirements in order to achieve both agencies' 50 percent expendable budget goal, as well as supporting subcontracting goals. We have improved this process to include data points (e.g., a new requirement or an option period) and focused on our forecasting efforts. The District's FY 2019 goal is to spend \$844 million with SBEs. Based on the acquisition planning process I just described, we anticipate meeting the District's goal, further strengthening our commitment to small and local businesses. Additionally, OCP continues to collaborate with the Department of Small and Local Business Development (DSLBD) to ensure that small, local businesses are informed of the process to become certified and are made aware of contracting opportunities and set-asides specifically for CBEs.

DC Supply Schedule

In an effort to simplify our processes and improve the quality of our service offerings, OCP launched the automated DC Supply Schedule application in 2017 to allow users to submit applications via an online portal. I am pleased to report that in FY 2018, OCP received 153 online applications, and in FY 2019, to date, OCP has received 80 applications. The feedback around the process has been overwhelmingly positive, as applicants no longer must bring physical documents to the OCP office but can handle every aspect of the process online. Applicants also maintain online accounts, which display real-time status, eliminating the need for the applicant to call the office for updates. OCP hosts a DC Supply Schedule workshop every second Thursday of the month, and a General Vendor workshop every fourth Thursday of the month, to assist applicants with the entire application process for the DC Supply Schedule, along with general information on how to do business with the District.

Commitment to CBEs

Through hard work and collaboration with the team at the District Department of Transportation (DDOT), we have demonstrated our commitment to CBEs in the construction industry by decreasing the requirements for retainage on District construction projects, from 10 percent down to five percent. Retainage represents funds that are held until the project is demonstrated to be complete. This is a significant change for our CBEs in construction, because it positively impacts their cash flow, decreasing the amount of capital the firm is required to tie up in a project. We know from engaging with industry that this has been a challenge for our small businesses, which rely on cash flow to maintain their day-to-day operations. Notably, to mitigate any risk to the District, we retain the ability to maintain that retention if there are problems in execution with the project.

OCP is also working closely with DDOT to ensure that 100 percent of the DC Power Line Undergrounding (DC PLUG) construction contracts are set aside for CBEs or certified joint ventures, per legislation. The program, which intends to replace overhead power lines with underground feeders and associated equipment, is separated into three Biennial Plans. The first

Biennial Plan is currently in progress, and the construction award for Feeder 308 has been awarded to a CBE. Additional awards for construction, construction management, design, and program management in this first biennial plan are pending.

By continuing to leverage the Ariba Network, OCP will offer the CBE community direct access to an electronic marketplace. This external, online marketplace will offer a catalogue of goods and services offered by CBEs to District agencies, enabling our CBE community to access business opportunities more efficiently. The marketplace will also be accessible to public sector and commercial entities, creating even more opportunities for CBEs to market and sell goods and services.

To demonstrate our overall commitment to CBEs, OCP actively works to ensure that prime and subcontractors receive timely payments. In FY 2018, we worked closely with the Office of the Chief Technology Officer (OCTO) and the Office of the Chief Financial Officer (OCFO) to support the new e-invoicing portal that utilizes our procurement system to match purchase orders, receiving reports, and supplier invoices ensuring efficient liquidation (payment) of District obligations. This system provides unprecedented visibility to the vendor community on payment status and additional support for electronic transactions.

In October 2018, I issued letters to all District Contracting Officers and District Prime and General Contractors that underscored the importance of the Quick Payment Act, which requires all District contracts to contain language obligating a prime to pay its subcontractors within seven days of receipt of payment from the District under a contract. While the District has no contractual rights with respect to a contract between a prime and its subcontractors, OCP does enforce the terms of District contracts with primes.

Office of the Ombudsman

In FY 2018, OCP established the Office of the Ombudsman, and I am pleased to report that our Ombudsman has been very active with the vendor community. In FY 2018, he engaged in over 50 meetings and handled five formal complaints. In FY 2019 to date, he has had 11 meetings and is handling two formal complaints. Working closely with other agencies, OCP's Ombudsman has established a network of Ombudsmen and assists with a variety of matters where appropriate, including issue resolution, recommendations for policy and procedural changes, and helping to connect the vendor community with District resources. OCP's Ombudsman is also very active in community outreach events, having participated in numerous industry and training events in partnership with DSLBD and the DC Procurement Technical Assistance Center (DC PTAC).

Surplus Property

In FY 2018, OCP's Surplus Property Division (SPD) generated over \$4 million in revenue and sold 4,786 District surplus property lots of materials and assets to more than 1,500 unique buyers. SPD has repurposed approximately 3,200 items to non-governmental and governmental agencies.

During the FY 2018 relocation of the Department of Insurance Security and Banking (DISB) and the Office of the State Superintendent for Education (OSSE) to a new building, SPD coordinated efforts to reutilize, recycle, and dispose of items by leveraging advanced move planning, joint agency/ stakeholder collaboration, lease space expirations, construction timetables, and projected District agency repurposing requests. In total, 29 agencies participated in the reutilization efforts, which amounted to more than \$1 million in cost savings, \$8,528 in revenue generated from scrap metal recovery, and \$16,895 in sales generated through GovDeals auctions. OCP takes repurposing very seriously so much that, as we move our own agency from the seventh floor to the third floor of One Judiciary Square, we are almost completely reutilizing surplus property.

TRANSPARENCY

On a daily basis, OCP works and strives toward its vision to improve integrity, transparency, and accountability in the procurement process. In FY 2018, OCP has focused on improving the public transparency of key procurement data through the redesign of its website, the creation of the District Contracts and Procurement Transparency Portal, and by beginning the refresh work to assure continued support and capability of the Procurement Automated Support System (PASS).

