

**Performance Audit:  
Office of Contract Compliance**

**June 2021**

**City Auditor's Office  
City of Atlanta**

**File #20.07**





## CITY OF ATLANTA

City Auditor's Office  
Amanda Noble, City Auditor  
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June 2021

# Performance Audit:

## Office of Contract Compliance

### What We Found

The Office of Contract Compliance manages the city's initiatives to promote small and diverse business participation on eligible contracts. The office sets, evaluates, and monitors diversity and small business participation goals on contracts. It also certifies small, minority-owned, and female-owned businesses.

Contract Compliance reported the city meeting most of its six contracting and certification goals over the past few years, but data limitations prevent conclusive analysis. Contract Compliance reports showed that the city achieved two goals in only three out of the past 11 years. Additionally, we found that the Departments of Procurement and Aviation do not always share necessary contract and revenue updates with Contract Compliance. We compared data from Contract Compliance's monitoring software against files obtained from Procurement and legislation for a sample of contracts and task orders, and we found that total value varied by \$23.9 million and 77% of the contracts and task orders had different subcontractors.

Contract Compliance's could improve efficiency by better distributing its workload and using more software features. Three of its eight specialists are monitoring 70% of contracts. The office could also improve accuracy by automating the certification application and concessionaire management processes. We found that the office under-reported car rental agency expenditures by nearly \$90,000 in fiscal year 2019.

The office's policies and procedures support city code requirements and several best practices but could improve by providing annual reports to City Council.

### Why We Did This Audit

In 2020, the city's former director of the Office of Contract Compliance was convicted of tax and wire fraud. We undertook this audit to increase transparency around the office's work, assess its ability to meet diversity contracting goals, and assess internal controls.

### What We Recommended

To reduce errors, improve monitoring, and increase data accuracy, the Director of Contract Compliance should:

- automate certification applications and track completed submission and decision dates in the contract monitoring software
- create reports for city council
- store all contract- and task order-related documents in software
- work with software developer to restrict user access
- document revenue allocations for each concessionaire or agency
- implement quality assurance review of data input
- work with AIM and developer to integrate Oracle with software
- automate concessionaire management
- create a communication process with Aviation and Procurement
- work with Procurement to maintain a contract and task order document repository

For more information regarding this report, please use the "contact" link on our website at [www.atlaudit.org](http://www.atlaudit.org)

## Management Responses to Audit Recommendations

Summary of Management Responses		
<b>Recommendation #1:</b>	We recommend the contract compliance director automate certification applications and work with the software vendor to track completed submission and decision dates in the contract monitoring software to comply with city code.	
<b>Response &amp; Proposed Action:</b>	OCC has an active procurement for a supplier diversity tracking software system that includes an online certification application.	<b>Agree</b>
<b>Timeframe:</b>	January 2022	
<b>Recommendation #2:</b>	We recommend the contract compliance director create reports for city council, report regularly to committees, and share Federal Aviation Administration reports and other documents, such as presentations on Contract Compliance's work and its role in the procurement process, on its website.	
<b>Response &amp; Proposed Action:</b>	OCC will continue to produce reports for The Mayor and City Council for EBO, SBO and DBE participation. Reports may be subjected to the Georgia Open Records Act and will be made available upon request. OCC will develop a presentation detailing the various programs offered within the City.	<b>Partially Agree</b>
<b>Timeframe:</b>	September 2021	
<b>Recommendation #3:</b>	We recommend the contract compliance director and senior managers store all contract- and task order-related documents in the office's contract monitoring software, including the original contracts and task orders, final subcontractor utilization plans, change orders, amendments, renewals, and subcontractor substitution and removal forms.	
<b>Response &amp; Proposed Action:</b>	OCC senior management will utilize the supplier diversity tracking software to monitor EBO, SBO, ACDBE and DBE participation throughout the life of the contract. This also includes tracking change orders, task orders, amendments, renewals, and subcontractor substitutions.	<b>Agree</b>
<b>Timeframe:</b>	January 2022	
<b>Recommendation #4:</b>	We recommend the contract compliance director work with the contract monitoring software vendor to restrict access and periodically review usage reports.	
<b>Response &amp; Proposed Action:</b>	We will have a detailed discussion with the software vendor to address the concerns (provided the additional features are not cost prohibitive).	<b>Agree</b>
<b>Timeframe:</b>	To be determined, procurement pending	

<b>Recommendation #5:</b>	We recommend the contract compliance director document revenue allocations for each concessionaire or agency in the monitoring tool or software, including a history of changes.	
<b>Response &amp; Proposed Action:</b>	The tracking software will capture concessionaire revenue. <b>Please see recommendation 8.</b>	<b>Agree</b>
<b>Timeframe:</b>	January 2022	
<b>Recommendation #6:</b>	We recommend the contract compliance director implement a quality assurance review for concessionaire and contract information input.	
<b>Response &amp; Proposed Action:</b>	OCC is in the process of procuring a new tracking software system. This new system will include quality assurance controls for concessionaire and contract information input.	<b>Agree</b>
<b>Timeframe:</b>	January 2022	
<b>Recommendation #7:</b>	We recommend the contract compliance director work with AIM and the software vendor to integrate Oracle with contract monitoring software.	
<b>Response &amp; Proposed Action:</b>	OCC is in the process of procuring a new tracking software system. This new system should include Oracle integration capabilities with the ATL Cloud and the Department of Finance payment system.	<b>Agree</b>
<b>Timeframe:</b>	January 2022	
<b>Recommendation #8:</b>	We recommend the contract compliance director work with the Department of Aviation's finance director and the software vendor to automate concessionaire management.	
<b>Response &amp; Proposed Action:</b>	OCC is in the process of procuring a supplier diversity and inclusion software tracking system, which will include all concessions activities.	<b>Agree</b>
<b>Timeframe:</b>	January 2022	
<b>Recommendation #9:</b>	We recommend the contract compliance director work with the Department of Aviation's finance director to establish a process to update the offices' standard operating procedures for communicating concessionaire updates.	
<b>Response &amp; Proposed Action:</b>	OCC will agree to initiate discussions with DOA Finance to establish a process to update SOPs for communicating concessionaire updates. The success of these discussions will be contingent upon the cooperation of DOA Finance.	<b>Agree</b>
<b>Timeframe:</b>	January 2022	
<b>Recommendation #10:</b>	We recommend the contract compliance director work with the chief procurement officer to establish a process between contract compliance and the user departments to communicate updates and create a contract and task order repository, including original contracts and task orders, change orders, amendments, and renewals.	
<b>Response &amp; Proposed Action:</b>	OCC, DOP, Risk Management and IPRO held a process improvement meeting in fall 2020. We will continue those discussions to address those recommendations that are related to the procurement and contracting process.	<b>Agree</b>
<b>Timeframe:</b>	Ongoing	





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Dargan Burns, III

June 3, 2021

Honorable Mayor and Members of the City Council:

We conducted this audit because of stakeholder concerns about the Office of Contract Compliance's ability to achieve diversity goals in the city's equal business opportunity program and transparency surrounding contract compliance business practices. This audit reviews the transparency around the office's work, assesses its ability to meet diversity contracting goals, and assesses internal controls.

During the audit, we were unable to review some records due to the closure of city facilities and mandatory telework for non-essential city employees. We plan to review a sample of these records, including certification application packets and Diversity Program Substitution forms, once facilities are reopened.

The Audit Committee has reviewed this report and is releasing it in accordance with Article 2, Chapter 6 of the City Charter. We sent a draft report to management on March 8, 2021 and received their response on April 16, 2021. We appreciate the courtesy and cooperation of city staff throughout the audit. The team for this project was Nia Young, Lindsay Kuhn, and Myra Hagley.

Amanda Noble  
City Auditor

Danielle Hampton  
Chair, Audit Committee



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# Office of Contract Compliance

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## Introduction

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We undertook this audit because City Council expressed an interest in a performance audit of the Office of Contract Compliance to assess its ability to achieve diversity goals in the city's equal business opportunity program. Also, stakeholders have expressed concern about transparency surrounding contract compliance business practices. In September 2019, the city's former contract compliance director pleaded guilty to tax and wire fraud for working with an undisclosed business helping companies obtain government contracts. In January 2020, he was convicted and sentenced to two years in prison, three years of supervised release, and ordered to pay approximately \$125,000 in restitution. We also assess whether policies, procedures, controls, and resources are in place to meet the office's mission, as defined in city code.

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## Background

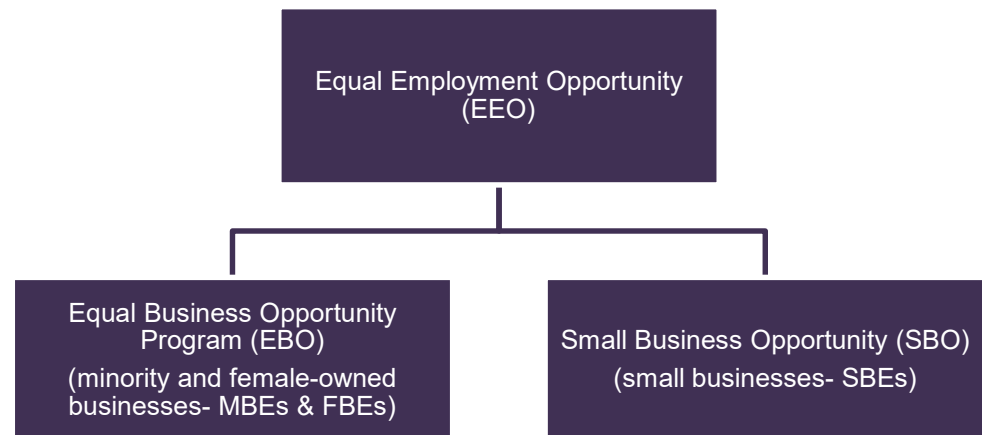
In 1974, City Council established the Office of Contract Compliance ("Contract Compliance") to administer the city's equal employment program and the minority and female business enterprise (MBE and FBE, respectively) program. The most recent disparity study, conducted in 2015, supported the continued need for the contract compliance program and provided evidence of lower business ownership, revenue, and bid capacity among minorities and women in the Atlanta Metro Area. Contract Compliance is an executive branch office and reports to the Chief Operating Officer. The office conducts outreach; certifies MBEs, FBEs, and small business enterprises (SBEs); and monitors diversity participation on eligible contracts. Contract Compliance's mission is to mitigate the effects of past and present discrimination by ensuring that small, minority-owned, female-owned and disadvantaged businesses participate in city contracts.

### **Contract Compliance Promotes Diversity on Eligible Contracts**

The city of Atlanta is an equal employment opportunity employer and requires that its contractors and subcontractors not discriminate against their employees or applicants because of race, color, creed, religion, sex, domestic relationship status, parental status, familial status, sexual orientation, national origin, gender identity, age, disability, or political affiliation. The city developed the Equal

Business Opportunity (EBO) and Small Business Opportunity (SBO) programs to carry out this goal (see Exhibit 1). The programs seek to ensure businesses are not discriminated against in contracting, subcontracting or partnership opportunities with the city. Contract Compliance designates eligible contracts as either EBO or SBO and sets goals for eligible businesses to participate and receive a percentage of the contract award.

**Exhibit 1: City Seeks to Promote Inclusion in Contracting Opportunities**



**Source:** City Code Sections 2-1358, Sec. 2-1411, Sec 2-1414(a), Sec 2-1445, and Sec 2-1448(a).

**EBO program** - eligible contracts under the EBO program have participation goals for businesses certified as MBEs or FBEs. The program is governed by the provisions of the Equal Business Opportunity Ordinance in city code Sections 2-1441 through 2-1464, and places requirements on firms seeking to do business with the city to make efforts to ensure that businesses are not discriminated against based on their race, ethnicity, or gender.

**SBO program** - eligible contracts under the SBO program have participation goals for businesses certified as SBEs. The program promotes the economic welfare of the people of Atlanta, encourages full and equal business opportunity for persons doing business with the city, and promotes commerce by assisting SBEs to actively participate in the city's procurement process. The program also helps to ensure the city uses programs that provide it with the best possible resources.

Contract Compliance is responsible for evaluating diversity participation in competitive sealed bids and proposals, and excludes

small purchases less than \$20,000, sole source, special, cooperative and emergency procurements. Contractors awarded a sole source, special procurement, or emergency procurement contract must submit an annual report to Contract Compliance on the subcontractors used. Contract Compliance establishes a goal for a project and calculates the percentage of MBE and FBE participation by dividing the MBE or FBEs price for providing direct labor or a service by the bidder's total dollars. The SBE goal is smaller than the availability of small businesses in the marketplace. Contract Compliance has set an SBE subcontracting goal of up to 35% for each specific prime contract, but according to city code Section 2-1362(a), this goal may be reduced or eliminated on a contract-by-contract basis, based on the type of contract, type of work required, and availability of SBEs.

As shown in Exhibit 2, Contract Compliance conducts various activities in support of its mission to ensure that small, minority, women and disadvantaged businesses can participate in city contracts. The office provides vendor outreach; certifies businesses as MBEs, FBEs, and SBEs; and monitors contracts for appropriate participation and mediates contract disputes. Contract Compliance also partners with local agencies that provide similar services.

