Why We Did This Review

According to WMATA's procurement manual, a Blanket Purchase Agreement (BPA) may be used as a simplified method of filling anticipated repetitive needs for supplies, services, or other items. A contracting officer may establish a BPA if:

- There is a wide variety of items in a broad class of goods that are generally purchased, but the quantities, and delivery requirements by item are not known in advance and may vary considerably.

- There is a need to provide commercial sources of supply for one or more offices in the Authority that do not otherwise have or need direct authority to purchase.

Blanket Purchase Agreements (BPAs) are used to reduce administrative expenses for small, repetitive requirements.

In FY 2017, WMATA had approximately 137 BPAs with a total aggregate value of $5.4 million.

The audit objective was to determine whether the BPA program was effective, efficient and economical to WMATA.

Audit of WMATA's Blanket Purchase Agreements (BPAs)

What We Found

Washington Metropolitan Area Transit Authority (WMATA) makes purchases using different methods, including using BPAs. WMATA has an established BPA process; however, it could further strengthen controls. Specifically:

- BPA Administration needs improvement,

- BPA documentation was either missing or incomplete, and

- BPA planning, monitoring, and close-out processes are deficient.

As a result of these issues, $5.3 million of the $5.4 million in BPAs had ineffective controls. Consequently, WMATA risks overspending for repetitive supplies and services that are ordered authority-wide.

Management's Response

The Office of Inspector General (OIG) received WMATA's comments dated August 29, 2018 (see Appendix B). The Chief of Internal Business Operations (IBOP) concurred with all the findings and initial recommendations 1, 2, 4, 6, and 7 and has initiated actions to correct the noted deficiencies.

Management disagreed with recommendations 3 and 5. For recommendation 3, OIG agrees that other internal controls may reduce the risk and has, therefore, closed that recommendation.

For recommendation 5, OIG does not fully agree with management's perspective on issuing a purchase order for more than the funding approved in the purchase request. Therefore, OIG has modified that recommendation to put an emphasis limiting the amount of increase to an acceptable limit.

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ABBREVIATIONS AND ACRONYMS

ABBREVIATION	DESCRIPTION
ACCT	Office of Accounting
BPA	Blanket Purchase Agreement
COTR	Contracting Officer's Technical Representative
COUN	Office of General Counsel
FY	Fiscal Year
GSA	General Services Administration
IBOP	Internal Business Operations
IT	Information Technology
OIG	Office of Inspector General
PPM	Procurement Procedures Manual
PRMT	Office of Procurement and Materials
SOP	Standard Operating Procedures
WMATA	Washington Metropolitan Area Transit Authority
ACCT	Office of Accounting
BPA	Blanket Purchase Agreement

BACKGROUND

Blanket Purchase Agreements (BPAs) are defined as a simplified procurement method for filling the anticipated repetitive needs for supplies and services through the award of competitive line item contracts or discounts off of a supplier's catalog, usually through competition. A BPA is used to reduce administrative expenses resulting from small, repetitive requirements.[1]

According to the Office of Procurement and Materials (PRMT), the supplies ordered consist of general equipment, tools, materials, fuel, batteries, and office supplies. The services ordered include repair (e.g., radiator repairs), maintenance, installation, bus washes, other cleaning (e.g., custodial), legal, operations oriented (e.g., printing, towing), and Information Technology (IT) services.

According to PRMT, a BPA is not a contract and not the same as indefinite delivery and indefinite quantity and task order contracts. Indefinite delivery and indefinite quantity contracts are for indefinite quantity procurements greater than the simplified acquisition threshold. A BPA is for orders greater than the micro purchase threshold ($3,500), but at or below the simplified acquisition threshold ($150,000). According to PRMT, task orders are used for less frequent services, for example: professional, IT, construction, Metro renovation (e.g., Safe Track), and "removal of Third Rail" type services.

BPA Authority and Guidance
According to PRMT, the authority and requirements that govern a BPA at WMATA depend on the type of BPA.

