Performance Audit:
Office of Contract Compliance
Subcontractor Utilization

October 2024

City Auditor's Office

City of Atlanta

File #24.04

CITY OF ATLANTA
City Auditor's Office
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Performance Audit:

Office of Contract Compliance Subcontractor Utilization

Why We Did This Audit

We undertook this audit in response to resolution 22-R-3198, which requested an audit of the extent to which minority-owned and female-owned enterprises were used as subcontractors on city contracts.

What We Recommended

To provide complete and accurate information about whether the city is meeting its EBO participation goals, the director of the Office of Contract Compliance should:

- work with the chief procurement officer to formalize a communication protocol between Contract Compliance and user agencies on contract execution
- ensure key documents are uploaded into SDMS
- require primes and subcontractors to upload documentation showing proof of payment within three business days of payment receipt
- document approval of changes to the subcontractor plan consistent with city code requirements
- update policies to set a minimum number of site visits required, the specific intervals they should be performed, and required documentation of site visits to be uploaded to SDMS
- assign staff to manage projects at the master contract level, rather than by task order
- work with the SDMS vendor to implement system features to tie task orders to master contracts
- require compliance specialists to retroactively link all task orders for active projects to master contracts
- work with B2G representatives to identify the appropriate diversity participation reports from SDMS that reflect the office's operations
- update policies and procedures to reflect current practices and use of SDMS and develop a schedule to ensure annual reviews occur
- require staff to conduct thorough review of contracts, ensure goals are met with the qualified subcontractors, and investigate anomalies
- ensure that procedures are developed to indicate steps to be followed when a firm that is contracted and performing work is denied re-certification or certification is revoked
- put a structured quality control system in place to ensure that staff are following procedures, and contract management is consistent among compliance specialists

For more information regarding this report, please use the "contact" link on our website at www.atlaudit.org

What We Found

Contract Compliance is responsible for tracking and monitoring EBO goal attainment on eligible contracts; however, the office has not proactively ensured that it has complete information to carry out its responsibilities. Not all contracts with EBO goals have been entered into SDMS, Contract Compliance's contract management system. Other key project documents such as task orders, change orders, subcontractor utilization forms, subcontractor agreements, and schedules of participation were missing from SDMS project files. While prime contractors are required to pay subcontractors within three business days after receiving payment from the city, payment dates and supporting documentation are not captured in SDMS, making it impossible to confirm whether this city code requirement is being met.

Although SDMS was designed to manage contracts, contract specialists were not using the system as intended, employing workarounds that led to data inaccuracies and make it difficult to track diversity participation goals. Because the data in SDMS are not complete or accurate, we were unable to determine the extent to which minority-owned and female-owned enterprises were used as subcontractors on city contracts, as requested in the resolution requesting the audit.

We also found that Contract Compliance's FY23 annual report to City Council on diversity participation was inconsistent with the data in SDMS, overreporting minority and female business participation for EBO contracts by a significant amount. We reviewed reported payments to subcontractors from July 2021 through December 2023 that were credited toward EBO diversity participation goals and found that payments were made and EBO credit given for businesses that did not meet certification requirements for minority and female-owned businesses.

Management Responses to Audit Recommendations

Summary of Management Responses		
Recommendation #1: We recommend the director of the Office of Contract Compliance work with the chief procurement officer to formalize a communication protocol between Contract Compliance and the user agencies to ensure that compliance staff are notified of scheduled notice to proceed meetings.		
Response: Agree	**Status:** Not Started	**Estimated Completion Date (M/Y):** November 2024
Recommendation #2: We recommend the director of the Office of Contract Compliance should require contract specialists to log contracts into SDMS after signature and follow up with the user agencies periodically to confirm when the notice to proceed meeting will take place.		
Response: Agree	**Status:** Not Started	**Estimated Completion Date (M/Y):** November 2024
Recommendation #3: We recommend the director of the Office of Contract Compliance ensure that compliance staff obtain copies of the contract, letter of recommendation, task orders and change orders, subcontractor utilization forms, subcontractor agreement, and schedule of participation form from the contractor and upload them into SDMS.		
Response: Agree	**Status:** Implemented	**Estimated Completion Date (M/Y):** N/A
Recommendation #4: We recommend the director of the Office of Contract Compliance establish a policy that requires both primes and subcontractors to upload documentation showing proof of payments, showing payment amount and date, within three business days of payment receipt.		
Response: Disagree	**Status:** Implemented	**Estimated Completion Date (M/Y):** N/A
Recommendation #5: We recommend the Director of the Office of Contract Compliance add a line to the contractor substitution form for the director's signature, and document approval of changes to the subcontractor plan consistent with city code requirements and procedures.		
Response: Agree	**Status:** Started	**Estimated Completion Date (M/Y):** October 2024