**Exhibit 2: Contract Compliance Promotes Diverse Participation in City Contracts**

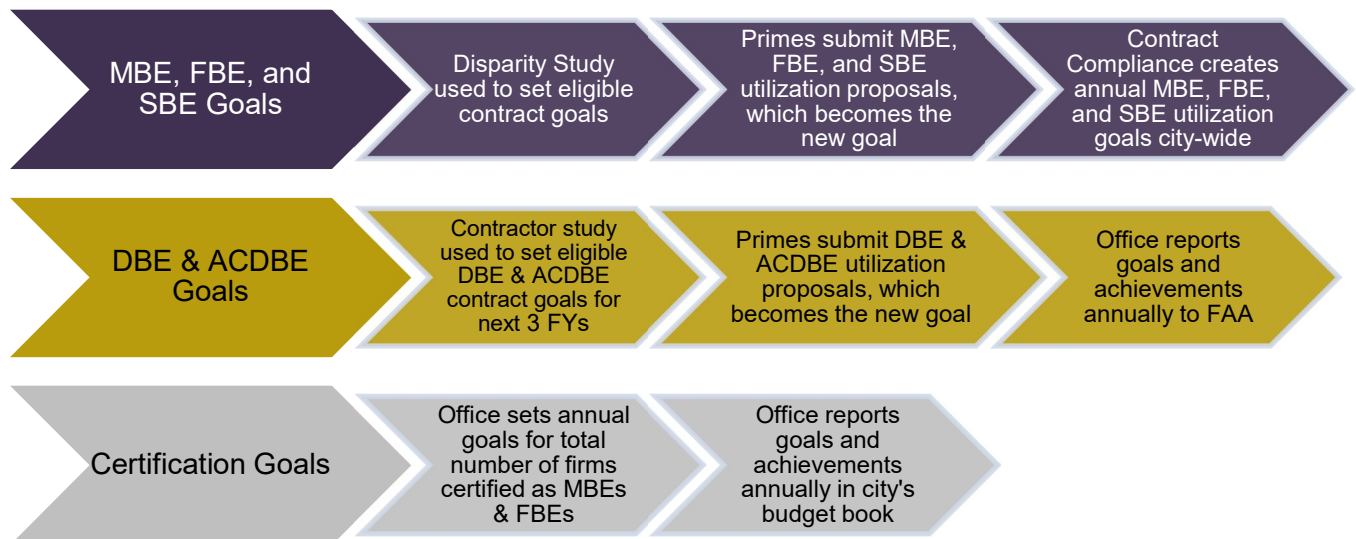
Activities	Description
Vendor Outreach	Provides workshops and information about project opportunities to current and potential vendors
Equal Business Opportunity (EBO) & Small Business Opportunity (SBO) Certification	Evaluates and processes certification applications for: <ul style="list-style-type: none"> <li>EBO – minority (MBE) and female owned (FBE) businesses</li> <li>SBO – small business enterprise (SBE) (see Exhibit 5 for additional information about certification requirements)</li> </ul>
Contract Monitoring	Tracks eligible contracts for minority subcontractor participation
Contract Mediation	Resolves payment and performance disputes between prime contractors and subcontractors
Diversity Compliance	Sets goals for diversity inclusion on eligible projects
Partnering with Local Agencies	Shares resources and opportunities with external agencies that perform similar functions

**Source:** Prepared by audit staff based on interviews with contract compliance staff.

According to city code, “certification” is the city’s official recognition and approval that the business meets the requirements to qualify as an MBE, FBE or SBE. The EBO and SBO programs require that businesses have an office located in the Atlanta region, also known as the twenty-county area, to be eligible for certification.

**Contract Compliance reports on multiple programs.** As well as setting goals for its Equal and Small Business Opportunity programs, Contract Compliance creates targets for disadvantaged business enterprises (DBEs) and airport concessions disadvantaged business enterprises (ACDBEs). Exhibit 3 shows the different goals that Contract Compliance sets for MBEs, FBEs, SBEs, DBEs, and ACDBEs. For MBE, FBE, or SBE participation, the office contracts with an independent consultant to perform a disparity study that analyzes available businesses that meet the criteria. The office conducted its most recent disparity study in 2015; the next assessment is due in 2021. Contract Compliance uses these availability metrics to set goals for individual contract bids with a MBE, FBE, or SBE participation requirement. Contract bidders submit a utilization plan outlining their proposal to use MBEs, FBE, SBEs or DBEs. The utilization plan of the bidder to whom the city awards the contract becomes the contract’s new goal. Contract Compliance creates annual goals for the percentage of contracts paid to MBEs and FBEs. The office reports on these goals and achievements annually in the budget book and submits an annual report to the Mayor’s Office.

**Exhibit 3: Contract Compliance Sets Goals with Assistance from Stakeholders**



**Source:** Interviews with Contract Compliance staff.

Contract Compliance sets the city's DBE and ACDBE targets similarly to MBE, FBE, and SBE goals. The office hires a consultant to create a three-year goal for the city's use of DBEs and ACDBEs on Federal Aviation Administration-funded contracts. These goals apply to all federally funded, airport-related contract bids. Bidders then submit subcontractor utilization plans outlining DBE and ACDBE participation, which can differ from these goals. Contract Compliance uses the bidder's submitted plan to monitor achievement. Each federal fiscal year, Contract Compliance sends the Federal Aviation Administration a report on the city's actual use of DBEs and ACDBEs compared to the original three-year targets.

Finally, Contract Compliance sets annual goals for the total number of firms certified as MBEs or FBEs each fiscal year. The office reports its goals and achievements in the city's annual budget book.

### **Contract Compliance Assigns Work by Department and Function**

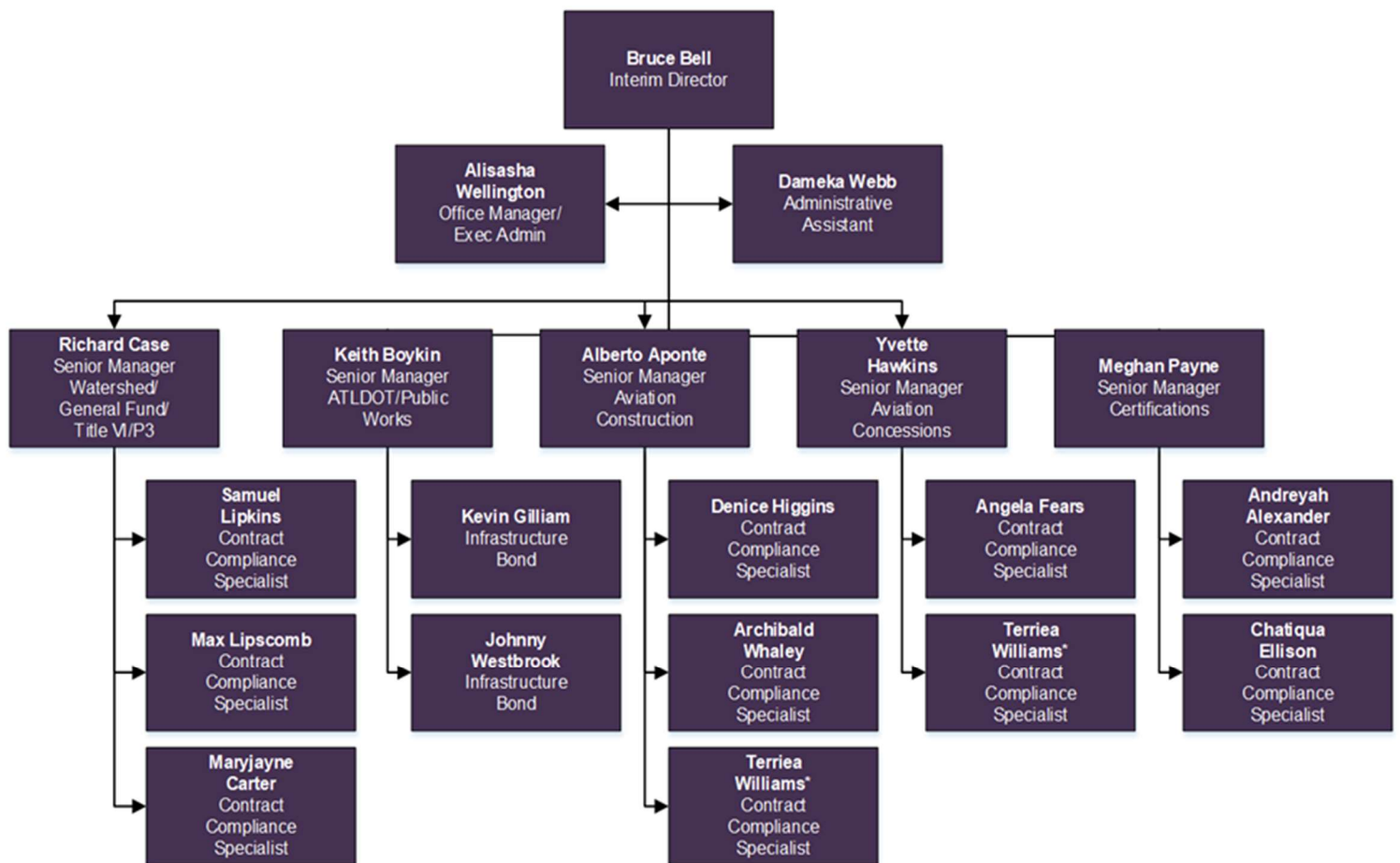
The Contract Compliance director leads a staff of 2 administrative personnel, 5 senior managers, and 12 contract specialists (see Exhibit 4). Recently, the office filled six vacancies with four new staff and two promotions, leaving one vacant administrative position. One of the new staff splits her time between two units. One senior manager and two staff handle applications for certifications. The remaining contract compliance staff are divided among four senior managers to monitor contracts aligned by one or more departments: 1) Watershed Management and general fund departments; 2) Public Works and Transportation; 3) Aviation construction; and 4) Aviation concessions. The Contract Compliance budget is derived from other city departments and the office assigns staff to contracts based on that allocation, and staff are supported by funds from agencies to which they're assigned.

All city staff, including Contract Compliance, are governed by the city's Code of Ethics and its conflict-of-interest law. The law's purpose is to protect the integrity of government and promote the public trust by prohibiting conflicts of interest, requiring employees to complete financial disclosures, and provide for a fair enforcement process. The ethics law encourages city officials and employees to act in the best interest of the city and avoid the appearance of impropriety. The law provides for the following:

- employees may not participate in any decision related to a contract or other matter in which they, their immediate family, or their business have a financial or personal interest in the matter (see Section 2-812)

- employees may not engage in private employment, including self-employment, or render services for private interests when the employment is averse to and incompatible with the proper discharge of the employee's official duties [Section 2-820 (b)]
- managers and employees involved in inspections, law, contract compliance, purchasing, procurement, finance, internal audit, and ethics are required to file a financial disclosure statement every year that they are employed with the city and for the year after they leave city employment (see Section 2-814).

**Exhibit 4: The Majority of Contract Compliance Staff Handle Contract Monitoring**



**\*Note:** Terriea Williams supports both the Aviation Construction and Aviation Concessions units.

**Source:** Prepared by audit staff based on Contract Compliance information as of March 2021.

## Minority and Small Businesses are Encouraged to Participate in City Contracts

Contract Compliance meets with local peers in the Metro Atlanta Intergovernmental Agencies of Equal Employment Officials to discuss challenges and share resources to provide workshops, training and contracting opportunities to small, minority, female, disadvantaged businesses. Participants include the Georgia Department of Transportation, MARTA, Cobb County, Clayton County, Gwinnett County, Atlanta Public Schools, Hartsfield-Jackson Airport, and the Department of Watershed Management.

City code Section 2-1453(b) outlines four MBE types: African American-, Asian Pacific American-, Hispanic American-, and female-owned business enterprises. According to city code sections 2-1447 and 2-1359, Contract Compliance must certify businesses and maintain a database of certified MBEs, FBEs, and SBEs. MARTA and the Georgia Department of Transportation are responsible for certifying and maintaining the database for DBEs and ACDBEs. These databases assist contractors in identifying available certified SBEs, MBEs FBEs, DBEs, and ACDBEs to meet small, disadvantaged, or minority participation goals for bid proposal solicitations. The business types and certification requirements are shown in Exhibit 5. MBE and FBE certifications expire after two years, and the firm must re-apply. If an organization is denied an MBE, FBE, or SBE business certification, the organization can submit an appeal to Contract Compliance.

### Exhibit 5: Diversity Programs Require Different Types of Certifications and Arrangements

Type of Business	Description	Certification Requirements
<b>DBE</b>	Disadvantaged business enterprise	For-profit small business concern - 1) that is at least 51 percent owned by one or more individuals who are both socially and economically disadvantaged or, in the case of a corporation, in which 51 percent of the stock is owned by one or more such individuals; and 2) whose management and daily business operations are controlled by one or more of the socially and economically disadvantaged individuals who own it
<b>ACDBE</b>	Airport concession disadvantaged business enterprise	A concession that is a for-profit small business concern - 1) that is at least 51 percent owned by one or more individuals who are both socially and economically disadvantaged or, in the case of a corporation, in which 51 percent of the stock is owned by one or more such individuals; and 2) whose management and daily business operations are controlled by one or more of the socially and economically disadvantaged individuals who own it

<b>FBE</b>	Female business enterprise	1) majority owner must be female; 2) must possess at least 51% of the business; 3) must share in the risk and profit commensurate with their ownership interests; 4) must be viable, independent and competent
<b>MBE</b>	Minority business enterprise	1) majority owner must be African American, Hispanic American, or Asian Pacific Islander American; 2) must possess at least 51% of the business; 3) must be viable, independent, and competent; 4) must share in the risk and profit commensurate with their ownership interests. <ul style="list-style-type: none"> <li>• AABE – African American Business Enterprise</li> <li>• APABE – Asian Pacific American Business Enterprise</li> <li>• HABE – Hispanic American Business Enterprise</li> </ul>
<b>SBE</b>	Small business enterprise	1) must be U.S. citizens who meet the eligibility requirements of management and control; 2) must also meet the Small Business Administration's (SBA) size standard for industry codes as published by the SBA (sba.gov) 3) Located in the surrounding twenty counties of the Atlanta region; 4) must be viable, independent, and competent
<b>JV</b>	Joint Venture	1) two or more businesses form a partnership for a finite period or specific project, where at least one of which is a certified Small, Minority, or Female Business Enterprise; 2) the parties in the JV share in the management, profits (and losses) and risks in accordance with the terms of their joint venture agreement or joint venture contract

**Source:** Prepared by audit staff based on city code and contract compliance information.

**Each business must follow regulatory requirements.** The federal government put equal and small business laws in place to increase participation from a larger pool of firms and diversity business opportunities. Applicants seeking certification must meet all certification requirements as defined in the Equal and Small Business Opportunity programs (including meeting the Small Business Administration size standards). For eligible airport-related contracts, the Federal Aviation Administration requires the city to submit annual payment, revenue or expenditure reports of its DBEs and ACDBEs. The city sets overall ACDBE goal achievements based on historical performance and if they are not met, Contract Compliance must analyze the reasons why, create a plan, and submit the plan to the Federal Aviation Administration within 90 days of the fiscal year.

Depending on the industry, state legislation makes it mandatory for certain contractors to be licensed by the State of Georgia and is overseen by the Georgia Residential and General Contractors Board of the Professional Licensing Boards Division.