- BPAs issued using the General Services Administration (GSA) Schedule must be made in full accordance with GSA regulations and the Federal Acquisition Regulation. According to PRMT, there were no GSA Schedule WMATA BPAs in Fiscal Year (FY) 2017.

- The WMATA Compact authorizes WMATA to issue BPAs under state and local schedules to be made in accordance with Council of Governments, state, and local government procurement regulations. In FY 2017, a few BPAs were awarded using a state cooperative agreement.

- According to PRMT, WMATA-specific BPAs that are issued are governed by the WMATA PPM. According to PRMT, during FY 2017, the majority of BPAs were WMATA-specific.

The Contracting Officer's Technical Representative (COTR) Guidebook provides guidance on what procedures the COTR should perform when administering and monitoring BPAs and contracts.

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[1]BPA definition is according to WMATA's Procurement Procedures Manual (PPM).

Roles and Responsibilities

- **PRMT Management** approves, distributes, administers, and executes the BPA standard operating procedures.

- **PRMT Contracting Officers** are responsible for ensuring procurement actions are complete and documented. The contracting officer reviews the COTR's purchase request package for completeness, performs a price reasonableness determination, obtains price quotes from vendors, requests discounts from vendors (in addition to the market research already performed), and verifies the "Excluded Parties Lists"/System for Award Management.

- **Program Office COTRs** complete the market research, independent cost estimate, purchase requisition, and if applicable, scope of work for the requested BPA and submits the purchase request package to the contracting officer. After the agreement is issued, the COTR monitors the open BPA, tracks invoices, and provides receipt approval of the supplies and services.

- **Program Office Budget Analysts** verify there is sufficient funding to issue and approve a purchase requisition and notifies the COTR to proceed with the purchase request.

WMATA's BPA Process

WMATA's BPA process consists of four sub-processes:

- **BPA Establishment** includes determination of need, preparation of the market research, independent cost estimate, scope of work, and purchase requisition.

- **BPA Ordering** includes requests for discounts, requests for quotes, and price reasonableness determinations prior to purchase order and BPA issuance.

- **BPA Monitoring** includes BPA invoice tracking and receipt of supplies and services, as well as monitoring the invoice drawdown.

- **BPA Annual Review** consists of the annual review of outstanding BPAs and de-obligation of purchase orders.

WMATA's BPA Population

In FY 2017, WMATA had approximately 137 BPAs with a total aggregate value of $5.4 million (see table 1).[2] [3]

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[2]The total BPA count and dollar amount was based on a PeopleSoft purchase order listing that included indication of BPA, services, and/or supplies in the line description and purchase order number fields. Also, in PRMT, BPAs were issued among the different PRMT branches for the WMATA departments authority-wide.

[3]During the planning phase of the audit, PRMT provided a calendar year 2016 purchase order listing tied to BPAs. This listing contained 62 BPAs that totaled $2,162,000. However, an updated purchase order listing for FY 2017 contained 137 BPAs that totaled $5,431,201. Additional detail about the BPA population and the related finding can be viewed at "Finding 1- BPA Administration Needs Improvement" section in this report.

Table 1: FY 2017 BPAs

#	PRMT Branch:	Service & Supply Types:	Number of BPAs:	Total Dollar Amount:
1	Information Technology & Executive Services	Industrial electronics; electronic items; printing; repair maintenance; cable/technology; shop supplies for vending; cover binding; water	18	$461,900
2	Department of Bus Services & Department of Access Services	Car washing; bus parts; fabrication; tools	11	$413,500
3	Office of Plant Maintenance/Systems Maintenance/Transit Infrastructure and Engineering Services	Electric equipment; tools; and supplies; medical and office supplies; general materials - light fixtures; plant machinery and equipment; forklift maintenance and repairs; custodial services; pressure washing repair services; water and gatorade; petroleum; batteries	100	$4,150,801
4	Chief Engineer Infrastructure Services /Office of Major Capital Projects	Power washing services; escalator cleaning; repair services; glass replacement	8	$405,000
		Total:	137	$5,431,201

AUDIT OBJECTIVE AND RESULTS

Audit Objective

The audit objective was to determine whether the BPA program was effective, efficient and economical to WMATA.