Recommendation #6: We recommend the director of the Office of Contract Compliance require staff to update its policies to set a minimum number of site visits required, the specific intervals with which they should be performed, and required documentation of site visits to be uploaded to SDMS within a specified time.		
Response: Agree	**Status:** Not Started	**Estimated Completion Date (M/Y):** December 2024
Recommendation #7: We recommend the director of the Office of Contract Compliance assign staff to manage projects at the master contract level, rather than by task order.		
Response: Agree	**Status:** Implemented	**Estimated Completion Date (M/Y):** N/A
Recommendation #8: We recommend the director of the Office of Contract Compliance work with the SDMS vendor to implement system features to tie task orders to master contracts.		
Response: Agree	**Status:** Implemented	**Estimated Completion Date (M/Y):** N/A
Recommendation #9: We recommend the director of the Office of Contract Compliance require compliance specialists to retroactively link all task orders for active projects to master contracts.		
Response: Agree	**Status:** Started	**Estimated Completion Date (M/Y):** October 2024
Recommendation #10: We recommend the director of the Office of Contract Compliance work with B2G representatives to identify the appropriate diversity participation reports from SDMS that reflect the office's operations.		
Response: Agree	**Status:** Started	**Estimated Completion Date (M/Y):** October 2024
Recommendation #11: We recommend the director of the Office of Contract Compliance require staff to update policies and procedures to reflect current practices and use of SDMS and develop a schedule to ensure annual reviews occur.		
Response: Agree	**Status:** Not Started	**Estimated Completion Date (M/Y):** December 2024

Recommendation #12: We recommend the director of the Office of Contract Compliance require staff to conduct thorough review of contracts, ensure goals are met with qualified subcontractors, and investigate anomalies.		
Response: Agree	**Status:** Not Started	**Estimated Completion Date (M/Y):** January 2025
Recommendation #13: We recommend the director of the Office of Contract Compliance ensure that procedures are developed to indicate steps to be followed when a firm who is contracted and performing work is denied re-certification or certification is revoked.		
Response: Agree	**Status:** Not Started	**Estimated Completion Date (M/Y):** January 2025
Recommendation #14: We recommend the director of the Office of Contract Compliance put a structured quality control system in place to ensure that staff are following procedures, and that contract management is consistent among compliance specialists.		
Response: Agree	**Status:** Not Started	**Estimated Completion Date (M/Y):** February 2025

CITY OF ATLANTA

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October 3, 2024

Honorable Mayor and Members of the City Council:

We undertook this audit in response to Resolution #22-R-3198. In this resolution, City Council requested an analysis to compare amounts represented in original contracting bids with the amounts actually disbursed for work completed by minority-owned and female-owned businesses across city contracts over a four-year period from 2018-2021. Due to data migration issues faced by the Office of Contract Compliance when the office moved from one software vendor to another, we adjusted our audit scope to July 2021-March 2024 to consider only projects entered into the new system. The audit assesses the department's ability to achieve diversity goals as defined in city code.

Our recommendations focus on ensuring that staff have information needed to track participation goals effectively, that all eligible projects are monitored by compliance staff, and the department's policies and procedures are updated to support efficient use of the software system to enhance accurate goal tracking and reporting. Management agreed with all but one of the recommendations and implementation of some is under way.

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 the Office of Contract Compliance management on July 22, 2024, and received their response August 7, 2024. We appreciate the courtesy and cooperation of city staff throughout the audit. The team for this project was Duane Braithwaite, Tiajah Sherman, Kathy McCauley and Christopher Armstead.

Amanda Noble
City Auditor

Danielle Hampton
Chair, Audit Committee

Contract Compliance Subcontractor Utilization

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Introduction

Contract Compliance (Office of Contract Compliance) connects disadvantaged, small, minority-owned, and female-owned businesses with City of Atlanta business opportunities. Our previous audit of Contract Compliance was released in June 2021 and focused on assessing the department's ability to achieve diversity goals, as defined in the city code. We conducted a file review of a sample of contracts and change orders a year after the audit was released because the city's offices were closed due to COVID-19; the report on our follow-up testing was released in April 2022. These audits identified deficiencies in contract and task order information needed to ensure the city is meeting its diversity goals.

We undertook this audit in response to resolution 22-R-3198, in which the City Council requested an audit of the extent to which minority-owned and female-owned enterprises were used as subcontractors on city contracts from fiscal years 2018–2021.

Contract Compliance migrated from the PRiSM system to B2G's SDMS (Supplier Diversity Management System) in 2021. Staff told us that data from the migration from PRiSM was never validated in SDMS because the vendor terminated access to the system while data migration was underway. B2G representatives were unable to complete the testing needed to ensure that all data fields from the previous system were successfully migrated from PRiSM. Due to insufficient data migration from Contract Compliance's previous system (PRiSM), we changed our scope to review contracts executed on or after July 2021 (as of March 6, 2024) to capture a more reliable data period.

Background

The Office of Contract Compliance encourages equal opportunity for all businesses and individuals in the Atlanta workplace. In 1974, City Council created Contract Compliance to administer the city's equal employment opportunity program and the minority and female business enterprise program. The office is situated under the city's executive branch and reports to the chief operating officer. Its fiscal year 2024 budget was approximately $3.5 million.

The mission of Contract Compliance's EBO (Equal Business Opportunity) Program is to mitigate the effects of past and present discrimination toward female- and minority-owned businesses. Contract Compliance is

responsible for encouraging non-discrimination in city contracting and monitoring compliance with the EBO program. The program is governed by Sections 2-1441 through 1464 of city code. City code Section 2-1448 provides that bidders must provide all firms, including those owned by racial or ethnic minorities and women, opportunities to participate in contracts with the city to the extent they are available and have the capacity and willingness to compete.

Eligible contracts under the EBO program have participation goals for businesses certified as MBEs (minority-owned business) or FBEs (female-owned business). The qualifications to be certified as a qualifying business for EBO contracts are:

MBE (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 • AABE – African American Business Enterprise • APABE – Asian Pacific American Business Enterprise • HABE – Hispanic American Business Enterprise • NABE – Native American Business Enterprise
FBE (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

Contract Compliance's responsibilities for the EBO program include certifying businesses that meet EBO requirements, setting EBO goals for eligible city contracts, and reviewing contract submittals to confirm whether the bids align with a project's diversity goal targets. Once a contract is awarded, the office monitors diversity participation goals. City code Section 2-1447 specifically requires Contract Compliance to establish procedures for the program, maintain a public database of certified female and minority businesses, investigate program violations, and maintain data on the amounts spent for services performed by female and minority subcontractors on eligible projects.