### **Businesses Must Meet Certification Requirements**

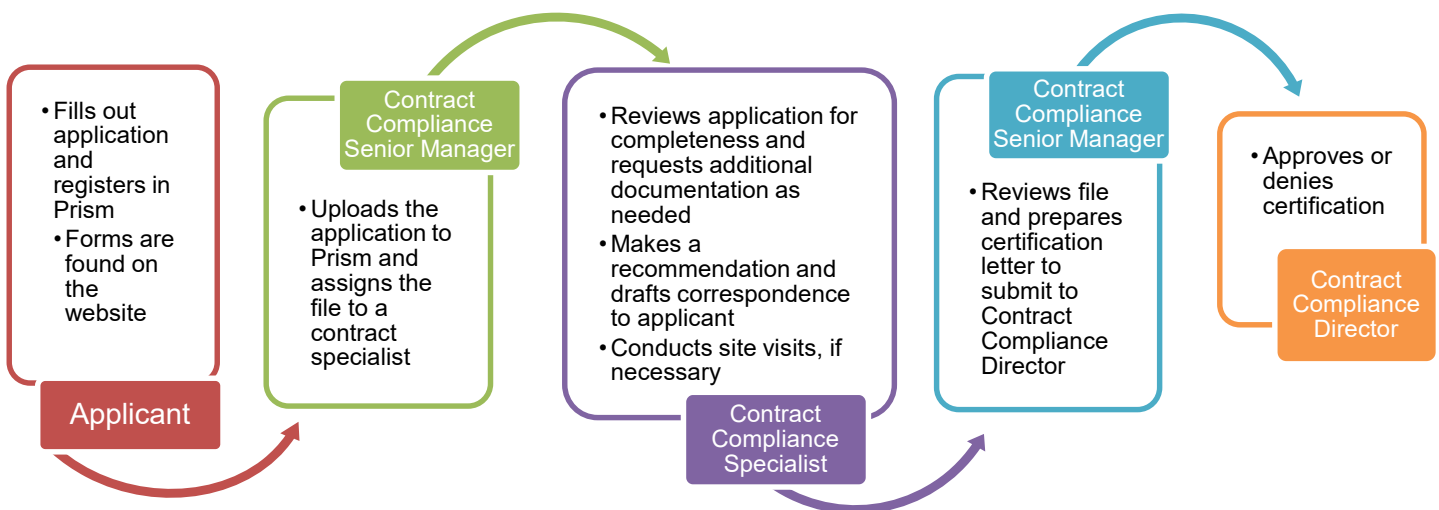
Contract Compliance provides SBE, MBE and FBE certifications to eligible firms, which can be used to participate in city contracts. Contract Compliance certifies FBEs and three categories of MBEs: African American, Asian Pacific American, and Hispanic American.

Contract Compliance does not certify DBEs; Georgia Department of Transportation and MARTA certify DBEs and ACDBEs.

Contract Compliance's certification process for SBEs, MBEs, and FBEs is as follows (see Exhibit 6):

1. The applicant fills out and submits the application packet to Contract Compliance.
2. The administrative assistant adds the application to the mail log. The certification manager uploads the application to PRISM and assigns the file to a contract compliance specialist.
3. The specialist reviews the application and requests any omitted and/or additional documents needed. The specialist may also conduct a site visit if necessary. For example, an FBE applicant has to meet all ownership and control requirements.
4. The certification senior manager reviews the file and prepares a certification letter for the Director. Once the applicant submits a fully completed packet, city code requires that Contract Compliance review and notify the applicant if its request has been approved or denied within 90 days. The certification senior manager then forwards the file to the Director.
5. OCC Director approves or denies the certification. If Contract Compliance denies the request, the applicant can appeal the decision.

**Exhibit 6: Contract Compliance Has 90 Days to Make Certification Decisions**



**Source:** Auditor analysis based on Contract Compliance's standard operating procedures and interviews with staff.

In addition to managing part of the certifications process in PRiSM, Contract Compliance uses PRiSM to house a public database of city vendors. The database shows each firm's name, contact information, and any certifications that the firm holds. Contract Compliance had 8,217 unique firms in its public database as of February 5, 2021, with 14% of them certified. As Exhibit 7 below shows, more than three-quarters of certified firms had two or more certifications. Firms cannot have more than one MBE designation. Firms can hold up to three city certifications: SBE, FBE, and one of the MBE designations. The most frequent type of certification was SBE. Of the MBE types, the most common was African American-owned MBE.

**Exhibit 7: 83% of Certified Firms Qualify in More Than One Category**

Data	Number	Percentage of Certified Firms
MBE	823	
• African American MBE	712	62%
• Asian Pacific American MBE	41	4%
• Hispanic American MBE	70	6%
FBE	470	41%
SBE	1,099	96%
Firms with 2 or more certifications	955	83%
Total Firms Certified	1,144	

**Source:** City's public PRiSM database as of February 5, 2021.

### **Staff Uses PRiSM to Manage Eligible Contracts**

Since 2008, Contract Compliance has primarily used PRiSM, an information system developed by Early Morning Software, to monitor contracts and certifications. Currently, Contract Compliance manages all eligible contracts except for airport concessions within PRiSM, despite PRiSM having a concessions management module. The concessions module was previously unavailable. According to the director, concessions staff received training in the new module in January 2021 with full implementation planned for April 2021. Concessions are primarily for-profit businesses that sell goods or services at the airport. Using PRiSM, specialists monitor contracts, manage parts of the certification process, and can generate reports on metrics such as checking subcontractor payments to-date.

During our audit, Contract Compliance's contract with Early Morning Software lapsed for four months, although Contract Compliance staff could still use the portal during the lapse.

**Contract Compliance uses PRiSM to monitor non-concessionaires.**

The office uses separate processes to monitor airport concessions contracts and non-concessions contracts. Beyond PRiSM, there are several reasons why these processes differ. First, federal regulations govern concessions contracts. Second, contractors input payment information directly into PRiSM for non-concessions contracts, while the concessions unit receives revenue information from the Department of Aviation. The majority of Contract Compliance's contracts are non-concessions.

Exhibit 8 shows the contract monitoring process for non-concessions contracts. Contract Compliance staff told us that they have a new disparity study prepared every three to five years to confirm that their program is still needed. Based on the results of the study, Contract Compliance may update its policies and procedures.

The office uses its disparity study to set the MBE, FBE or SBE goal for the contract. Contract Compliance uses the participation amount proposed by the bidder to track compliance; if it is lower than the project goal and the bidder demonstrates a good faith effort in obtaining MBE, FBE, or SBE business participation, OCC monitors the proposed amount.

Once the city is ready to award a contract, the Department of Procurement provides Contract Compliance with a copy of the contract to sign. The specialist inputs the bidder's information from the contract into PRiSM and monitors compliance with this amount. The specialist conducts a site visit and also checks the certification status for each SBE, MBE, or DBE firm on the contract.

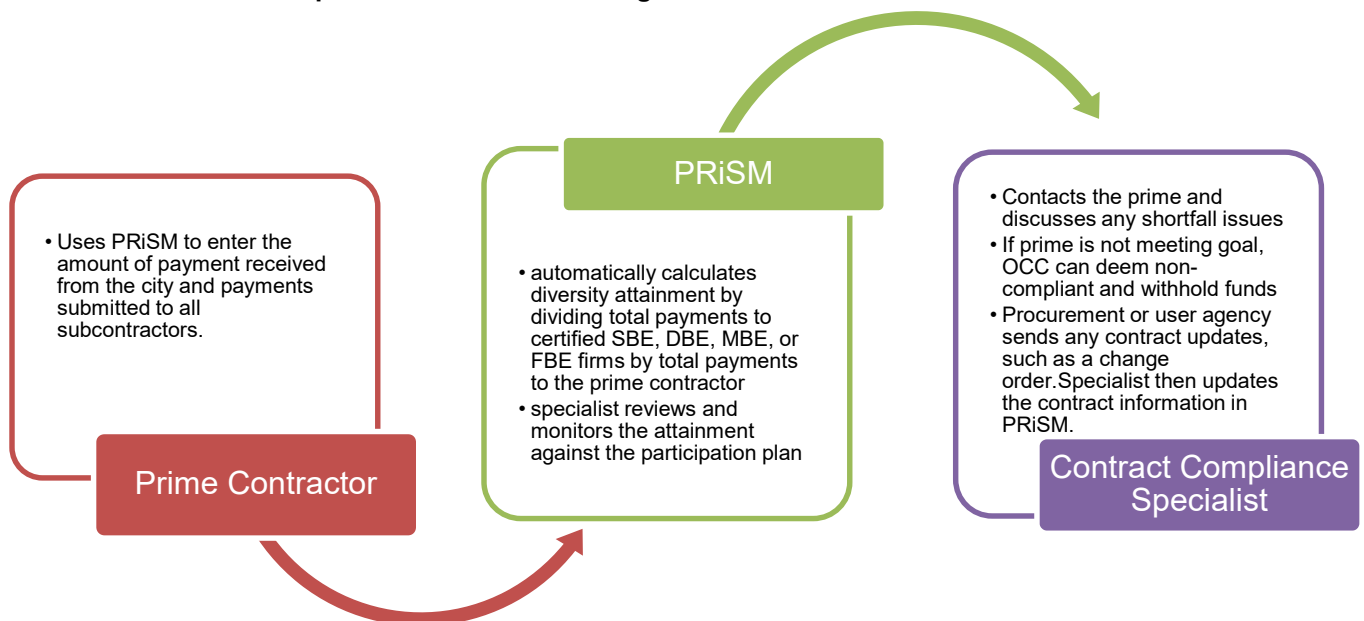
After initial set-up for non-concessions contracts, Contract Compliance monitors as outlined:

1. Each month, the prime contractor enters into PRiSM the amount of payment received from the city and payments submitted to all subcontractors.
2. PRiSM automatically calculates diversity attainment by dividing total payments to certified SBE, DBE, MBE and FBE firms by total payments to the prime contractor.
3. The Contract Compliance specialist uses PRiSM to review the contract's diversity attainment against the prime's participation plan.

4. The specialist will reach out if the prime contractor is not on track to meet its diversity participation goals. They discuss the shortfall and a plan to address these issues. If the prime is still not meeting goals, Contract Compliance can deem the contractor non-compliant. The office then has the power to direct the Department of Finance to withhold funds from the prime.
5. The specialist updates the contract information in PRiSM if Procurement or the user agency sends any contract updates, such as a change order. Additionally, in the event a prime is seeking to replace or remove a contractor or subcontractor, they must submit a Diversity Program Substitution form and supporting documents to Contract Compliance. Contract Compliance then determines whether to approve the request. The specialist then determines the effect of these updates on the prime's diversity participation.

Once the prime completes the contract, Contract Compliance confirms that the contractor fulfilled all its agreements. If pay disputes exist or the prime fails to comply with requirements, Contract Compliance may direct the Finance department to withhold payments to the prime.

**Exhibit 8: Contract Compliance Monitors Most Eligible Contracts in PRiSM**



**Source:** Prepared by auditors based on Contract Compliance's standard operating procedures and conversations with staff.

**Concessionaires are not in PRiSM.** The concessions monitoring process differs from the non-concessions process. Contract Compliance's concessions unit uses an Excel spreadsheet for tracking rather than PRiSM. When Contract Compliance first began using PRiSM, the concessions module was not available. Additionally, the office submits annual participation reports to the Federal Aviation Administration. An independent consultant develops the goal setting methodology which Contract Compliance uses to set a triennial goal for participation across concessions contracts. Contract Compliance's concessions unit tracks concessionaires against the contract diversity goal as well as the overall Federal Aviation Administration goal.

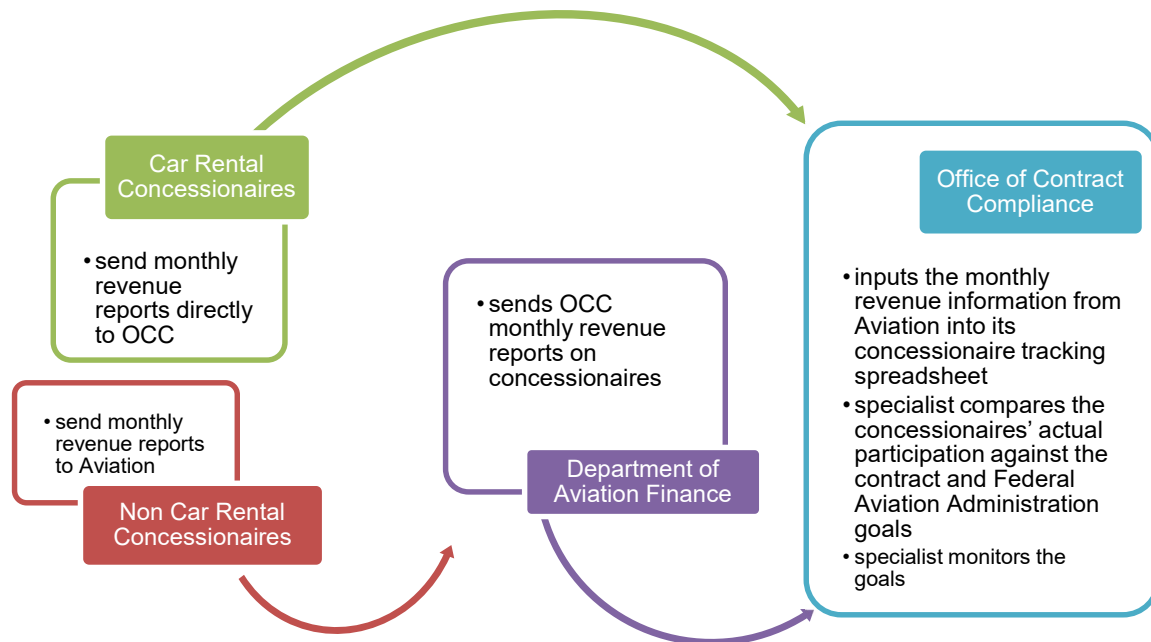
Some aspects of the concessions contract monitoring process are similar to the non-concessions process. The concessions unit also reviews the contract file, performs site visits, and checks the certification status of contractors. Exhibit 9 details these steps.