Audit Results

WMATA has an established BPA process; however, it could further strengthen controls. Specifically:

- BPA administration needs improvement,
- BPA documentation was either missing or incomplete, and
- BPA planning, monitoring, and close-out processes are deficient.

As a result of these issues, $5.3 million of the $5.4 million in BPAs had ineffective controls. Consequently, WMATA risks overspending for repetitive supplies and services that are ordered authority-wide.

FINDINGS AND RECOMMENDATIONS

Finding 1 – BPA Administration Needs Improvement

Guidance on the administration of BPAs has not been distributed to the contracting officers and program offices, WMATA has not clearly defined BPA duration, and WMATA has an inconsistent BPA population listing. This is caused by a BPA process that is not centrally managed, lack of standard operating procedures for the BPA process and data input issues in PeopleSoft. As a result, $1.8 million of the $1.9 million sampled contained internal control issues.

What Is Required

According to the GAO *Standards for Internal Control in the Federal Government (Green Book),* published September 10, 2014, management should:

- Internally communicate the necessary quality information to achieve the entity's objectives (Section 14.01).
- Use quality information to achieve the entity's objectives (Section 13.01).
- Process relevant data from reliable sources into quality information with the entity's information system. An information system is the people, processes, data, and technology that management organized to obtain, communicate, or dispose of information (Section 13.06)."

What We Found

Undistributed BPA Guidance
PRMT approved BPA standard operating procedures on May 25, 2016. However, it was approved by a former chief procurement officer and was not distributed by PRMT management to all contracting officers. Therefore, this guidance could not be used as established WMATA policy for the BPA process.

Unclear BPA Duration
WMATA's PPM stated BPA duration should not exceed 5 years; however, this duration was not consistently agreed upon by the contracting officers and program offices. In addition, PRMT had an updated training course in September 2017 stating the duration should not exceed 1 year, which was contrary to the PPM.

Inconsistent BPA Population Listing
Contracting officers input BPAs differently in PeopleSoft. As such, the listing of purchase orders in PeopleSoft for FY 2017 had to be confirmed with the contracting officers to determine whether the purchase order was a BPA. The purchase orders were not consistently labeled as a BPA. Also, the contracting officers stated that they thought there were more BPAs processed for FY 2017 than the purchase orders that were labeled as a BPA in PeopleSoft.

Why This Occurred

The three reasons for the undistributed BPA guidance, unclear BPA duration, and inconsistent BPA population listing were as follows:

▪ There was no BPA guidance for the contracting officers to consistently notate purchase orders that were classified as or tied to BPAs in PeopleSoft, such as in the purchase order number or description field. The current Chief Procurement Officer did not approve the May 25, 2016 version of the BPA standard operating procedures for distribution because she identified errors and omissions of sections for program office internal controls. She stated new standard operating procedures are being drafted and that it will have the errors corrected and the additional sections she requires.
▪ PeopleSoft did not have an indicator to classify a purchase order as or tied to a BPA.
▪ BPA administration by contracting officers was de-centralized among PRMT Branches.

Why This Is Important

Undistributed BPA Guidance and Unclear BPA Duration Impact
Approved and distributed BPA standard operating procedures would enhance the ability of PRMT and the program offices to administer BPAs according to WMATA policy and obtain the most cost-effective price. As a result of undistributed guidance, $1.8 million of the $1.9 million sampled contained internal control issues. At the 95 percent confidence level, the total FY 2017 BPA amount of $ 5.3 million out of $5.4 million contained internal control issues.

Also, with unknown BPA duration, program offices could be inappropriately extending purchase orders past the period of performance and vendors could be performing work on expired purchase orders, where they are no longer bound by the terms and conditions. Also, with extension of purchase orders that were not noted in PeopleSoft, it is difficult to determine if the program office is authorized to continue to use issued funds and if they are still available for multiple fiscal years.

