



# CONTRACT COMPLIANCE SUBCONTRACTOR UTILIZATION

PRESENTATION TO FINANCE/EXECUTIVE COMMITTEE  
OCTOBER 30, 2024

AMANDA NOBLE, CITY AUDITOR

STEPHANIE JACKSON, DEPUTY CITY AUDITOR

MICHEAL JONES, PERFORMANCE AUDIT MANAGER

DUANE BRAITHWAITE, PERFORMANCE AUDIT SUPERVISOR

CHRISTOPHER ARMSTEAD, DATA ANALYTICS AUDITOR

TIAJAH FARRAR, PERFORMANCE AUDITOR

KATHY MCCAULEY, PERFORMANCE AUDITOR

## AUDIT OBJECTIVE

- To what extent did the city's prime contractors provide work to minority-owned and female-owned businesses in contracts executed on or after July 2021?

## CONTRACT COMPLIANCE ENCOURAGES EQUAL OPPORTUNITY IN THE WORKPLACE

- Equal Business Opportunity (EBO) program's mission is to mitigate the effects of past and present discrimination towards minority- and female-owned businesses.
- Contract Compliance is responsible for:
  - certifying qualified businesses under EBO program guidelines
  - setting EBO goals for eligible city contracts
  - reviewing contract submittals to confirm bids align with set diversity goals
  - monitoring diversity participation goals once a contract is awarded

## CONTRACT COMPLIANCE SETS EBO GOALS DURING THE SOLICITATION PROCESS

- Eligible contracts include any city contracts—but exclude small purchases valued under \$100,000, sole source, special, cooperative, and emergency procurements
- Up to 35% of the work assigned to each prime contractor allocated as diversity participation (varies based on project requirements and subcontractor availability)
- OCC staff reviews submittals to ensure that a bidder has made a “good-faith effort” to subcontract with minority-owned or female-owned businesses.

# CONTRACT COMPLIANCE USES SDMS TO MONITOR EBO GOALS

- SDMS is a web-based system designed to allow users to track and monitor certified businesses and contract diversity performance goals
- System is accessible to certified firms, contractors, and the public
- Contractors enter contract payments into the system, and subcontractors confirm whether their payments have been received timely
- OCC staff is responsible for entering contract data correctly into SDMS and managing records in the system

# CONTRACT ACTIVITY IS NOT PROACTIVELY MANAGED

- SDMS does not contain all contracts with EBO goals, which hinders contract monitoring
- Contract specialists do not consistently maintain supporting documentation for contracts in SDMS to enable monitoring of diversity participation goals
- Contract specialists cannot confirm whether payments to subcontractors were made in a timely manner (within 3 days)
- Approvals for subcontractor replacements are not clearly documented, which could result in diversity participation goals not being met
- Projects may be tracked by multiple compliance officers who are focused on task orders rather than overall contract compliance

# INCONSISTENT SITE VISITS CAN LEAD TO INEFFECTIVE OVERSIGHT OF CERTIFIED SUBCONTRACTORS.

- Some projects had no site inspections although some were more than 50% complete

**Exhibit 4: Site Visits Ensure Subcontractors Are Performing Work**



**Left:** Auditors observed ADA wheelchair accessible sidewalks installed by subcontractor 1/19/24.

**Middle:** Auditors observed subcontractor conducting electrical work on a fire station project on 2/1/24.

**Right:** Auditors observed subcontractor demonstrating electrical work conducted on an Aviation project on 2/2/24.

**Source:** Photos taken by auditors during field observation of site visits

# SYSTEM WORKAROUNDS HINDER DATA TRACKING AND REPORTING

- Staff uses manual workarounds to monitor contract and task order amounts
- Neither we nor Contract Compliance staff could verify or duplicate diversity participation information reported to City Council
- Policies and procedures have not been updated since the implementation of SDMS

**Exhibit 9: Data in SDMS Didn't Align with FY23 Annual Report**

Goal Type	Dollars Earned FY23 Annual Report	FY23 Payments Recorded in SDMS	Difference
<b>FBE</b>	\$88,432,079	\$38,488,138	\$49,943,941
<b>MBE</b>	\$229,916,563	\$133,030,592	\$96,885,971

**Source:** Auditor analyses of SDMS data and OCC FY23 Compliance EBO Participation Report



## EBO GOALS HAVE BEEN MET WITH UNCERTIFIED SUBCONTRACTORS

- Non-female owned business owners have accounted for over \$6.5 million in credit to female-owned business goals
- Non-minority owned business owners have accounted for over \$550,000 in credits to minority-owned business goals
- Businesses with the owners listed in SDMS as Caucasian accounted for \$530,667 in credits to minority-owned business goals, and male owners accounted for over \$6.5 million in credits to female-owned business goals.

# A STRUCTURED QUALITY CONTROL SYSTEM COULD IMPROVE CONTRACT COMPLIANCE'S MONITORING

- Contract Compliance has undergone significant turnover in the office during the last six years, including at director level
- Moving to a new system can make it difficult to ensure consistency of processes
- Updated procedures, combined with a quality control system and enhanced supervision by compliance managers, would help to ensure that the office is able to carry out its mission

# RECOMMENDATIONS

- We made 14 recommendations to the director of the Office of Contract Compliance intended to ensure that the office can track and report complete and accurate information about whether the city is meeting its EBO diversity participation goals for eligible contracts.
- Contract Compliance should use the SDMS system as designed, ensure that all documentation is entered, and use the system's reporting capability. Updated policies and procedures to conform to the new system, combined with a quality control system and enhanced supervision by compliance managers, would help to ensure that the office is able to carry out its mission.

# QUESTIONS?

Full Report: [Office of Contract Compliance Subcontractor Utilization](#)