Contract Compliance's concessions unit uses the following process for monthly contract monitoring:

1. Concessionaires send monthly revenue reports to the Department of Aviation Finance. Car rental agencies also submit their expenditures directly to Contract Compliance.
2. Aviation sends Contract Compliance monthly revenue reports for concessionaires (excluding car rental agencies).
3. Contract Compliance inputs the monthly revenue information from Aviation into its concessionaire tracking spreadsheet. The specialist compares ACDBEs' actual participation against the contract and Federal Aviation Administration goals.
4. The specialist will reach out if the concessionaire is not on track to meet its diversity participation goals. They discuss the shortfall and a plan to address these issues. The concessionaire provides a recovery plan to Contract Compliance for approval.

Once the concessionaire completes the contract, Contract Compliance confirms that the concessionaire fulfilled all its contractual agreements.

## Exhibit 9: Contract Compliance Monitors Concessions Contracts Outside of PRISM

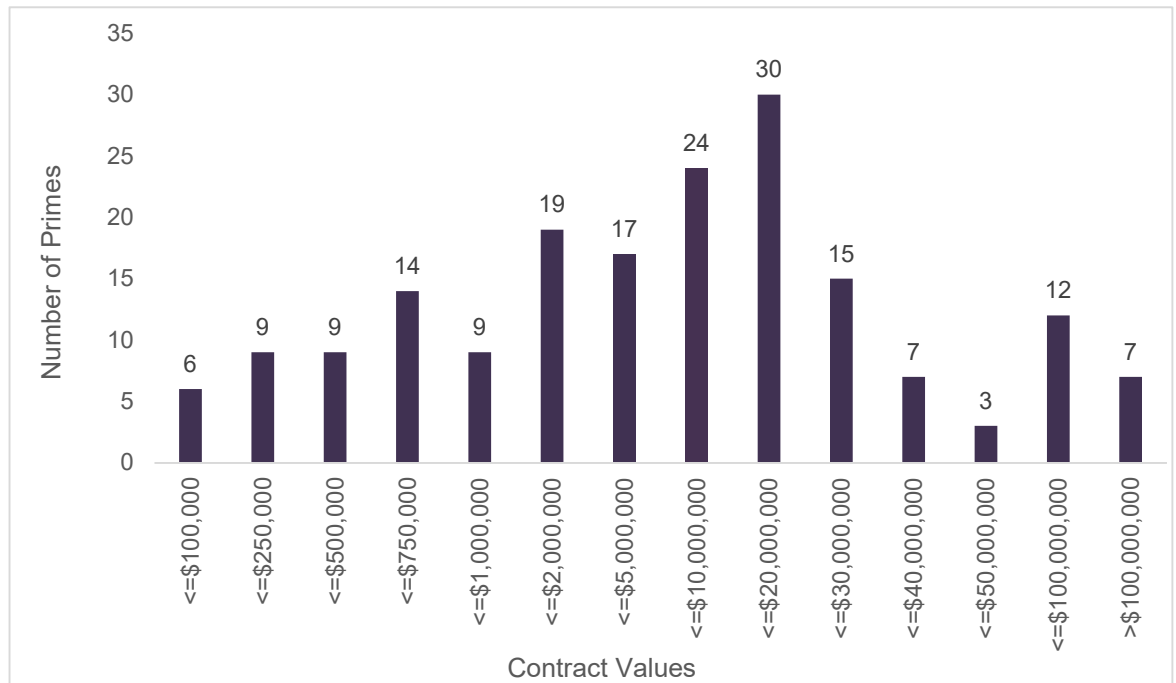


**Source:** Auditor analysis based on Contract Compliance's standard operating procedures and interviews with staff.

### Contract Compliance Monitors Over \$3 Billion in Contracts with Diversity Participation

As of November 2020, Contract Compliance monitored 679 active non-concessions contracts awarded to 181 prime contractors, including 1,015 certified and non-certified subcontractors. The total contract value was slightly more than \$3.5 Billion (see Exhibit 10). Total contract values ranged from less than \$100,000 to over \$100,000,000, and the median total value of contracts per prime contractor was \$6,420,156.

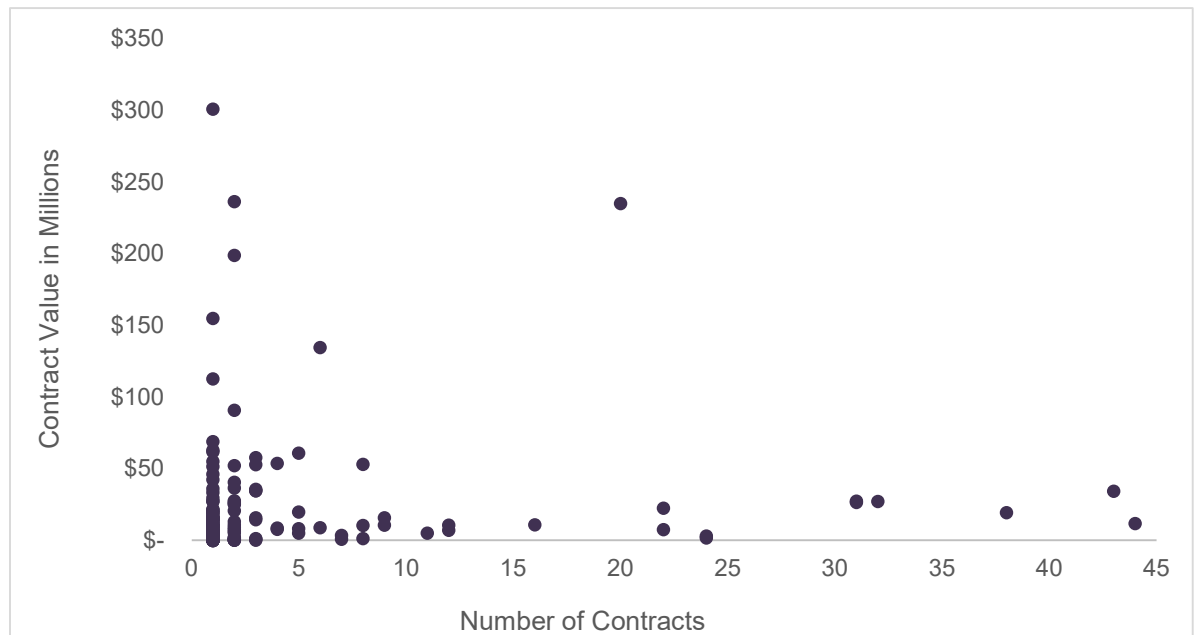
**Exhibit 10: OCC Monitors Awarded Contracts by Firm and Amount**



**Source:** Auditor analysis based on PRISM data as of November 2020.

The majority of prime contractors—about 63% (114 of 181)—were awarded one contract with a median contract value of \$3,006,716 (see Exhibit 11).

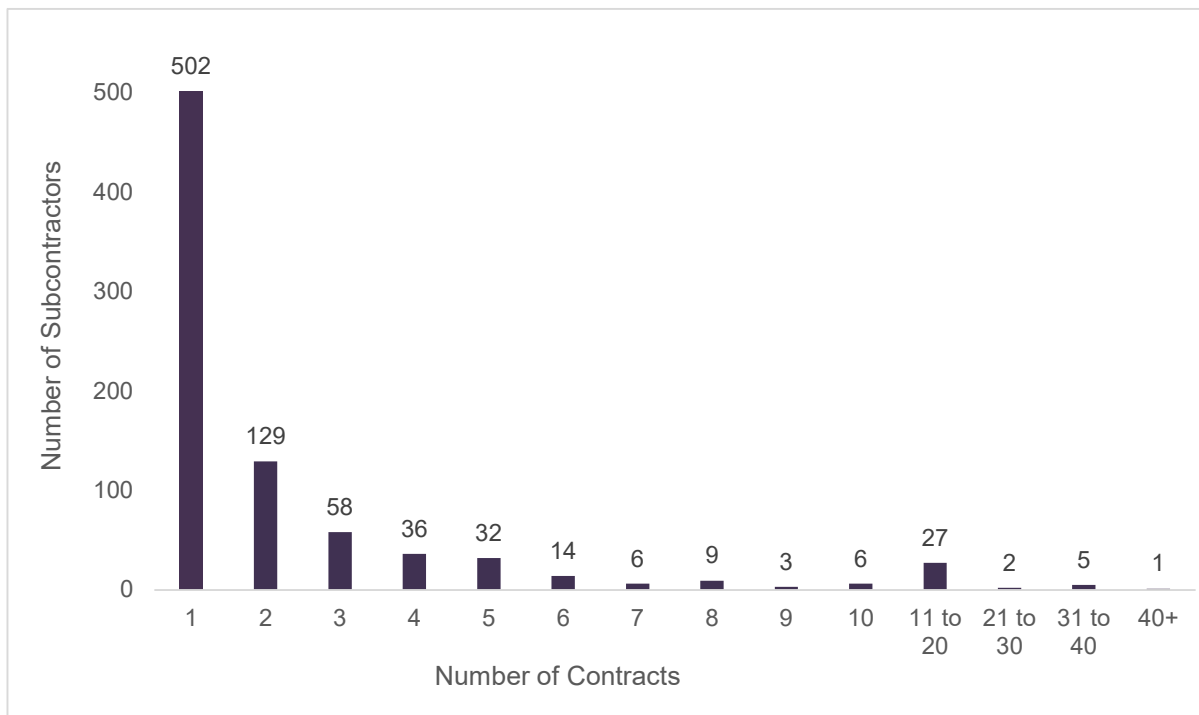
**Exhibit 11: Distribution of Contracts for Each Prime Contractor**



**Source:** Auditor analysis based on PRISM data as of November 2020.

We reviewed subcontractor participation from July 2016 to June 2020 on active contracts, as of November 2020. There were 830 subcontractors participating on 511 contracts. Exhibit 12 shows that the majority of subcontractors—about 60% (502 of 830)—participated on only one contract.

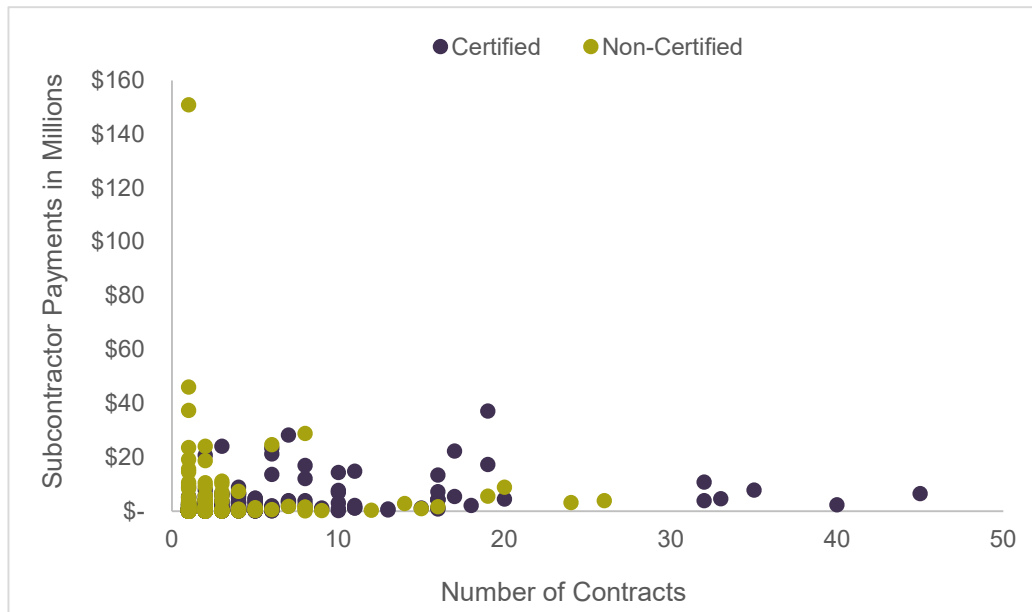
**Exhibit 12: The Majority of Certified and Non-Certified Subcontractors Participated on One Contract**



**Source:** Auditor analysis based on PRISM data for current active contracts between July 2016 to June 2020.

Exhibit 13 shows that the city paid over \$1.4 billion to subcontractors during the last four years. The majority of subcontractors, about 75% (622 of 830), received payments of \$1,000,000 or less between July 2016 to June 2020. More certified subcontractors received contracts and were paid a larger share of contracting dollars. Of a total of 830 subcontractors who received contracts, 449 (54%) were certified and 381 (46%) were non-certified. Certified subcontractors received \$716.7 million in contracts and non-certified subcontractors received \$696.8 million during the period.

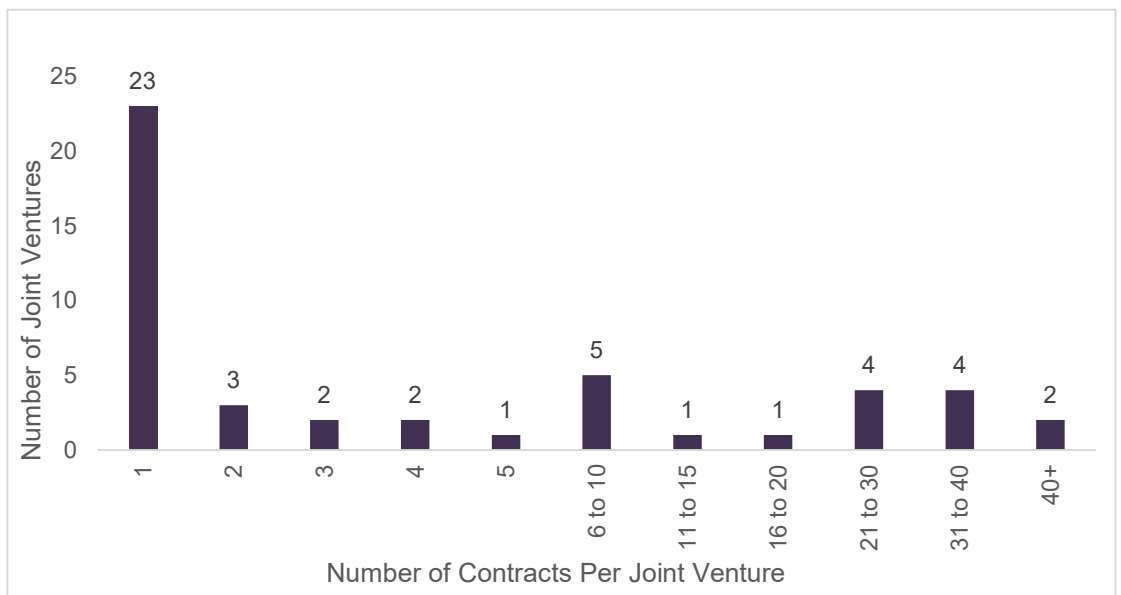
**Exhibit 13: City Paid Over \$1.4 Billion to Certified and Non-Certified Subcontractors from July 2016 through June 2020**



**Source:** Auditor analysis based on PRISM data for current active contracts between July 2016 to June 2020.

As of November 2020, about 63% (426 of 679) of active contracts were awarded to joint venture firms. Exhibit 14 shows that 48% (23 of 48) of joint venture firms have only one active contract.