Inconsistent BPA Population Listing Impact

Without a BPA indicator to differentiate the purchase orders tied to BPAs and other purchase orders, it is difficult to determine a complete and accurate BPA population. With an unknown BPA population, it is difficult to determine the total dollar amount of BPAs, if they are significant to WMATA's operations, if they can be transitioned into contracts, and if internal controls can be identified. The total purchase order sample amount, $256,000 (7 of 45) had items that did not contain a BPA indicator. At the 95 percent confidence level, the total purchase order population with no BPA indicator amounted to approximately $845,000

Lack of Centralized Management Impact

Decentralized management of the BPA process within PRMT increased the likelihood of inconsistencies of how BPA processing was performed, such as notating BPA information in PeopleSoft. Also, the PRMT Inventory Branch, which executed simplified acquisitions, had similar requirements to BPAs, but this branch did not execute BPAs. Centralized management of the BPA process would put staff with the requisite knowledge, skills, and abilities together in one branch that could consistently process BPAs in an effective and efficient manner. (**Note:** *Recommendation 3 related to this impact has been closed. To view the reasoning for why it was closed, please see the "Summary of Management's Response" on page 17, bullet 1.*)

Recommendations

We recommend to the General Manager/Chief Executive Officer (GM/CEO):

1. Approve, distribute, and conduct training for updated BPA standard operating procedures. (Action: Internal Business Operations)

2. Include in the next PeopleSoft update, a BPA Indicator. (Action: Internal Business Operations)

3. Transition to a centrally managed BPA process. (Recommendation closed.)

Finding 2 – BPA Documentation was Either Missing or Incomplete

A basic internal control is documenting BPA files to ensure funds are committed for the right goods and services at the right price. For purchase orders tied to BPAs sampled, the required BPA documentation was either incomplete or missing. PRMT management stated the cause of the missing and incomplete documentation was a lack of standard operating procedures formally stating the competition procedures and controls for PRMT and the program offices. The lack of evidence of market research, independent cost estimate, price reasonableness, request for quotes, and discounts, increases the risk the program office COTR and contracting officer could over commit and over issue purchase order operating funds.

What Is Required

WMATA's PPM, Section 11-11-8, "Documenting Award Decision and Orders," requires BPA files to be documented with:

- Schedule of contracts considered, noting the contractor's name and address from which the supply or service was purchased;
- Purchase order number;
- Description of the supply or service purchased;
- Amount paid;
- Contractor delivery and payment terms;
- Competitive review and the best value decision [Price Reasonableness/Request for Quote]; and
- Documentation that a market/pricing comparison was conducted [market research/independent cost estimate].

Also, Section 2-16, "Procurement Record and Checklists," requires "…the procurement record [should include] evidence that the [System for Award Management], formally the Excluded Parties List System search was successfully conducted in the file.

What We Found

Documentation for 44 of 45 purchase orders tied to BPAs sampled was missing or incomplete. Specifically:

Item 1 – Missing or Incomplete Market Research (38 of 45 purchase orders were applicable because 3 purchase orders were sole source BPAs and 4 purchase orders were tied to a cooperative agreement.)
- 32 of 38 lacked documentation of market research.
- 3 documented market research with no preliminary pricing information.

Item 2 – Missing or Incomplete Independent Cost Estimate (38 applicable purchase orders)
- 22 lacked an independent cost estimate.
- 10 lacked the basis for the independent cost estimate.

Item 3 – Missing Statement of Work (45 applicable purchase orders)
- 24 lacked documentation for statement of work.

Item 4 – Missing or Incomplete Price Reasonableness/Request for Quotes/ Discounts (3 of 45 purchase orders were sole source BPAs and did not require competition documentation)
- 5 lacked documentation on the price reasonableness determination/request for quotes/discounts.
- 31 lacked documentation on the basis for the price reasonableness determination.