Contract Compliance Sets EBO Goals During the Solicitation Process

Contracts eligible for diversity participation goals include any city contracts—but exclude small purchases valued under $100,000, sole source, special, cooperative, and emergency procurements. Contract Compliance allocates up to 35% of the work assigned to each prime contractor as diversity participation; however, according to city code Division 12, Section 2-1448 - Equal Business Opportunity Program, the percentage may vary based on project requirements and subcontractor availability. During the procurement process, Contract Compliance staff reviews submittals for eligible contracts to ensure that a bidder has satisfied the code requirement of making a "good-faith effort" to subcontract with minority-owned or female-owned businesses. Contract Compliance's participation during the solicitation process is shown in Exhibit 1.

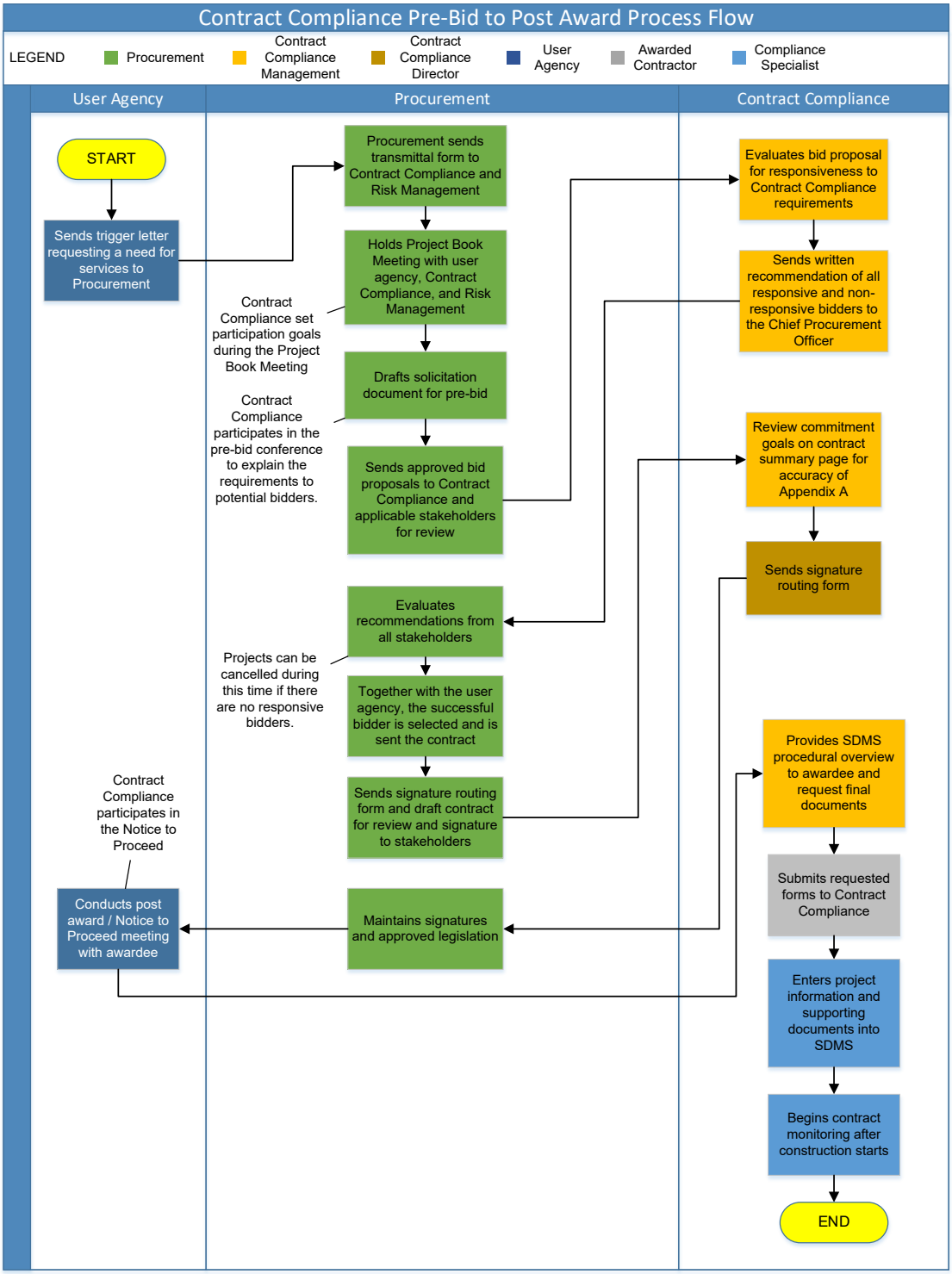
Contract Compliance participates in a bid preparation meeting with the user agency, the Department of Procurement, and Finance's Office of Risk Management to establish diversity goals. During this meeting, the project details are determined, including the scope, services by trade, funding source, proposed schedule, and terms proposed for the contract. This information is needed to determine the appropriate diversity participation goals, which are included in Appendix A of the solicitation document. This packet includes multiple documents, including the equal business opportunity implementation and monitoring policy, determination of non-discrimination, subcontractor contact form, EBO subcontractor utilization form, letter of intent, EBO monitoring policy, and termination/substitution acknowledgment form.