**Exhibit 14: Distribution of Joint Ventures with Active Contracts Monitored by Contract Compliance**



**Source:** Auditor analysis based on PRISM data as of November 2020.

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## Audit Objectives

This report addresses the following objectives:

- Are controls in place to ensure that Contract Compliance meets the city's diversity goals?
  - Are resources in place for Contract Compliance to meet its goals?
- 

## Scope and Methodology

We conducted this audit in accordance with generally accepted government auditing standards. The scope of this audit includes the Office of Contract Compliance's current certification and contract monitoring processes and contracts active as of November 2020. We excluded Contract Compliance's role in contract solicitation and evaluation because the city's Independent Procurement Review Unit reviews procurement records for specific city solicitations valued at \$1 million or more. We were unable to review some records due to the closure of city facilities and mandatory telework for non-essential city employees.

Our audit methods included:

- assessing relevant city, state, and federal laws, regulations, and city policies and procedures related to minority contracting—Atlanta City Code, the U.S. Code of Federal Regulations—to determine whether Contract Compliance is complying with these requirements
- reviewing the Office of Contract Compliance's internal policies and procedures to evaluate whether the office is following its process
- reviewing other audits related to local government contract monitoring and certification processes to benchmark Contract Compliance's performance
- interviewing staff from the Office of Contract Compliance, departments affected by the contracting process, and City Council members and staff to identify user needs and concerns
- creating process maps of the certification, concessions, and non-concessions processes
- reviewing minority contracting best practices to compare with those of the city

- conducting a virtual walkthrough of the city's minority certification and contract monitoring system to assess controls
- reviewing user access controls in PRiSM
- determining whether a sample of contracts previously audited by our office had been entered into PRiSM
- testing the accuracy of information in PRiSM from a sample of 69 active contracts as of November 2020
- reviewing staff caseloads in different units within Contract Compliance and the value of contracts and task orders monitored by each to determine distribution of work
- testing the contract monitoring system's diversity attainment calculations for active contracts between January 1, 2020, and December 14, 2020, to examine whether the calculations are accurate
- reviewing achievement of disadvantaged business goals between 2009 and 2019 to gauge city performance
- testing the accuracy and completeness of concessionaires' data for federal fiscal year 2019

Generally accepted government auditing 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



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## Findings and Analysis

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### City Reports Meeting Most Diversity and Small Business Goals, but Some Data Are Inaccurate and Incomplete

Overall, we found that the city's Office of Contract Compliance has controls in place to mitigate the risk of discriminatory contracting practices. From 2014 to 2019, Contract Compliance reported the city met its goals for minority and female-owned business participation in four of the six years and certification goals in five of the six years. While we were unable to independently verify the accuracy of historical reports, we confirmed the accuracy of system calculations. Incomplete or inaccurate data entry into the contract management system, however, could reduce the accuracy of reports the office relies on for monitoring. We found that four of a sample of 132 active contracts were not recorded in PRiSM. In our random sample of 69 active contracts in PRiSM, 21 had amounts that didn't match the executed contract documents. The Department of Procurement does not systemically communicate with Contract Compliance about change orders, amendments, or renewals.

Non-car rental concessionaires have met ACDBE goals more consistently than car rental concessionaires. According to a Federal Aviation Administration representative, difficulty in meeting ACDBE participation goals among car rental concessionaires is a nationwide challenge. We also found errors in reports to the FAA for fiscal year 2019. Contract Compliance under-reported car rental agency revenue by nearly \$90,000. Contract Compliance depends on the Department of Aviation's Finance unit to provide concessions revenue data. The unit doesn't always communicate adjustments to prior periods to Contract Compliance.

We recommend that the Contract Compliance director and senior managers store all contract- and task order-related documents in the office's contract monitoring software to improve record retention and resolve discrepancies. These documents include the original contracts and task orders, final subcontractor utilization plans, change orders, amendments, renewals, and substitution and removal forms.

## City Reports Meeting Most Diversity Business Goals but Could Improve Consistency

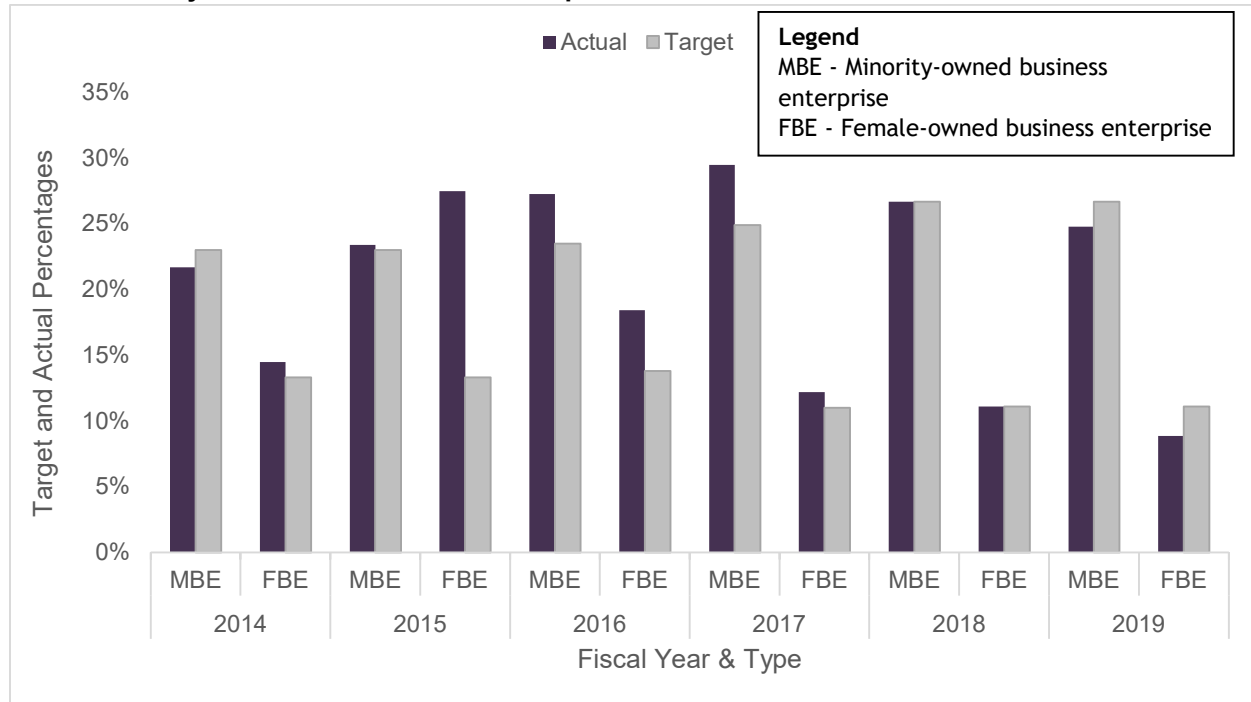
Contract Compliance reported the city meeting or exceeding its minority and female business participation goals for four of the past six fiscal years and also achieving certification goals in five of those years. The office sets and reports on goals separately for MBE, FBE, SBE, DBE, and ACDBE usage, as well as certifications. While Contract Compliance sets participation goals for individual solicitations, the city may award contracts to proponents whose proposals do not meet the goals. Contractors must provide documented good faith outreach efforts to meet diversity and small business goals.

ACRONYMS	
ACDBE	Airport concessionaire disadvantaged business enterprise (concessions contracts only)
DBE	Disadvantaged business enterprise (primarily airport contracts)
FBE	Female-owned business enterprise
MBE	Minority-owned business enterprise
SBE	Small business enterprise

Additionally, Contract Compliance reported that the city fulfilled its non-rental car ACDBE goals for 7 of the last 11 years; however, the city only met its DBE and rental car ACDBE goals in three of those years. This is partly due to the fact that individual contract commitments can be lower than the project goals if the contractor demonstrates sufficient evidence of a good faith effort to reach the goal. According to the Federal Aviation Administration, failure to meet rental car ACDBE goals continues to be a nationwide challenge. We are unable to independently verify reported achievements because PRiSM reports are snapshots of data at the time staff generate them. Additionally, Contract Compliance does not publish its goals or the city's achievements for SBE usage.

**The city mostly met its goals for MBE and FBE participation and certification from 2014 to 2019.** From fiscal years 2014 to 2019, Contract Compliance reported that the city met its participation goals for FBEs in five of the six years, slightly outperforming MBEs, which met its goals for four of the six years within the period. In fiscal year 2019, the city did not meet either participation goal for MBEs or FBEs. Although the city's goal for the project was not met, it is possible that contractors met their commitments. Exhibit 15 shows more detail on goals and achievements.

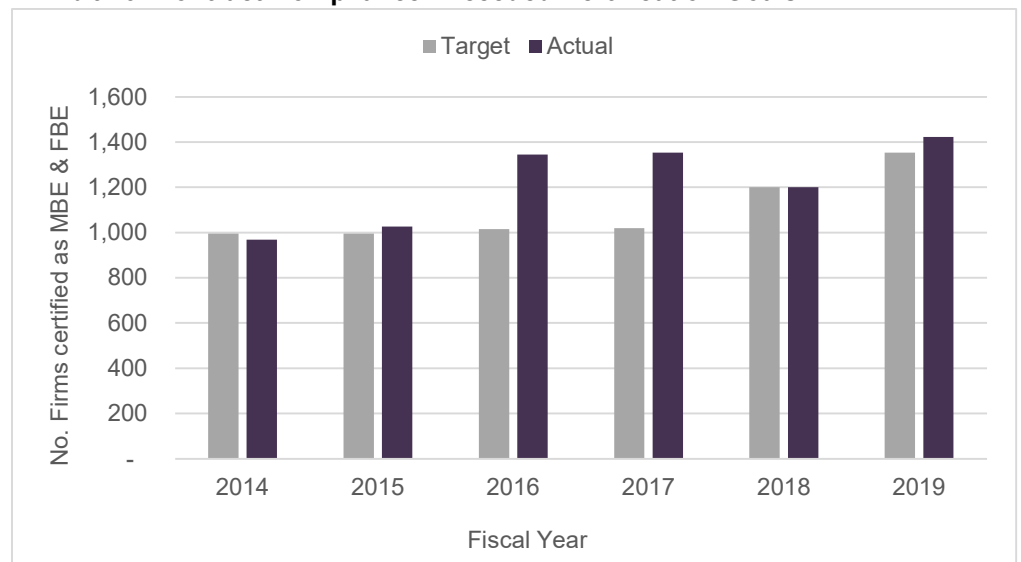
**Exhibit 15: City Met Its MBE and FBE Participation Goals for Four of Six Fiscal Years**



**Source:** Auditor analysis based on reported achievement in the city's FY 2012-2021 budget.

The office reported that the city met its certification goals for all years except fiscal year 2014. In fiscal years 2016 and 2017, Contract Compliance stated that the city exceeded its targets by certifying around 300 more businesses than the targets for those years. Exhibit 16 displays the city's actual and target certifications by fiscal year.

**Exhibit 16: Contract Compliance Exceeded Certification Goals**

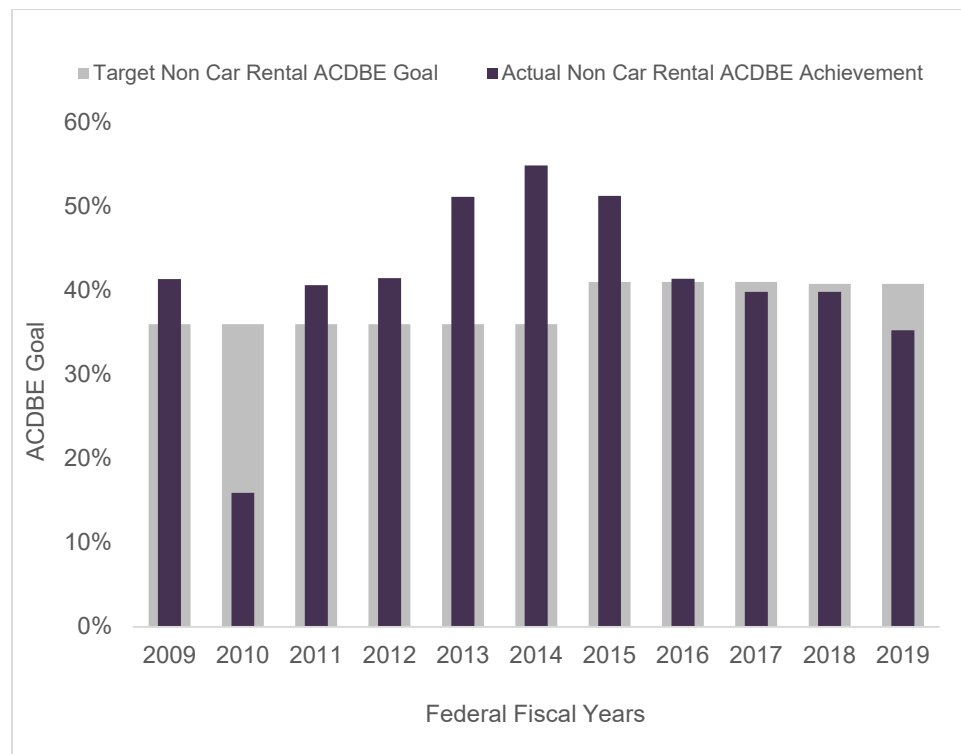


**Source:** Auditor analysis based on reported achievement in city's FY 2012-2021 budget.

The city did not achieve its DBE and ACDBE goals for most of the past 11 years. The city is required to report its DBE commitments and ACDBE revenue attainment and goal achievement to the Federal Aviation Administration. The city tracks ACDBE participation for car rental agencies by the percentage of company expenditures made to ACDBE certified vendors. The city monitors ACDBE participation for non-rental car concessionaires by the percentage of total concessions revenues earned by ACDBE vendors.