Item 5 – Missing or Inappropriately Documented System of Award Management Verification (45 applicable purchase orders)
- 7 lacked documentation of the system of award management verification.
- 5 lacked verification of the system of award management prior to purchase order issuance or there was no date stamp.
- 7 system verifications were documented but did not recognize the vendor being searched.
- 2 lacked the purchase order and related BPA packages in the file.
- 1 vendor's data universal numbering system number was not recognizable.

Item 6 – Missing Sole Source Justification Sign Off
- 1 of 3 applicable justifications for sole source purchase orders, was not signed off by PRMT and Office of General Counsel (COUN).

Item 7 - Missing BPA Files or Purchase Orders (45 applicable purchase orders)
- 2 entire files were missing.
- 2 files were missing the purchase order document.

Item 8 - Purchase Order Amount greater than approved Purchase Request (45 applicable purchase orders)
- 1 was issued for an amount greater than the approved purchase request. In addition, the amount on the purchase order ($50,000) was double the approved purchase request amount ($25,000), and purchase order was not appropriately documented. According to OMBS, the purchase requisition was not amended to align with the purchase order issued amount.

Why This Occurred

For items 1 through 5, PRMT stated the cause was a lack of standard operating procedures that formally stated the competition procedures and controls for PRMT and the program offices.
For item 6, PRMT stated the COUN signature was delegated to PRMT, however, evidence of the delegation could not be provided.

For item 7, PRMT stated the contracting officer had retired and PRMT could not find the BPA files. Also, the document retention requirements for procurement files from the Records Management Manual (1992) were not enforced.

For Item 8, PRMT stated that the COTR assured the contracting officer through an email there was approved funding but did not provide the contracting officer with a formally approved purchase request document.

Why This Is Important

Documentary evidence for BPA purchases were not available for the $1.8 million of the $1.9 million sampled. At the 95 percent confidence level, the total FY 2017 BPA amount of $5.3 million out of $5.4 million lacked required BPA documents.

Also, if there is no evidence of market research, independent cost estimate, price reasonableness, request for quotes, and discounts, there is risk the program office COTR and the contracting officer could over-commit and over-issue operating funds for a BPA where the funds could be used and allocated for other needs. Also, without evidence the program office COTR and contracting officer performed fair competition procedures, there is potential risk vendor favoritism could occur.

Purchase orders should not exceed the purchase request, which is approved budgeted funds. If this requirement is not in place, there is increased risk PRMT and the program offices could spend more than was budgeted. Maintaining appropriate records makes sure that proper documentation exists for each business transaction, such as the commitment of funds with the purchase request and obligating of funds with the purchase order. A good records management program reduces operating costs and improves efficiency. *(**Note:** Recommendation 5 related to this impact has been revised. To view the reasoning and OIG analysis of the revision, please see the "Summary of Management's Response" on pages 17 and 18, bullets 2 and 3.)*

Recommendations

We recommend to the GM/CEO:

4. Update the current BPA standard operating procedures to include:

    - Competition procedures and controls.
    - Sole source procedures and controls.
    - Document retention requirements. (Action: Chief of Internal Business Operations)

5. Update Policy/Instruction or other alternative standard operating procedures that limits increases of funding to an acceptable percentage. (Action: Chief of Internal Business Operations)

FINDING 3 – BPA Planning, Monitoring, and Close-Out Processes are Deficient

There was no evidence of BPA procurement planning, annual reviews, and purchase order de-obligations. This occurred because PRMT did not enforce the PPM requirements and a lack of communication between PRMT and the program offices. If procurement planning procedures were in place with contracting officers and COTRs, there could be increased cost savings from award of contracts instead of multiple BPAs. The total purchase order amount that was not in accordance with WMATA policy for BPA annual reviews was $5.4 million for all BPAs. Purchase orders that were older than one year or not closed-out totaled to $730,000 in the audited sample or $3.7 million for all BPAs.

What Is Required

WMATA Advance Procurement Planning Requirements
According to WMATA's PPM, advance procurement planning begins as soon as a program office identifies a need. Normally, this is well in advance of the fiscal year in which contract award is required. The goal of procurement planning is to ensure that the Authority meets its need(s) in the most effective, economical and timely manner consistent with Authority policy. The procurement planning process shall not preclude a prompt response to valid priority and emergency procurement actions.