Contract Compliance staff told us during a previous audit that they have a new disparity study prepared every three to five years to confirm that their program is still needed. The office establishes a diversity participation goal for a project by using this disparity study to calculate participation percentages. The percentage of EBO subcontractors to be used by a prime is calculated by dividing the value of the EBO's work by the bidder's total bid amount.

During the pre-bid conference, Contract Compliance staff explains the requirements in the Appendix A package to potential bidders. Procurement staff evaluates all bid proposals and sends approved proposals to Contract Compliance for review. During this review, the bid proposals are evaluated for responsiveness to the participation requirements. After review, Contract Compliance staff sends a written recommendation of all responsive and non-responsive bidders to the Chief Procurement Officer for further review. Once the successful bidder is selected by Procurement and

the user agency, the contract is reviewed by Contract Compliance for the accuracy of the Appendix A package before it is signed by all parties.

Exhibit 1: Contract Compliance Participates in the Solicitation Process



Source: Developed by auditors using Contract Compliance's policies and procedures and interviews with Contract Compliance staff.

After the contract is signed, Contract Compliance participates in the post-award meeting, or the "notice to proceed" meeting, which is coordinated and held by the user agency. During this meeting, Contract Compliance provides the successful bidder with an overview of SDMS—its contract management system—along with a request for final documentation. This documentation includes a revised copy of the subcontractor utilization form, subcontractor agreement, schedule for participation, and subcontractor checklist. Once the documentation has been received, a compliance specialist is responsible for entering the project information and supporting documentation into SDMS. Contract monitoring begins within 30 days after work proceeds under the contract. Compliance specialists input bidder information from the contract into SDMS and monitor payments and diversity participation goals throughout the duration of the contract. During a project, the specialists also conduct site visits and check the certification status for each minority-owned and female-owned subcontractor on the contract. Contract Compliance can deem the prime contractor non-compliant for failing to meet participation goals and may request that the Department of Finance withhold payments to the prime contractor.

SDMS Is Designed for Monitoring Diversity Performance Goals

Contract Compliance staff use a web-based system to track and monitor certified businesses and contract diversity performance goals. In 2021, the city entered into a contract with B2GNow for SDMS (Supplier Diversity Management System), which is accessible to certified firms, contractors, and the public. One of the system's intended uses is to allow Contract Compliance to track whether contract diversity participation goals are met. The system houses a list of certified vendors who qualify for the equal business opportunity and small business opportunity programs. The system also includes reporting capabilities.

SDMS contains the data collected from the city and the prime contractor for construction, goods, or services. It also includes the names of prime contractors and subcontractors, diversity goal types and percentages, and funding sources. Contract Compliance staff input both contract and task order amounts (when contracts are divided into multiple awards). Compliance specialists are responsible for entering contract data correctly into SDMS and managing records in the system. Contractors are responsible for entering contract payments into the system, and subcontractors are required to confirm in SDMS that they received timely payment from the prime contractors.

Supervisors Assign Work by Department and Function

The Office of Contract Compliance is led by a director who oversees five team silos, each led by a compliance manager or senior specialist. Team silos are used to separate eligible contracts by user agency or department. Four of the teams manage eligible contracts based on assigned department(s), which are grouped as follows:

1. Aviation (construction)
2. Aviation (concessions)
3. Watershed Management, Enterprise Assets Management, Parks and Recreation, City Planning, Law, Finance, Title VI, Human Resources, Public-Private Partnerships (P3), and General Fund
4. ATL Department of Transportation, Grants Management, AIM, Atlanta Fire Rescue, Police, Corrections, Public Works, Municipal Court, T-SPLOST

A fifth team is responsible for certifying minority-owned, female-owned, or small business firms who are seeking entry into or continued eligibility for the equal business opportunity and small business opportunity programs.

Audit Objectives

This report addresses the following 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?

Scope and Methodology

We conducted this audit in accordance with generally accepted government auditing standards. We assessed the accuracy of project information entered into SDMS and payments to prime contractors for eligible EBO projects for contracts that were awarded on or after July 1, 2021 (as of March 6, 2024). Although the resolution requesting our audit requested a review of contracts between fiscal years 2018–2021, we modified our scope because Contract Compliance experienced data errors when migrating from the PRiSM contract management system to the SDMS system. We also reviewed payments for contracts awarded within our scope through December 2023.

Our audit methods included:

- reviewing city code to understand EBO program requirements and Contract Compliance's duties and responsibilities
- reviewing standard operating procedures for the Office of Contract Compliance
- reviewing information in SDMS to understand diversity participation goals achieved by the prime contractor and payments to certified minority-owned and female-owned subcontractors
- reviewing a sample of contract awards and contractor payments in Oracle to compare to information in SDMS to assess completeness of contract and payment information
- interviewing Contract Compliance staff to obtain an understanding of the solicitation process and contract monitoring process
- interviewing SDMS representatives to understand system functionality
- conducting site visits to observe how compliance officers monitor work conducted by subcontractors

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 objective.

Findings and Analysis

Contract Compliance Lacks Information to Meet Program Mandates

Contract Compliance is responsible for monitoring projects to track and monitor EBO goal attainment on eligible contracts; however, the office is not proactively ensuring that it has complete information to carry out its responsibilities. We reviewed contracts with EBO goals in Oracle for contracts within our audit scope and found that of 46 contracts within our scope, 24 were not in SDMS, Contract Compliance's newly implemented contract management system. The office's director is required to sign contracts awarded that contain EBO goals, so even if staff are not notified by user agencies that work has begun, the contracts could be logged into SDMS at signing so that they do not fall through the cracks.