We reviewed DBE and ACDBE participation data that Contract Compliance submitted to the Federal Aviation Administration for federal fiscal years 2009 to 2019. Exhibit 17 shows that the city met non-car rental airport concessionaires ACDBE goals in 7 of the last 11 years. According to Contract Compliance staff, it is possible that contractors met their diversity commitment but not the city's goal. Contract Compliance provided the Federal Aviation Administration with the corrective action plans, or a shortfall analysis, required for the years in which it did not meet the disadvantaged business goals.

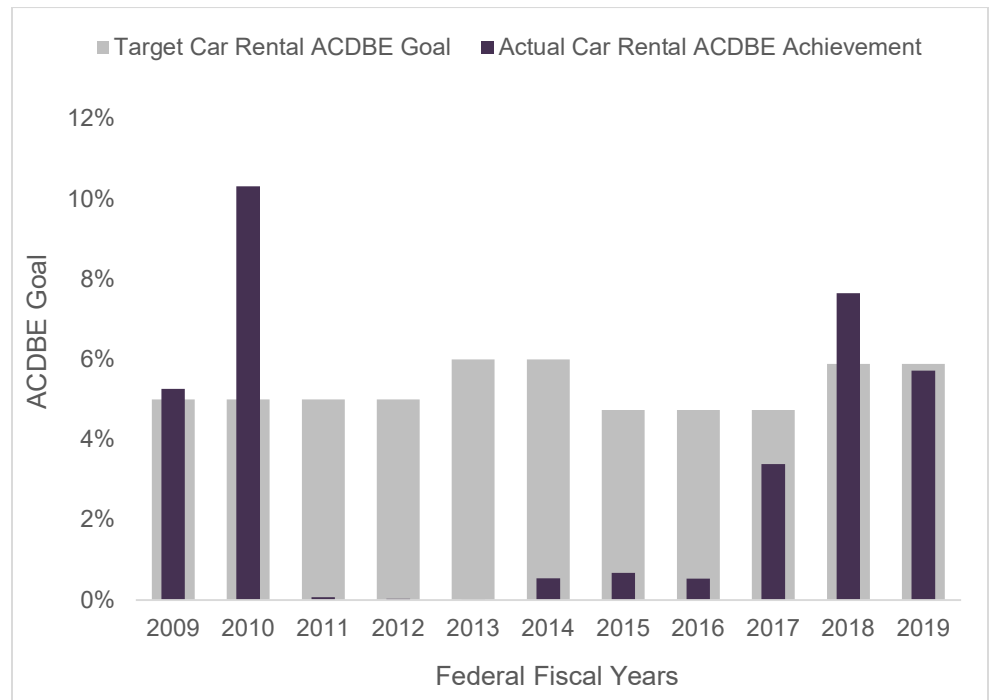
**Exhibit 17: City Met or Exceeded Non-Car Rental Concessionaires ACDBE Goals for Seven of the Last 11 Years**



**Source:** Auditor analysis based on Federal Aviation Administration report data from 2009-2019.

Exhibit 18 shows that car rental concessionaires only met ACDBE participation and expenditure goals for 3 of the 11 years within the period. According to the local FAA staff, it is challenging for car rental agencies to meet these goals in disadvantaged business programs across the country because concessionaires purchase goods and services in bulk, and ACDBEs are unable to compete on that scale. Before the COVID-19 pandemic, there was a nationwide push by the larger airports to spread awareness and encourage increased disadvantaged business participation. In 2019, the FAA hosted several stakeholder sessions for input to clarify, reduce regulatory burdens, and enhance the overall implementation of the program.

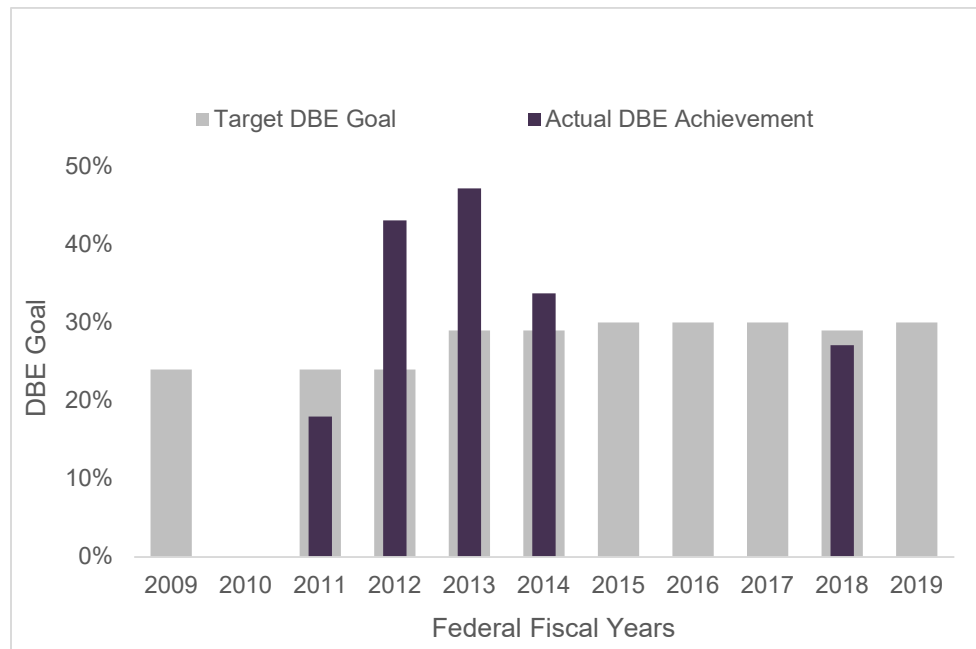
**Exhibit 18: City Met or Exceeded Car Rental Concessionaires ACDBE Goals in 3 of 11 Years**



**Source:** Auditor analysis based on Federal Aviation Administration report data from 2009-2019.

Exhibit 19 shows that airport construction contracts did not meet DBE goals for 7 of the 10 years within the period; the DBE goal was 30% in federal fiscal years 2015, 2016 and 2017. Data was unavailable for 2010. According to OCC staff, there were no awards and commitments made to use certified DBEs in federal fiscal years 2015, 2016, and 2017.

### Exhibit 19: City Met or Exceeded DBE Goals for 3 of 10 Years



**Source:** Auditor analysis based on Federal Aviation Administration report data from 2009-2019.

### Communication Challenges Reduce Data Accuracy and Completeness

Contract Compliance needs complete and accurate contract and task order information to monitor diversity attainment and goals and ensure accurate reporting. We compared the total dollar value in PRiSM for a sample of 61 contracts and task orders against the value in Procurement and legislation files and found a difference of \$23.9 million. Additionally, we tested 132 contracts eligible for Contract Compliance monitoring and found that 4 of these contracts were not in PRiSM. The city updates or adjusts contracts and task orders through change orders, amendments, or renewals. The Department of Procurement does not systemically inform Contract Compliance about these updates. Contract Compliance also depends on the Department of Aviation's Finance unit to provide concessions revenue data. Aviation must occasionally modify prior revenue data but does not communicate these changes to Contract Compliance.

Contract Compliance also lacks a policy to ensure complete and accurate data. We found that 77% of the 61 sampled contracts and task orders listed different subcontractors between the pdf contract file and the PRiSM record; a documentation policy and quality assurance process could reduce incomplete data, mitigate risk for improper substitution on contracts, and improve monitoring.

**Stakeholder departments do not consistently communicate information needed to monitor goals.** Contract Compliance relies on other departments, such as Procurement and Aviation, to provide documentation and updates, such as funding adjustments. These stakeholder departments do not have formal mechanisms for communicating with Contract Compliance, which can lead to inaccurate and incomplete data. Contract Compliance cannot accurately calculate or monitor diversity attainment unless Procurement and Aviation consistently communicate all contract and task order updates.

The Department of Procurement does not consistently communicate contract and task order updates, including change orders, renewals, and amendments to Contract Compliance. These updates can affect contract and task order funding, timelines, contractors, and other information that Contract Compliance needs to monitor diversity attainment. Additionally, Procurement has not maintained a comprehensive electronic contract and task order repository. Procurement previously agreed to a 2019 audit recommendation to create a contract repository. Recently Procurement staff told us they worked to upload all active, executed contracts into Oracle; however, this initiative did not necessarily include change order, amendment, or renewal documents.

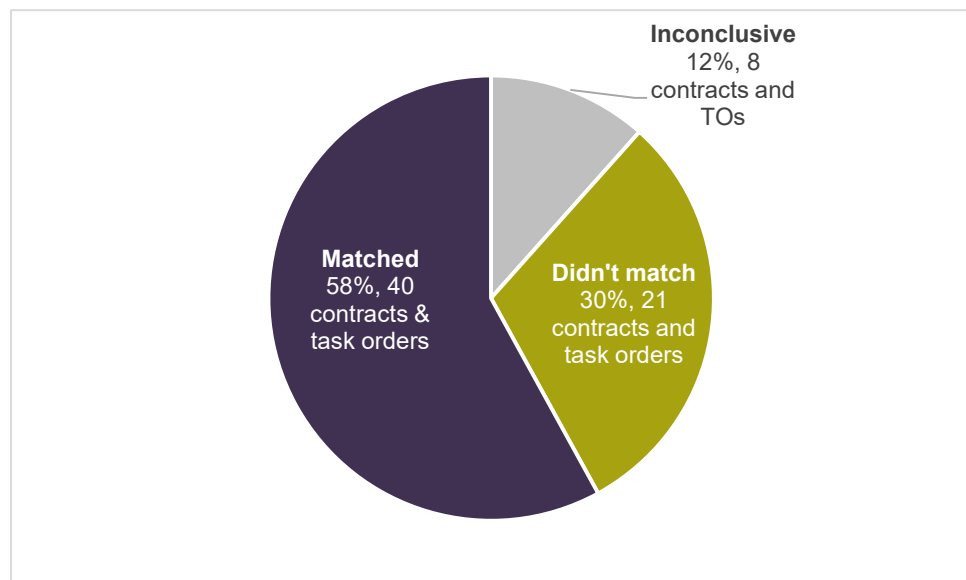
The Department of Aviation's Finance unit also does not consistently communicate revenue changes to Contract Compliance for concessionaires. Each month, concessionaires submit revenue reports to the Department of Aviation, which sends its compiled report to Contract Compliance. However, concessionaires sometimes send adjustments to prior months' revenues to Aviation, and Aviation does not consistently communicate these adjustments to Contract Compliance. These revenue adjustments affect the total disadvantaged business participation, and Contract Compliance requires this updated revenue information to determine whether primes are meeting disadvantaged business participation goals.

We randomly sampled 69 active contracts and task orders from PRiSM. We tested amounts documented in PRiSM for the sample contracts against the amounts we obtained from Procurement and user agencies. We found conclusive information for 61 of the 69 contracts and task orders, as shown in Exhibit 20. For eight contracts, we could not conclude if the information in PRiSM matched the executed contract and task order documents because documents were missing or conflicting. Our review included looking at documents from Procurement and legislation because Contract Compliance does not keep copies of all contract and task order

documents in PRiSM. However, PRiSM does allow for Contract Compliance to upload electronic documents.

Of the 61 active contracts and task orders that we located, 30% contained a different total contract value between PRiSM and executed contract and task order documents. The total value of the sampled contracts and task orders in PRiSM was approximately \$23.9 million more than the total from Procurement's files. Specialists monitor contracts and task orders monthly to ensure that primes are meeting their goals for using MBEs, FBEs, DBEs or SBEs, and this goal is created based on the amount to be paid to the businesses, divided by the total contract amount. If the total contract values are not up to date, the amount that primes are required to pay to those businesses will also be inaccurate, which can result in the city over- or under-reporting MBE, FBE, SBE or DBE utilization.

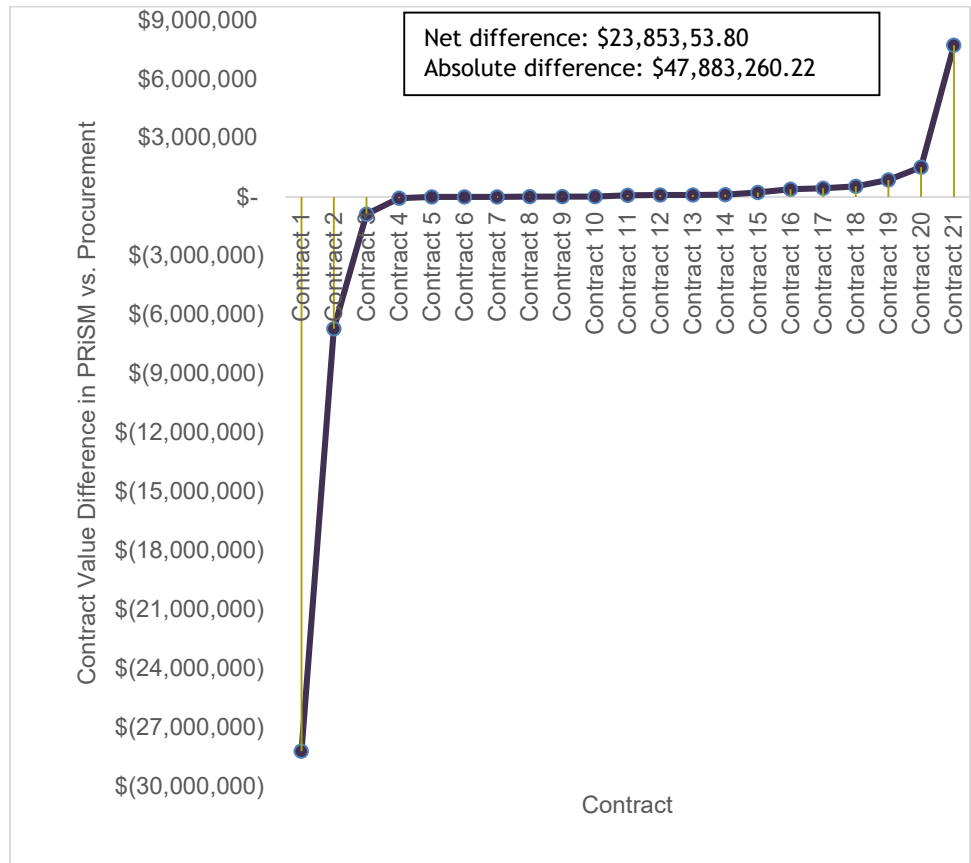
**Exhibit 20: 30% of 69 Sampled Contracts and Task Orders in PRiSM Did Not Match Procurement's Files**



**Source:** Auditor analysis based on PRiSM and Procurement files for 69 sampled contracts and task orders.

The \$23.9 million difference between PRiSM and Procurement files represented 8% of the total contract value for the 61 contracts and task orders found; however, one contract accounted for most of this difference, as shown in Exhibit 21. Contract Compliance is currently looking further into this contract. We found that some values differed by as little as one cent or had transposed amounts. Contract Compliance does not currently review PRiSM entries for accuracy; instituting a quality assurance process could eliminate some of these contract value discrepancies.