WMATA BPA Annual Review and Close-out Requirements
According to WMATA's PPM, the annual review of BPAs included the following procedures:

- The contracting officer that established the BPA shall review it at least once a year to determine whether:

  - The schedule contract, upon which the BPA was established, is still in effect;
  - The BPA still represents the best value; and
  - Estimated quantities/amounts have been exceeded and additional price reductions can be obtained.

- The contracting officer shall document the results of its review

What We Found

Lack of BPA Procurement Planning
PRMT and program offices did not perform procurement planning to obtain administrative efficiencies and discounts from issuing a BPA in lieu of a contract. However, PRMT did state they were taking steps towards BPA planning such as for materials, custodial services, and landscaping.

Lack of BPA Annual Reviews and Purchase Orders not De-Obligated

- PRMT confirmed for FY 2017 they did not review open BPAs on an annual basis to determine best pricing, discounts, and if the purchase order should be closed-out.

- 31 of 45 purchase orders sampled were older than one year or not closed-out. This totaled to $730,000.

Why This Occurred

The reason for the lack of BPA procurement planning and annual reviews:

- PRMT stated the cause for the lack of BPA annual reviews and procurement planning was PRMT did not enforce the PPM requirement.

The reason the purchase orders were not closed-out and de-obligated:

- PRMT stated the cause for the purchase orders not being closed-out was lack of communication among the PRMT contracting officer, program office COTRs, and budget analysts. However, PRMT stated in prior years, the contracting officers would contact the COTRs to confirm the purchase orders could be closed-out.

Why This Is Important

Procurement Planning
If advance procurement planning procedures for BPAs were in place with contracting officers and COTRs, there would be increased potential for cost savings and administrative efficiencies from awarding a single contract instead of multiple BPAs. For example, multiple BPAs for industrial and various materials exist, which could have been awarded as an authority-wide contract. This would have required less steps for looking for vendors and ordering at a larger quantity.

Annual Review
There was no evidence of BPA annual review for any of the $5.4 million in purchase orders and, therefore, PRMT was not in accordance with WMATA policy. For these purchase orders, cost savings could have been obtained if pricing and need were reassessed.

Purchase Orders not De-Obligated
A total of $730,000 of the purchase orders sampled were older than one year or not closed-out. Thus, at a 95 percent confidence level, $3.7 million of all purchase orders were older than one year or not closed-out. If purchase orders were not closed out when the supplies or services have been provided, the existing funds could have been used for similar or other needs that are imperative to WMATA.

Recommendations

We recommend the GM/CEO:

6. Implement a performance metric for PRMT that includes timely completion of annual BPA reviews and procurement planning. (Action: Chief of Internal Business Operations)

7. Communicate through periodic newsletters with program offices the status of BPAs for advance procurement planning, annual reviews, and close-outs. (Action: Chief of Internal Business Operations)

CONSOLIDATED LIST OF RECOMMENDATIONS

We recommend to the GM/CEO:

1. Approve, distribute, and conduct training for updated BPA standard operating procedures.

2. Include in the next PeopleSoft update, a BPA Indicator.

3. Transition to a centrally managed BPA process. (Recommendation closed.)

4. Update the current BPA standard operating procedures to include:

   - Competition procedures and controls.
   - Sole source procedures and controls.
   - Document retention requirements.

5. Update Policy/Instruction or other alternative standard operating procedures that limits increases of funding to an acceptable percentage.

6. Implement a performance metric for PRMT that includes timely completion of annual BPA reviews and procurement planning.

7. Communicate through periodic newsletters with program offices the status of BPAs for advance procurement planning, annual reviews, and close-outs.)

SUMMARY OF MANAGEMENT'S RESPONSE

OIG received WMATA's comments dated August 29, 2018 (see Appendix B). The Chief of Internal Business Operations concurred with all the findings and initial recommendations 1, 2, 4, 6, and 7 has initiated actions to correct the noted deficiencies.