Although SDMS was designed to manage contracts, contract specialists are not using the SDMS system as intended, and employing workarounds in the system that lead to data inaccuracies and make it difficult to track diversity participation goals. We were unable to respond fully to the resolution requesting this audit because the data in SDMS are not complete or accurate, making it impossible to determine the extent to which minority-owned and female-owned enterprises were used as subcontractors on city contracts.

We also found that Contract Compliance's FY23 annual report to City Council on diversity participation was inconsistent with the data in SDMS, overreporting minority and female business participation for EBO contracts by a significant amount. Staff did not use SDMS to produce the report and could not recreate the results of the report or explain the methodology for preparing it. We reviewed reported payments to subcontractors from July 2021 through December 2023 that were credited toward EBO diversity participation goals and found that payments were made and EBO credit given for businesses that did not meet certification requirements for minority and female-owned businesses. SDMS clearly flags payments to uncertified contractors where EBO goals are identified. These credits overstate the participation of minority- and female owned- businesses. Also, payments to uncertified subcontractors that are credited toward equal business opportunity goals can distort program outcomes.

To more accurately and efficiently track the city's progress toward meeting EBO goals, Contract Compliance should use the SDMS system as designed, ensure that all documentation is entered, and use the

system's reporting capability. Staff should also update policies and procedures to conform to the new system. 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.

Contract Activity is Not Proactively Managed

Contract Compliance staff is responsible for monitoring all eligible contracts to ensure diversity participation goals are being met; however, the office is not ensuring that it has complete information to carry out its responsibilities. Not all contracts with EBO goals have been entered into SDMS. Other key project documents such as task orders and change orders, subcontractor utilization forms, subcontractor agreements, and schedules of participation were missing from project files in SDMS. Prime contractors are required to pay subcontractors within three business days after the prime receives payment from the city, but actual payment dates and supporting documentation are not captured in SDMS, making it impossible to confirm whether this city code requirement is being met.

We also found that approvals for subcontractor replacements are not clearly documented, which could result in diversity participation goals not being met. Subcontractor substitutions are required to be requested in writing by the prime contractor and approved in writing by the director of Contract Compliance, but the form has no signature line to document this approval. Also, we found that some projects had no site inspections although some were more than 50% complete. The Contract Compliance director should ensure that staff proactively manage contract changes and updates by communicating with the user departments, making sure project files are complete, and conducting site visits. Staff should use SDMS for housing supporting documentation where needed.

SDMS does not contain all contracts with EBO goals, which hinders contract monitoring. Although Contract Compliance is responsible for monitoring all eligible contracts to ensure diversity participation goals are being met, we found that not all open master contracts and task orders are in SDMS. We reviewed contracts in Oracle and identified 46 contracts in our audit scope—executed on or after July 2021, as of March 6, 2024—that contained EBO (minority and female business goals). We searched the SDMS system for these contracts and found only 22; 24 (52%) of these contracts are not in SDMS and so are not being monitored by compliance specialists. It is possible that although the contracts have been awarded, work on some of these projects has not yet begun; however, they should be in the system so that they can

be tracked when work begins on projects. If staff does not ensure that all eligible contracts are in SDMS, specialists are unable to monitor them to ensure diversity participation goals are being met.

Section 2-1447 of the city code states that Contract Compliance is responsible for monitoring utilization of minority-owned or female-owned businesses on eligible projects and maintaining documents, forms, records, and data for the EBO program. Contract Compliance is involved in the solicitation process, during which the diversity participation goals are discussed and adopted. Once the city is ready to award a contract, the Department of Procurement provides all stakeholders, including the Contract Compliance director, with a copy of the contract to sign. Once the contract is signed, compliance specialists participate in the post-award meeting—also called the "notice to proceed" meeting—which is coordinated by the user agency. Employees told us that they have not consistently been invited to the notice to proceed meetings, and are therefore unaware of when projects begin, despite participating in the contract approval process.

Compliance specialists use SDMS to manage and monitor payments to prime contractors and their subcontractors. The compliance specialist assigned to the contract is responsible for entering the project information into SDMS after the notice to proceed meeting occurs and required documents are received from the contractor. It is also the compliance specialist's responsibility to ensure accurate data are created and reported by the prime and subcontractors. The specialist begins monitoring the contract after the first payment to the contractor is made, typically within 30 days after work begins.

Even if Contract Compliance staff is not made aware of the notice to proceed meetings, staff are responsible for proactively tracking contract movement to ensure participation goals are met. At a minimum, since staff participates in the contract approval process, they have knowledge that a contract has been signed, even though the notice to proceed meeting may take place at a much later date. For example, entering these contracts into SDMS at the time the Contract Compliance director signs them could help to prevent these projects from falling through the cracks. Staff could then follow up with the user agencies to obtain project status and collect the required project documents from the contractor so that monitoring can begin.

To ensure that all eligible projects are monitored by compliance staff, we recommend the director of the Office of Contract Compliance work with the chief procurement officer to formalize a communication protocol between Contract Compliance and the user agencies to ensure that compliance staff are notified of scheduled notice to proceed

meetings. As a secondary measure, the director of the Office of Contract Compliance should require contract specialists to log contracts into SDMS after signature and follow up with the user agencies periodically to confirm when the notice to proceed meeting will take place.