**Exhibit 21: \$23.9 Million Difference Between PRiSM and Procurement Files Primarily Comes from One Contract**



**Source:** Auditor analysis based on PRiSM and Procurement files for 69 sampled contracts and task orders.

All eligible, non-concessions contracts and task orders should be in PRiSM. Because the Department of Procurement does not have a complete repository of contracts and task orders, we selected a convenience sample of contracts we reviewed in previous audits to assess whether they were recorded in PRiSM. Of the 132 contracts identified that qualified for Contract Compliance monitoring, four were not in PRiSM.

To improve Contract Compliance's ability to monitor eligible contracts, we recommend that the Chief Procurement Officer establish a process with Contract Compliance and the user departments to communicate updates and create a contract and task order repository including original contracts and task orders, change orders, amendments, and renewals. Additionally, we recommend that the Contract Compliance Concessions senior manager create a process and work with the Department of

Aviation's Finance unit to update the offices' standard operating procedures for communicating concessionaire updates.

Contract Compliance's policies and procedures do not outline a quality assurance process to check manual data entry. Staff reported that no one approves data entry into contract records. Specialists may make errors in entries that lead to issues with diversity attainment calculation and other monitoring. In our walkthrough of the system, we observed that users can edit contract information and certification determination in PRiSM without approval. We found no evidence of fraud; however, we consider this an area with fraud risk.

We reviewed a sample of PRiSM contract records and pdf copies of Procurement's contract files. Out of 61 contract and task order files, 47 (77%) records listed different subcontractors in either the PRiSM record or and Procurement's contract file. Contract Compliance staff stated that they require contractors to supply a Diversity Program Substitution form, which they maintain on a shared drive and hard copy files in the office to store contract updates and changes. They were not able to supply these forms for our review during the audit due to the COVID-19 emergency. Previously a subcontractor sued the city, alleging that the prime inappropriately replaced them on an awarded contract. Non-centralized documentation and record keeping pose a risk to the city.

We recommend that the Contract Compliance director and senior managers store all contract-and task order-related documents in the office's contract monitoring software to improve record retention and resolve discrepancies. These documents include the original contracts and task orders, final subcontractor utilization plans, change orders, amendments, renewals, and subcontractor substitution and removal forms. To reduce the likelihood of uncorrected errors, we recommend that the Contract Compliance director implement a quality assurance review for concessionaire and contract information put into PRiSM. We also recommend that the Contract Compliance director and senior managers work with the contract monitoring software developer to restrict access and periodically review usage reports to ensure that contract data is not inappropriately changed.

## **Better Resource Management Could Improve Data and Monitoring**

Contract Compliance monitors over \$3.5 billion in non-concessionaire contracts. We reviewed the number of contracts assigned to staff to compare the workload and found that the workload is unbalanced, resulting in an inefficient and inequitable distribution of staff resources. Unreasonable workloads do not allow for effective and consistent site visits during monitoring. We also found that Contract Compliance staff have not fully implemented two modules of the PRiSM system, which further contributes to issues in the concessionaires and the certifications units. In the absence of these modules, staff developed spreadsheets and reports outside of PRiSM, which is inefficient and allows for errors in reporting and monitoring. In reviewing PRiSM, we noted that contract specialists had access to other's workload in the system. Contract Compliance reported filling vacancies recently and making staff adjustments during our audit period to improve operations.

We recommend that the Contract Compliance director work with vendors to integrate Oracle with contract monitoring software. To reduce the risk of user input and calculation errors, the Contract Compliance director and concessions senior manager should work with a software vendor to automate concessionaire management. To increase consistency and accuracy, the Contract Compliance concessions senior manager should also document revenue allocations for each concessionaire and agency in the monitoring tool or software, including a history of changes.

### **Balancing Workload Could Improve Efficiency**

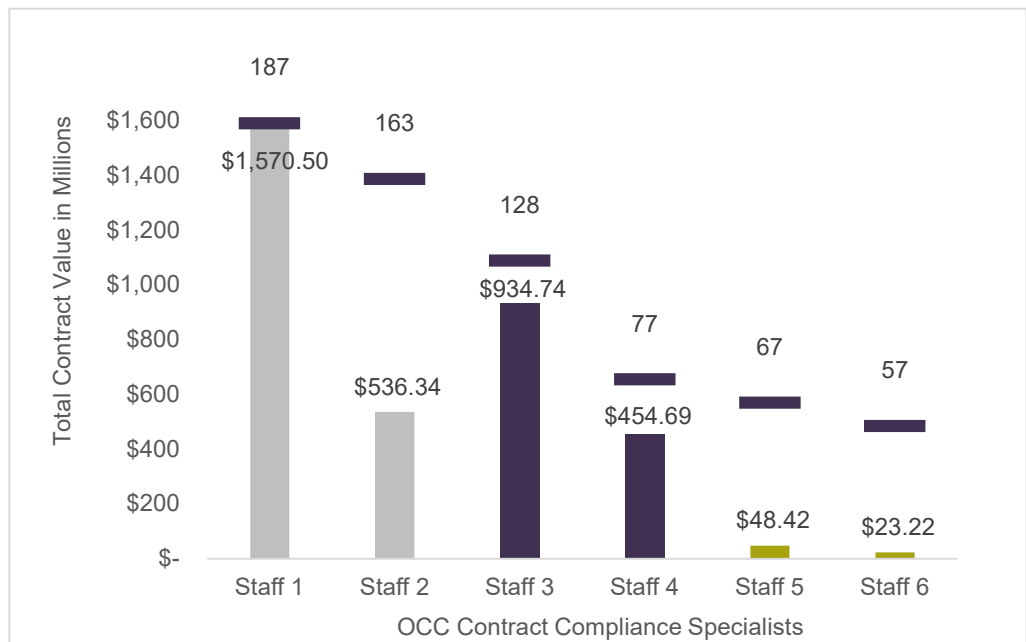
Contract Compliance has an unevenly distributed workload. Contract Compliance staff told us that there were not enough contract specialists to manage the work. At the end of 2020, 8 employees were managing 679 non-concessions contracts, and 3 of these employees monitored 70% of contracts. We did not identify a benchmark for workload allocation, but this division appears to be uneven. Staff are able to use some PRiSM functions to improve efficiency for managing workload but integrating PRiSM with Oracle could further assist staff.

**Staffing adjustments may help to improve workload.** As of November 2020, Contract Compliance had 5 vacancies, leaving 6 employees assigned to 679 non-concessionaire contracts. Workload inequity is inherent in the resource allocation strategy because contract compliance specialists are assigned to contract by department(s) and function. Review of similar programs in other

municipalities offered no benchmark for best practices in staffing per number of contracts. Recent new hires in February 2021 should allow managers to distribute the number of contracts more evenly.

We analyzed contract monitoring data as of November 2020; due to vacancies and varying number of contracts by departments, some employees monitored many more contracts than others. Exhibit 22 shows that 3 employees monitored 70% of active contracts, which amounted to 85% of the total contract value. Staff persons 1 and 2 are assigned to all Aviation contracts, which account for 52% of the non-concessionaire contracts. Staff person 3 has the third highest number of contracts with 71% (91 of 128) of those contracts in Watershed Management.

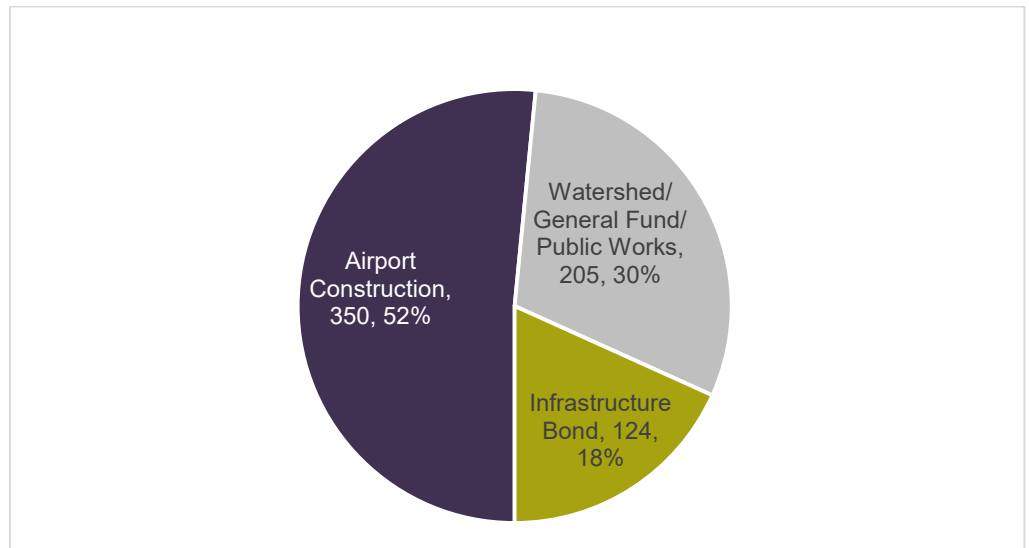
**Exhibit 22: Workload Distribution is Uneven**



**Source:** Auditor analysis based on PRISM data as of November 2020.

Exhibit 23 shows that the majority, about 52% (350 of 679) of the non-concessionaire contracts are in Aviation.

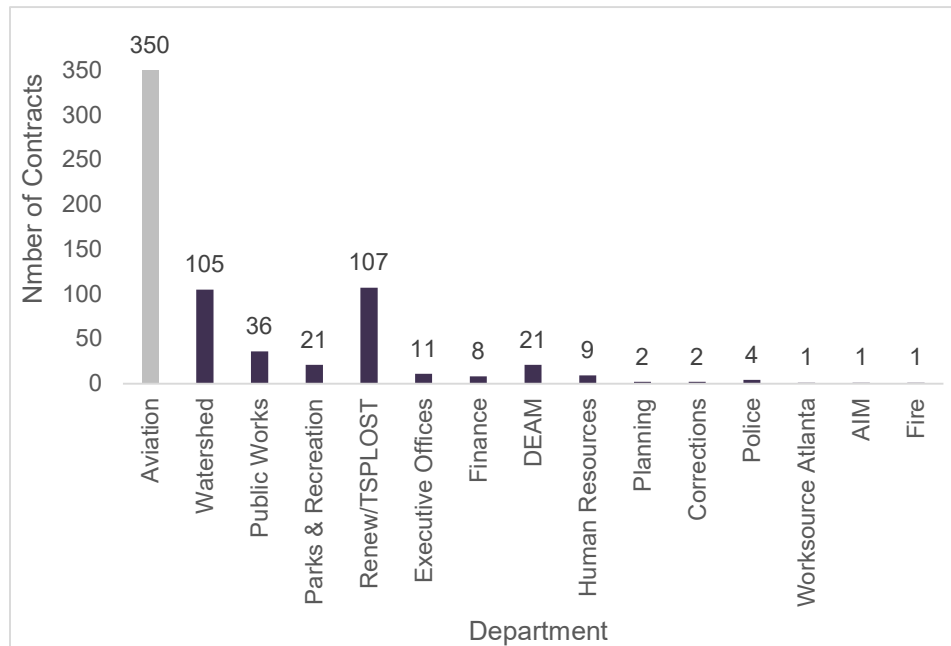
**Exhibit 23: Most Contract Compliance Specialist Workload is Aviation-Related**



**Source:** Auditor analysis based on PRISM data as of November 2020.

Exhibit 24 shows that the top three departments for number of non-concessionaire contracts are in Aviation, Watershed Management and Renew/TSPLOST projects. The recent creation of the Department of Transportation has combined Renew/TSPLOST and functions of the departments of City of Planning and Public Works.

**Exhibit 24: Number of Contracts per Department**



**Source:** Auditor analysis based on PRISM data as of November 2020.

PRiSM has features to assist with contract compliance. Contract Compliance staff described PRiSM's alerts or automatic notifications to prime contractors and subcontractors and reports that provide contract status information. These notifications and reports include:

- an automatic notification sent to primes who do not input payments by the monthly deadline
- an automatic request to subcontractors to verify the prime's payment
- 30, 60, and 90-day notifications when a vendor's certification will expire
- color-coded reports based on diversity goal attainment

PRiSM's reports do not show automatic alerts or notifications sent by the system. However, we obtained one email example showing an automated notification sent to a contract specialist.

In addition, we were unable to assess the frequency of project site visits conducted prior to the pandemic, because hard copy files are kept in Contract Compliance's office. Contract Compliance staff are not currently conducting remote site visits due to COVID-19. Early Morning Software staff told us that PRiSM has the capability to document site visits, but this is not currently departmental procedure.

Finally, according to Early Morning Software, PRiSM is capable of integrating with Oracle and has features to capture contract and payment details. In 2020, Contract Compliance and Early Morning Software previously discussed Department of Finance integrating PRiSM and Oracle. Using this function could improve efficiency and productivity and enhance accuracy and integrity of contract and payment details.

To assist limited staff with managing the workload, we recommend that the Contract Compliance director work with AIM and the software vendor to integrate Oracle with contract monitoring software.