However, management disagreed with recommendations 3 and 5.

   ▪   ***Recommendation 3:*** *Transition to a centrally managed BPA process.*

PRMT stated: "Contract Administrators, in their specific business lines, manage BPAs in an effort to build better relationships with the programs and vendors WMATA works with on a routine basis. Creating a new team solely to manage BPAs would effectively remove a level of customer service that has recently been implemented."

OIG believes that centralized management of the BPA process would reduce the likelihood of inconsistencies in processing; however, the customer service is also important. Given the training and updates to PeopleSoft that management agreed to, OIG closed the recommendation associated with centralized management. OIG will revisit this issue in a future audit to determine if the inconsistencies continue.

   ▪   ***Initial Recommendation 5:*** *In the next PeopleSoft update, include a threshold limit to prohibit issuing a purchase order for more funding than the approved purchase request.*

PRMT disagreed with prohibiting the issuance of a purchase order for more funding than the approved purchase request. PRMT stated:

   "There are instances when the value of the purchase order (PO) exceeds the value of the original purchase requisition (PR). Here is an example of how this happens.

   A program office enters a requisition for $100,000 to purchase widgets. Procurement secures quotes from the vendor community and the lowest quote for the widgets is $103,000. Instead of contacting the program office and asking them to enter a new PR or sending the original back for modification, the Contract Administrator creates the PO for $103,000. Since this amount exceeds the value of the original PR, the PO is routed back to OMBS for consideration. They review the comments entered by the Contract Administrator explaining why the PO value exceeds the PR value and add the appropriate funding to the PO.

   This process is faster and more cost efficient than contacting the end user and asking them to enter an additional requisition or modify the original. It eliminates the need to route the PR through the approval hierarchy a second time, which can unnecessarily delay the issuance of the PR."

OIG Analysis: The process may be faster and cost efficient; however, this process puts WMATA at a high risk of overspending. In the PRMT example, the cost increased by 3 percent. The purchase order in the OIG sample doubled in cost from $25,000 to $50,000. In addition, PRMT was unable to provide any documentation justifying the increase in the purchase order. In our opinion, at a minimum, WMATA should establish a limit (e.g., 3 percent) that purchase order can exceed the value of the purchase requisition. Recommendation 5 has been modified to establish by policy limits increased in funding to an acceptable percentage.

- ▪ ***Revised Recommendation 5:*** Update Policy/Instruction or other alternative standard operating procedures that limits increases of funding to an acceptable percentage.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The audit objective was to determine whether the BPA program was effective, efficient and economical to WMATA.

Scope

The audit scope consists of BPA purchases for FY 2017.

Methodology

To achieve our audit objective, our audit methodology was as follows:

- Researched background information about BPA process by reviewing Federal regulations, WMATA policies and procedures, and prior audits outside of WMATA.
- Performed interviews and walkthroughs to gain an understanding and document the BPA process with PRMT and various program offices.
- Identified and documented entity and process internal controls for the BPA process.
- Tested the design effectiveness of the entity and process internal controls.
- Documented BPA process narratives, flowcharts, and risk control matrices.
- Tested a sample of 45 of 137 purchase orders tied to BPAs using attribute and stratified random sampling.
- Spot checked a sample of 20 BPA invoices.
- Tested the operating effectiveness of the internal controls for the purchase orders and invoices sampled.
- Analyzed results of testing and provided recommendations.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

MANAGEMENT'S RESPONSE

M E M O R A N D U M

SUBJECT: Response to OIG Draft Report, Audit of   DATE: 8/29/2018
WMATA's Blanket Purchase
Agreements (BPAs), OIG 18-XX

FROM: IBOP - John T. Kuo

THRU: GMGR/CEO – Paul J. Wiedefeld

TO: OIG – Geoffrey Cherrington

This is in response to the Office of Inspector General's (OIG) draft report, Audit of WMATA's Blanket Purchase Agreements (BPAs), OIG 18-XX, dated June 2018. The objective of the audit was to determine whether the BPA program was effective, efficient, and economical to WMATA.