We also recommended in our June 2021 audit of the office that 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. Both Procurement and Contract Compliance agreed with this recommendation, but it has not yet been implemented.

Contract specialists do not consistently maintain supporting documentation for contracts in SDMS that would enable monitoring of diversity participation goals. According to Contract Compliance's policies, staff should maintain copies of the contract, letter of recommendation, task orders and change orders, subcontractor utilization forms, subcontractor agreements, and schedule of participation form in the system to aid in monitoring diversity participation goals. Of the 22 contracts we were able to locate in SDMS (of our sample of 46), 10 did not have the subcontractor agreement and 7 did not have the subcontractor utilization plan attached. The schedule of participation form was not attached to any of the 21 applicable contracts we reviewed.

The subcontractor agreement is an agreement between the prime contractor and subcontractor, and outlines services to be provided by the subcontractor, project deadlines, payment terms, reporting requirements, and other information. Compliance specialists refer to this agreement if there are concerns from the subcontractor regarding fair treatment. The subcontractor utilization plan lists all majority, minority, and female business enterprise subcontractors that will be used on a project and the percentage/dollar amount of work assigned to each (see Appendix B). The schedule for participation form shows the name and contact of each diverse subcontractor, type of work to be performed, project start and end dates, and the agreed-upon price and percentage of total contract value the price represents (see Appendix C). Information in these documents is essential for compliance specialists to use to document and monitor a prime contractor's good faith efforts toward meeting diversity participation goals and paying subcontractors according to contract terms.

We recommended in our April 2022 follow up review of the office that the director 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.

In Resolution 22-R-3198, City Council requested that we analyze the "funds spent by the City of Atlanta with minority and female business partner vendors, including a comparison of the amount represented in original bids with amounts actually disbursed for completed work within the equal business opportunity program." We are unable to respond fully to the resolution because the data in SDMS are not complete or accurate, making it impossible to determine the extent to which minority-owned and female-owned enterprises were used as subcontractors on city contracts. Without contract information consistently entered and managed in SDMS, staff cannot fulfill the city's mission to promote full and equal business opportunities for all citizens who conduct business with the city by monitoring subcontractor utilization and payments.

To ensure staff have the information needed to monitor and track diversity participation goals, we recommend the director of the Office of Contract Compliance ensure that compliance staff obtain these documents from the contractors and upload them into SDMS.

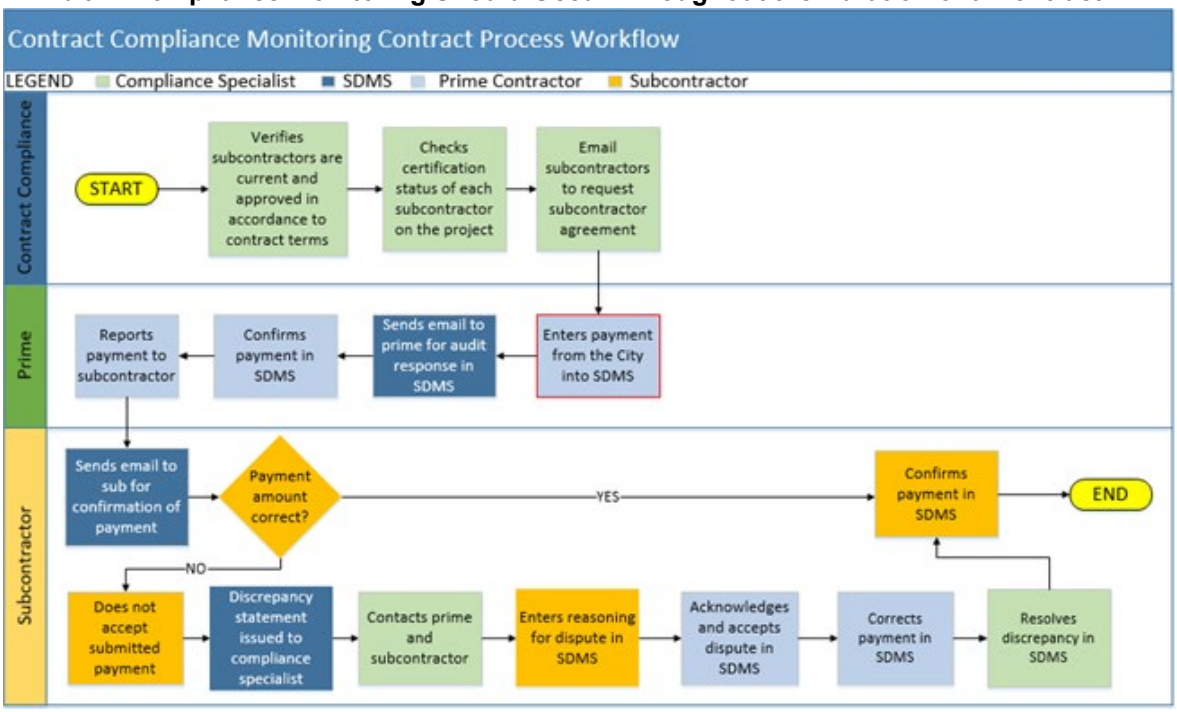
Contract specialists are unable to confirm whether payments to subcontractors were made in a timely manner. According to city code Section 2-1456, prime contractors are required to pay subcontractors for work performed within three business days after the prime receives payment from the city. Contract Compliance staff perform monthly file reviews—also called audits—of information in SDMS to confirm whether subcontractors are being paid timely. All payments are self-reported by the prime contractor and contract specialists are unable to validate payment dates and amounts for the subcontractors.