### **Incomplete Implementation of System Capabilities Affects Monitoring and Reporting**

Concessionaire contract monitoring and certification submissions were not previously automated, although PRiSM had modules for both. According to the OCC staff, they recently implemented the concessionaire's module, and the online certification module is

under review. Automating these processes should reduce the likelihood of manual input errors and provide better tracking to ensure compliance with city code guidelines for the certification process.

**Concessionaire reporting should be automated to reduce errors and improve efficiency.** Concessionaire agreements are currently the only Contract Compliance contracts managed outside of PRiSM. However, PRiSM does have a concessions management module. This feature was unavailable when Contract Compliance first began using PRiSM, but the developer later added it.

For non-car rental concessionaires, Department of Aviation's Finance unit's monthly revenue reports require Contract Compliance to do additional work. Aviation often provides reports in pdf format, does not include the detail that Contract Compliance needs, and does not always use the most updated revenue allocations. Contract Compliance manually inputs monthly report information into its spreadsheet. The unit disaggregates ACDBE participation, although there is no written methodology. In the fiscal year 2019 monitoring spreadsheet, we found 7 firms with 13 confirmed disaggregation errors. And because Aviation's reports do not always contain updated information, Contract Compliance must check and adjust ACDBE revenue. In fiscal year 2019, concessions unit staff adjusted nine concessionaires' revenues from Aviation's reports.

Contract Compliance may also have under-reported car rental concessionaires ACDBE participation by just under \$90,000 for the year ending September 30, 2019. We found that 7 of 11 (64%) of goods and services expenditures documented in Contract Compliance's spreadsheet did not match the individual car rental concessionaires' reports. Agencies also do not use a standardized form to submit expenses. This is a nationwide issue; during a 2019 listening session with the Federal Aviation Administration, airports stated that car rental companies do not report their ACDBE expenditures in the same formats. Non-standardized forms and manual corrections require additional staff time and effort and increases the risk of errors from manual adjustments. We found that the concessions unit had to correct more than \$32 million from the car rental agencies' original reports due to agencies counting ineligible companies towards ACDBE participation. These errors may affect how goals are written in the future or negatively affect perception for ACDBEs to do business in the city.

According to Contract Compliance staff, the concessions unit will start using the concessions module soon, which interfaces with the

Department of Aviation's finance records. Automation would eliminate the issues of manual input errors and dependency on Aviation communication. Concessionaires could also communicate allocation adjustments, and Contract Compliance could document changes through the software. A concessions management software should also be able to check ACDBE certification status to ensure that car rental agencies' expenditures are categorized correctly.

To reduce the risk of user input and calculation errors, the Contract Compliance Director and Concessions Senior Manager should work with a software vendor to automate concessionaire management. To increase consistency and accuracy, the Contract Compliance's concessions senior manager should also document revenue allocations for each concessionaire or agency in the monitoring tool or software, including a history of changes.

**System does not provide monitoring for certification process compliance.** City code Sec. 2-1453(c) requires Contract Compliance to provide an applicant with certification or written justification of denial within 90 days after Contract Compliance receives a satisfactorily completed application. We were unable to determine how long Contract Compliance's certification process takes because staff are unable to track the date of a completed application in the system. Staff stated that most applications are not complete during the initial review. Certification staff perform manual review of documents. Without capturing the date that an application is complete, it is difficult to prioritize and track workload. Prior to COVID-19, contractors submitted paper applications to the contract compliance staff because the certification application process was also not within the PRISM module. Currently Contract Compliance accepts emailed applications. According to the certification manager as of February, certification unit began tracking the date they received a completed application file and the date they provide written communication to the applicant. We recommend that Contract Compliance should fully automate certification applications and work with the software vendor to track completed submission and decision dates to comply with city code.

## **Contract Compliance Office Incorporates Best Practices for Minority Contracting**

The National Minority Supplier Development Council is an organization that advances business opportunities for certified minority business enterprises and established a common set of standards for best practices in minority supplier developments. Contract Compliance's processes are mostly consistent with these

best practices, and the office's policies and procedures also comply with city code requirements. City Council members, staff and other stakeholders reported some frustration about the office's purpose, process, goals, and achievements. We found that similar jurisdictions' minority contracting programs provide regular reports and post these reports on their websites. Contract Compliance reports on its MBE and FBE usage and certification goals and achievements annually in the city's budget book, but it does not regularly report to City Council or provide reports on its website. We recommend that the Office of Contract Compliance provide annual reports to City Council and post these reports and other documents or presentations, on its website; this will help to increase transparency and improve external communications with stakeholders.

### **The City is Guided by Best Practices in Contract Compliance**

City code established clear requirements for MBEs, FBEs, SBEs and DBEs to participate on city contracts. Contract Compliance's policies and procedures support city code requirements.

The city has policies and processes to meet best practices in minority contracting. There is no standard benchmarking for minority contracting since minority participation is based on a municipality's available contracting opportunities and available population to perform the work. We compared Contract Compliance with several municipalities' minority contracting programs and found that the city's program is comparable.

For example, the city:

- participates in the Unified Certification Program for DBE and ACDBE certification
- compiled a database of certified vendors and monitors contracts with minority participation
- uses software to track contractor and subcontractor payments

The National Minority Supplier Development Council is a membership organization whose mission is to connect corporations with certified minority business enterprises. Exhibit 25 lists the Council's eight goals for best practices in minority supplier development and the city's implementation of those goals.

## Exhibit 25: City's Policies and Procedures Meet Best Practices Goals

NMSDC Goal	The city:
Goal 1: Establish Corporate Policy & Top Corporate Management Support	Approved ordinances that established the Office of Contract Compliance and set contracting requirements for equal business opportunities and small business opportunities to support minority and women owned businesses and disadvantaged businesses participate in city contracts
Goal 2: Develop a Corporate Minority Supplier Development Plan	Set policies and requirements for which businesses can participate as minority, female, small, and disadvantaged businesses; diversity and disadvantaged business goals are based on the Disparity Study and disadvantaged business program
Goal 3: Establish Comprehensive Internal & External Communications	provides public information via its website and the annual budget book
Goal 4: Identify Opportunities for Minority Business Enterprises in Strategic Sourcing & Supply Chain Management	Develops equal business opportunity (EBO), small business opportunity (SBO) and Disadvantaged Business Enterprise (disadvantaged business) packages on eligible contracts
Goal 5: Establish a Comprehensive Minority Supplier Development Process	Shares resources and participated in outreach events with the Metro Intergovernmental Agencies of Equal Employment Officials (MIAEEO)
Goal 6: Establish Tracking, Reporting & Goal-Setting Mechanisms	Uses a database, forms and spreadsheets to track goals and participation by diversity and disadvantaged business enterprises
Goal 7: Establish a Continuous Improvement Plan	Goals are based on the Disparity Study and the disadvantaged business plan, which are reviewed and updated every five and three years respectively; utilizes PRiSM to track and report on contractor/subcontractor participation to ensure goals are met
Goal 8: Establish A Program to Identify Additional Subcontractors to Meet Goals	Communicates with prime contractors and monitors the project through the life of the contract to ensure that goals are met

**Source:** Prepared by audit staff based on NMSDC website, city code and contract compliance information.

Contract Compliance's mission and accomplishments are not easily visible to city employees and to the general public. Internal stakeholders reported that they are unclear about Contract Compliance's purpose, criteria for making contract recommendations, process workflows, and diversity and small business enterprise participation data. Contract Compliance staff acknowledged that they receive requests unrelated to its program mission.

As shown in Exhibit 25, Contract Compliance currently provides public information through its website and the annual city budget book. However, the office could increase its communications efforts by providing regular updates to City Council and preparing annual reports to promote its mission and highlight its achievements. Some comparable jurisdictions post annual reports on their websites to feature their mission and policies, numbers of certified businesses participating in contracts and other accomplishments.

We recommend the Contract Compliance director create reports for city council, report regularly to committees and share Federal Aviation Administration reports and other documents, such as presentations on Contract Compliance's work and its role in the procurement process, on its website.



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## Recommendations

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In order to reduce input errors, improve monitoring, and streamline communication, the Director of Contract Compliance should:

1. automate certification applications and work with the software vendor to track completed submission and decision dates in the contract monitoring software to comply with city code
2. create reports for city council, report regularly to committees, and share Federal Aviation Administration reports and other documents, such as presentations on Contract Compliance's work and its role in the procurement process, on its website
3. store all contract- and task order-related documents in the office's contract monitoring software, including the original contracts and task orders, final subcontractor utilization plans, change orders, amendments, renewals, and subcontractor substitution and removal forms
4. work with contract monitoring software developer to restrict access and periodically review usage reports
5. document revenue allocations for each concessionaire or agency in the monitoring tool or software, including a history of changes
6. implement a quality assurance review for concessionaire and contract information input
7. work with AIM and the software vendor to integrate Oracle with contract monitoring software

To ensure that concessions information is accurate and up to date, the Director of Contract Compliance should work with the Department of Aviation's Finance Director to:

8. work with the software vendor to automate concessionaire management
9. establish a process to update the offices' standard operating procedures for communicating concessionaire updates

To improve the accuracy of contract data, Director of Contract Compliance should work with the Chief Procurement Officer to:

10. establish a process between Contract Compliance and the user departments to communicate updates and create a contract and task order repository including original contracts and task orders, change orders, amendments, and renewals

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## Appendices

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## Appendix A: Management Review and Response to Audit Recommendations

Report # 20.07	Report Title: Office of Contract Compliance	Date: June 2021
<b>Recommendation 1:</b> We recommend the contract compliance director automate certification applications and work with the software vendor to track completed submission and decision dates in the contract monitoring software to comply with city code.		
<b>Proposed Action:</b> OCC has an active procurement for a supplier diversity tracking software system that includes an online certification application.  <b>Additional Comments:</b>		<b>Response:</b> Agree
<b>Person Responsible:</b> Bruce T. Bell, Director		<b>Implementation Date:</b> 01/2022
<b>Recommendation 2:</b> We recommend the contract compliance director create reports for city council, report regularly to committees, and share Federal Aviation Administration reports and other documents, such as presentations on Contract Compliance's work and its role in the procurement process, on its website.		
<b>Proposed Action:</b> OCC will continue to produce reports for The Mayor and City Council for EBO, SBO and DBE participation. Reports may be subjected to the Georgia Open Records Act and will be made available upon request. OCC will develop a presentation detailing the various programs offered within the City.		<b>Response:</b> Partially Agree
<b>Person Responsible:</b> Bruce T. Bell, Director		<b>Implementation Date:</b> 09/2021
<b>Recommendation 3:</b> We recommend the contract compliance director and senior managers store all contract- and task order-related documents in the office's contract monitoring software, including the original contracts and task orders, final subcontractor utilization plans, change orders, amendments, renewals, and subcontractor substitution and removal forms.		
<b>Proposed Action:</b> OCC senior management will utilize the supplier diversity tracking software to monitor EBO, SBO, ACDBE and DBE participation throughout the life of the contract. This also includes tracking change orders, task orders, amendments, renewals, and subcontractor substitutions.		<b>Response:</b> Agree
<b>Person Responsible:</b> Bruce T. Bell, Director		<b>Implementation Date:</b> 01/2022

<b>Recommendation 4:</b> We recommend the contract compliance director work with the contract monitoring software vendor to restrict access and periodically review usage reports.		
<b>Proposed Action:</b> We will have a detailed discussion with the software vendor to address these concerns (provided the additional features are not cost prohibitive).	<b>Response:</b> Agree	
<b>Person Responsible:</b> Bruce T. Bell, Director	<b>Implementation Date:</b> To be determined procurement is pending	
<b>Recommendation 5:</b> We recommend the contract compliance director document revenue allocations for each concessionaire or agency in the monitoring tool or software, including a history of changes.		
<b>Proposed Action:</b> The tracking software will capture concessionaire revenue. <b>Please see recommendation 8.</b>	<b>Response:</b> Consolidate number 5 and 8 because they are similar in nature	
<b>Person Responsible:</b> Bruce T. Bell, Director	<b>Implementation Date:</b> 01/2022	
<b>Recommendation 6:</b> We recommend the contract compliance director implement a quality assurance review for concessionaire and contract information input.		
<b>Proposed Action:</b> OCC is in the process of procuring a new tracking software system. This new system will include quality assurance controls for concessionaire and contract information input.	<b>Response:</b> Agree	
<b>Person Responsible:</b> Bruce T. Bell, Director	<b>Implementation Date:</b> 01/2022	
<b>Recommendation 7:</b> We recommend the contract compliance director work with AIM and the software vendor to integrate Oracle with contract monitoring software.		
<b>Proposed Action:</b> OCC is in the process of procuring a new tracking software system. This new system should include Oracle integration capabilities with the ATL Cloud and the Department of Finance payment system.	<b>Response:</b> Agree	
<b>Person Responsible:</b> Bruce T. Bell, Director	<b>Implementation Date:</b> 01/2022	

<b>Recommendation 8:</b> We recommend the contract compliance director work with the Department of Aviation's finance director and the software vendor to automate concessionaire management.		
<b>Proposed Action:</b> OCC is in the process of procuring a supplier diversity and inclusion software tracking system, which will include all concessions activities.	<b>Response:</b> Agree	
<b>Person Responsible:</b> Bruce T. Bell, Director	<b>Implementation Date:</b> 01/2022	
<b>Recommendation 9:</b> We recommend the contract compliance director work with the Department of Aviation's finance director to establish a process to update the offices' standard operating procedures for communicating concessionaire updates.		
<b>Proposed Action:</b> OCC will agree to initiate discussions with DOA Finance to establish a process to update SOPs for communicating concessionaire updates. The success of these discussions will be contingent upon the cooperation of DOA Finance.	<b>Response:</b> Agree	
<b>Person Responsible:</b> Bruce T. Bell, Director	<b>Implementation Date:</b> 01/2022	
<b>Recommendation 10:</b> We recommend the contract compliance director work with the chief procurement officer to establish a process between contract compliance and the user departments to communicate updates and create a contract and task order repository, including original contracts and task orders, change orders, amendments, and renewals.		
<b>Proposed Action:</b> OCC, DOP, Risk Management and IPRO held a process improvement meeting in fall 2020. We will continue those discussions to address these recommendations that are related to the procurement and contracting process.	<b>Response:</b> Agree	
<b>Person Responsible:</b> Bruce T. Bell, Director	<b>Implementation Date:</b> Ongoing	