OCP Website

OCP has streamlined its website to make the user-experience much more intuitive. By establishing a three-click goal, we reorganized ocp.dc.gov so that users no longer must search the website, making multiple clicks on a mouse, to access information. Now, most users can access the information they seek in just three clicks.

Contracts and Procurement Transparency Portal

OCP, working with OCTO and the OCFO, has developed an enhanced District Contracts and Procurement Transparency Portal. The goal of this portal is to be an easy-to-navigate public clearinghouse for all information related to the District Government's contracting and procurement actions. The Contracts and Procurement Transparency Portal will provide the vendor community and the public with access and search capabilities to anticipated District Government contracting opportunities; open, pending, and closed solicitations; information on past and active contracts; information on past and active purchase orders; prime supplier payments; links to contracting opportunities at District agencies that do not fall under the authority of the Chief Procurement Officer; and the District's procurement laws and regulations. This portal, along with the OCP website, help OCP maintain its goal to have full and open competition and to protect the integrity and public trust of the procurement process, along with ensuring that we continue to maintain compliance with District regulations.

System Refresh

As mentioned previously, OCP has made great improvements to its organizational design and has reengineered many of its business processes. We continue working to incorporate and align these business process improvements into our information and technology systems. OCP is

working closely with OCTO and the OCFO to refresh the mission-critical Procurement Automated Support System (PASS). PASS is an essential tool for procurement professionals in the District and provides visibility to our agency partners of each step in our procurement process. It is OCP's goal to ensure that the supporting technology system and infrastructure has the functionality and capabilities to manage the entire contracting process, from the analysis and evaluation of agency needs, to the creation of sourcing events, the development of agreements, and the confirmation that contracts are properly administered, and goods and services have been received.

Currently, much of the contracting process takes place using offline Word documents that are created and utilized outside of the system, with an upload to the system of record taking place at the end of the activities. A major intent of the system refresh is to embed these contracting process steps, along with the supporting compliance documents, inside the system from creation to completion. Additional tracking and visibility will be possible, utilizing electronic signatures, which will document and confirm the workflow steps and identity of agreement parties and approvers. This streamlined process will provide improvements in the documentation of procurement actions while streamlining and automating the execution of the steps and events captured in the system. This will not only allow for greater efficiency, but it will also increase our efforts around transparency, as this refreshed system will be cloud-based and will provide the opportunity to improve the integration with other District Information and Technology (IT) systems. OCP has completed the blueprinting phase for the refresh and is currently in the project-planning phase, which seeks to further define and plan over 40 integration points with other District IT systems, including integration of the Encumbrance Fund accounting with the System of Accounting Record (SOAR).

WORKPLACE IMPROVEMENT

In FY 2018, OCP leadership realized that, given the great change that our organization has been through, specifically implementing the reform initiatives around the PPRA, it was imperative to understand our workplace through direct engagement with the employees. To improve efforts around recruitment and retention, we are re-focusing our efforts in employee engagement, workforce development, and performance management and training.

Employee Engagement Survey

In FY 2018, OCP engaged with George Washington University to conduct an employee engagement survey. The survey instrument, developed by Zenger Folkman and titled the Extraordinary Organization Survey, provided OCP with detailed information about the strengths, opportunities, and challenges OCP employees face in the workplace. In FY 2019, OCP is using the feedback received to assess and address critical areas that impact the agency's effectiveness. Some of the initiatives that have been implemented to date include the Leadership Circle: A Growth and Development Initiative for OCP Managers and the creation of Steering and Implementation Teams that will develop initiatives related to the key drivers of the survey: Employee Involvement, Strategy and Direction, and Rewards and Recognition.

Procurement Training Institute

As OCP continues to improve in areas around procurement processes and transparency, we are also working to ensure that our employees have opportunities for growth and development. Through the Procurement Training Institute (PTI), OCP provides a three-tiered certification program, required by law, for all Contracting Officers and Contract Specialists (1102 series). In FY 2018, I am pleased to report that all appropriate OCP Contracting Officers and Contract Specialists are certified, with the exception of those newly hired employees. The PTI also provides training for contracting professionals outside of OCP, and, in FY 2018, 90 non-OCP staff received training. This year, PTI will continue to develop and implement curricula to develop the skills of the District's procurement professionals, including online learning and continuous education opportunities.

OCP T.A.L.E.N.T.

OCP has designed a six-part workforce development initiative called OCP T.A.L.E.N.T. to address the challenge of maintaining and attracting a workforce with the requisite skills and experience to meet the procurement needs of the District. The T.A.L.E.N.T. initiative seeks to TRAIN OCP's existing staff to perform at the highest levels, ATTRACT the best and brightest talent, LEAD by example to achieve high quality results, ENGAGE staff in creating a supportive work environment, NAVIGATE professional career paths, and THRIVE by balancing the demands of professional and personal life.

CONCLUSION

As you can see, OCP has been hard at work over the past year and plans to continue to build on these improvements moving forward. I would like to take this opportunity to thank OCP staff for their commitment to ensuring that District employees and residents receive the essential programs and services necessary to thrive. In FY 2018, we made significant progress in the way we do business and I look forward to an equally successful FY 2019.

I would like to thank Mayor Muriel Bowser, City Administrator Rashad Young, and Deputy City Administrator Kevin Donahue for their leadership and guidance. Thank you, Chairman White and members of the Committee on Facilities and Procurement for the opportunity to testify before you today. This concludes my testimony. I am happy to answer any questions you may have.