The contract monitoring workflow is outlined in Exhibit 2, and outlines the responsibilities of the compliance specialist, prime contractor, and subcontractor for payment tracking. Contract monitoring begins when the prime contractor enters the first payment received from the city into SDMS, shown outlined in red in the exhibit. When the city makes a payment to the prime contractor, the prime is required to record this payment in SDMS. The system then sends an automatically generated email to the prime to confirm the payment entered into the system. The prime confirms the payment in SDMS and also records the payment to the subcontractor. SDMS sends an email to the subcontractor to log

into the system and confirm that the payment was made, that it was made within 3 business days, and the amount was correct.

The payment entered by the prime is reviewed by the subcontractor for accuracy, then confirmed or denied in the system. If the subcontractor does not accept the payment submitted by the prime contractor, a discrepancy statement is issued by the system, and the compliance specialist is responsible for resolving the dispute. Once resolved, the payment is confirmed by the subcontractor. Once a payment has been confirmed by the subcontractor, the audit cycle repeats each month for the duration of the contract.

Exhibit 2: Compliance Monitoring Should Occur Throughout the Duration of a Contract



Source: Developed by auditors using Contract Compliance's and Procurement's policies and procedures and interviews with Contract Compliance staff.

The monthly payment monitoring cycle in SDMS is based on self-reported payment information by the primes and subcontractors, with no supporting documentation. Although payments the city makes to the primes are recorded in Oracle, subcontractor payments are not, so compliance specialists are unable to independently verify the dates of those payments. Also, compliance specialists are not required to compare the dates of payments to primes that are recorded in Oracle to the information primes enter into SDMS.

The SDMS system is capable of accepting document uploads for payments. To allow contract specialists to track whether primes make

payments to subcontractors consistent with code requirements, we recommend the director of the Office of Contract Compliance establish a policy that requires both primes and subcontractors to upload documentation showing proof of payments, showing payment amount and date, within three business days of payment receipt.

Approvals for subcontractor replacements are not clearly documented, which could result in diversity participation goals not being met. Prime contractors identify certified subcontractors who will be used on a project, as listed in the subcontractor utilization plan included in the bid package. If a certified subcontractor is unwilling or unable to perform, the prime contractor is required to make a good faith effort to find another certified subcontractor to complete the work. City code Section 2-1448(b)(3) requires primes to obtain written approval from the director of Contract Compliance to replace a subcontractor.

Contract Compliance uses a subcontractor substitution form for this request (see Exhibit 3), but the form does not have a signature line from the director. According to Contract Compliance's procedures, in addition to the substitution form, the prime contractor must provide supporting documentation to show: 1) the subcontractor was notified of performance deficiencies according to the signed contract agreement, 2) the subcontractor was given a reasonable time to cure the deficiency, and 3) the prime contractor contacted Contract Compliance and communicated its desire to initiate removal procedures. After the prime submits the documentation, Contract Compliance reviews the package and issues a written approval or denial.

We noted an instance in which a certified subcontractor was replaced with an uncertified subcontractor after construction began. No payments to the new subcontractor had been recorded yet in SDMS by the prime contractor at the time of our review. The subcontractor replacement form was present in SDMS, but the form does not include a signature by the Director of Contract Compliance, and no additional supporting documentation was included in the files, so it is not clear whether the new subcontractor was approved in accordance with code requirements. Diversity participation goals may not be consistently met if certified subcontractors are replaced with uncertified subcontractors.

We recommended in our April 2022 follow-up review of the office that the Contract Compliance director document approval of changes (including additions) to the subcontractor plan, consistent with City Code requirements. At that time, we found that of 61 contract and task orders we reviewed in the system, 47 had different subcontractors than in the original plan.

Exhibit 3: Subcontractor Substitution Form Does Not Include the OCC Director's Signature

CERTIFIED SUBCONTRACTOR SUBSTITUTION FORM

USER AGENCY:

PROJECT NAME:_____

NAME OF PRIME CONTRACTOR:_____

TOTAL CONTRACT AMOUNT:_____

In accordance with the City of Atlanta's EBO and SBO programs, and the federal Disadvantaged Business Enterprise and Airport Concessions Disadvantaged Business Enterprise programs, the Certified Subcontractor Substitution Form must be utilized when adding, changing or deleting subcontractors or suppliers on eligible and approved projects. All changes to the original list of approved subcontractors or suppliers shall be submitted to the City of Atlanta Mayor's Office of Contract Compliance for review and approval.

Once approved, Prime contractors shall make a good faith effort to replace MBE/FBE/SBE/DBE/ACDBE subcontractors or suppliers unable to perform on the project with another MBE/FBE/SBE/DBE/ACDBE certified firm. Accordingly, the newly substituted firm must be approved as well. To begin the process, please complete the information below:

1. Is the subcontractor/supplier being replaced a MBE/FBE/SBE/DBE/ACDBE firm?
   YES_____ NO_____
2. Reason the subcontractor/supplier is being replaced:_____
3. Dollar amount and scope of work:_____
4. Name of the subcontractor/supplier being replaced:_____
   Contact Person:_____ Telephone No.:_____
5. Percent of work/material that was completed/supplied by above named subcontractor /suppliers:_____
6. Amount paid to the subcontractor/supplier (if any) $_____
7. Document the efforts made to replace or add MBE/FBE/SBE/DBE/ACDBE subcontractors to perform required work_____
8. Name of substitute subcontractor/supplier:_____
   Address:_____ Telephone:_____
   Certified: YES_____ NO_____ Contact Person:_____
   Please select which certification: MBE/FBE/SBE/DBE/ACDBE

This form should be completed and submitted to the City of Atlanta, Office of Contract Compliance for each subcontractor or supplier being added, deleted or changed. The same criterion used for establishing good faith efforts in maximizing the participation of MBE/FBE/SBE/DBE/ACDBEs prior to awarding this contract will also apply to the substitution of MBE/FBE/SBE/DBE/ACDBE subcontractors or suppliers during the performance of the contract.