OIG made three (3) findings: (1) BPA Administration needs improvement; (2) Missing and incomplete BPA Documentation; and (3) Lack of BPA Planning monitoring, and close-out. Along with these findings, OIG made seven (7) recommendations: (1) approve, distribute, and conduct training for updated BPA standard operating procedures; (2) include in the next PeopleSoft update, a BPA Indicator; (3) transition to a centrally managed BPA process; (4) update the current BPA standard operating procedures to include: (i) competition procedures and controls, (ii) sole source procedures and controls, and (iii) document retention requirements; (5) in the next PeopleSoft update, include a threshold limit to prohibit issuing a purchase order for more funding than the approved purchase request; (6) implement a performance metric for PRMT that includes timely completion of annual BPA reviews and procurement planning; and (7) communicate through periodic newsletters with program offices the status of BPAs for advance procurement planning, annual reviews, and close-outs.

**Washington
Metropolitan Area
Transit Authority**

Recommendation 1:
Approve, distribute, and conduct training for updated BPA standard operating procedures.

Response:

PRMT substantially concurs with this recommendation. A draft of an updated SOP is in the final stages with training to be conducted by October 1, 2018.

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Recommendation 2:
Include in the next PeopleSoft update, a BPA Indicator.

Response:

PRMT concurs with this recommendation. Proc Admin has been notified and will include this feature in the next PeopleSoft update.

Recommendation 3: Transition to a centrally managed BPA process.

Response:
PRMT disagrees with this recommendation. Contract Administrators, in their specific business lines, manage BPAs in an effort to build better relationships with the programs and vendors WMATA works with on a routine basis. Creating a new team solely to manage BPAs would effectively remove a level of customer service that has recently been implemented.

Recommendation 4: Update the current BPA standard operating procedures to include:

- Competition procedures and controls.

   Response 4: PRMT agrees with this recommendation. Competition procedures and controls set by the SOP state, "Ordering Officers must obtain price competition for all orders exceeding $3,500 by obtaining price quotes from all competing BPAs."

- Sole source procedures and controls.

   Response 4: PRMT agrees with this recommendation. Per the newly drafted SOP, sole source BPAs will require justification validity from the Contracting Officer prior to approval. The program office will complete and submit a Simplified Acquisition sole source Determination and Finding (D&F) for approval.

- Document retention requirements.

   Response 4: PRMT agrees with this recommendation. Document retention is governed by WMATA's Records Retention Manual (1992).

Recommendation 5: In the next PeopleSoft update, include a threshold limit to

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prohibit issuing a purchase order for more funding than the approved purchase request.
Response:

PRMT disagrees with this recommendation. There are instances when the value of the purchase order (PO) exceeds the value of the original purchase requisition (PR). Here is an example of how this happens.

A program office enters a requisition for $100,000 to purchase widgets. Procurement secures quotes from the vendor community and the lowest quote for the widgets is $103,000. Instead of contacting the program office and asking them to enter a new PR or sending the original back for modification, the Contract Administrator creates the PO for $103,000. Since this amount exceeds the value of the original PR, the PO is routed back to OMBS for consideration. They review the comments entered by the Contract Administrator explaining why they PO value exceeds the PR value and add the appropriate funding to the PO.

This process is faster and more cost efficient than contacting the end user and asking them to enter an additional requisition or modify the original. It eliminates the need to route the PR through the approval hierarchy a second time, which can unnecessarily delay the issuance of the PR.

Recommendation 6: Implement a performance metric for PRMT that includes timely completion of annual BPA reviews and procurement planning.

Response:
PRMT concurs with this recommendation. BPAs will be reviewed on an annual basis to determine whether a procurement should be initiated to put a contract in place.

Recommendation 7: Communicate through periodic newsletters with program offices the status of BPAs for advance procurement planning, annual reviews, and close-outs.

Response:
PRMT concurs with this recommendation. This information will be located on the PRMT website and updated via the PRMT dashboard.

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