Source: https://www.atlantaga.gov/home/showpublisheddocument/58025/638098303847870000

We recommend the Director of the Office of Contract Compliance add a line to the contractor substitution form for the director's signature, and

document approval of changes to the subcontractor plan consistent with city code requirements and procedures.

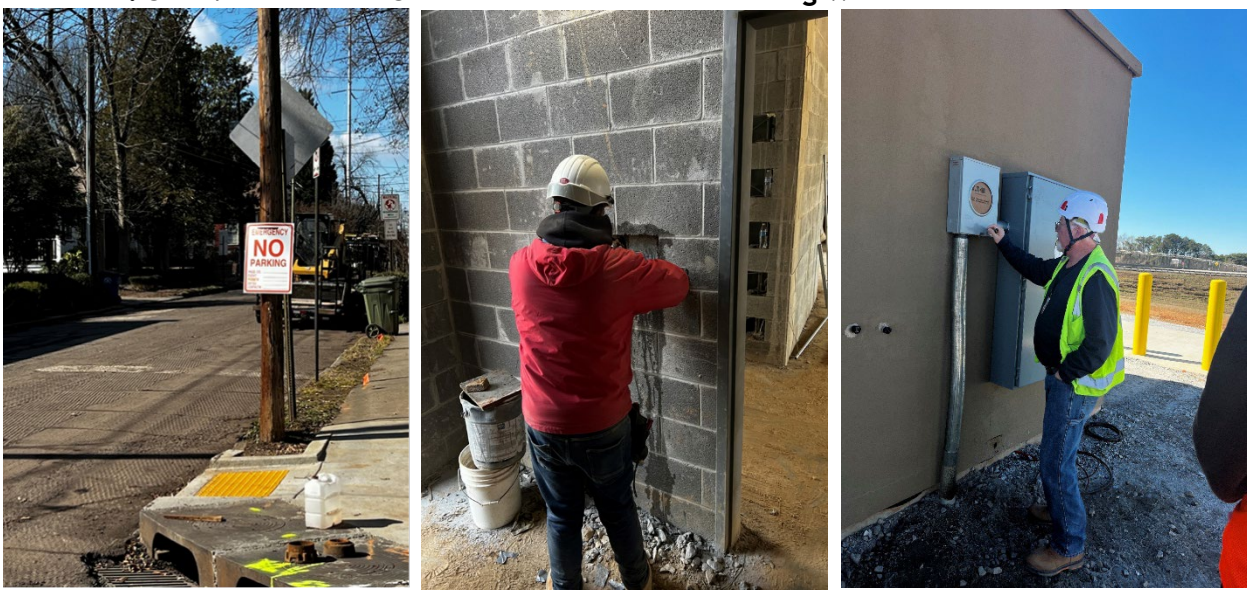
Inconsistent site visits can lead to ineffective oversight of certified subcontractors. Contract Compliance staff conduct site visits on active projects as part of monitoring for compliance with diversity participation goals. The number of required site visits for a contract is not documented in written policy; however, Contract Compliance's current practice is to conduct at least two site visits for each project. Of the 46 contracts in our scope, 22 of the contracts were in SDMS. Of those, 4 had site visits documented in SDMS and 18 did not. Of the 18 projects without site visits, 6 were more than 50% complete and should have had at least one site visit. Based on information in SDMS, some of the projects without site visits showed 0% completion, indicating that they either had not yet begun or had not been updated in the system.

Site visits provide compliance specialists with the opportunity to speak with subcontractors on job sites to verify information that confirms adherence to subcontractor agreements and identify possible issues that could impact the achievement of diversity participation goals. Compliance specialists review site visit checklist information and conduct inspections to ensure that subcontractors are performing work in accordance with subcontractor agreements and to determine whether a prime contractor is on track to meet contract diversity goals. Checklist items that specialists review prior to conducting the inspections include project information, subcontractor information, diversity goals applied to the contract, and prompt payment information. Familiarity with this information informs a compliance specialist's interactions with subcontractors on site so current and relevant information can be obtained or verified and documented on the checklist. According to staff, once a site visit has been conducted and any follow-up tasks have been completed, the checklist is loaded into SDMS within 24-72 hours.

We accompanied compliance specialists on three project site visits during January and February 2024 (see Exhibit 4) to note aspects reviewed by the compliance specialists.

Staff told us that site visits are not consistently documented due to late receipt of contracts, migration of closed contracts from PRiSM, staff turnover, and untimely submission of site visits. We recommend the director of the Office of Contract Compliance require staff to update its policies to set a minimum number of site visits required, the specific intervals with which they should be performed, and required documentation of site visits to be uploaded to SDMS within a specified time.

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

Projects may be tracked by multiple compliance officers who are focused on task orders rather than overall contract compliance.

Contract Compliance has four teams of compliance specialists who are assigned to work by user department. Within those teams, employees are assigned to monitor projects at the task order level, rather than at master contract level. One contract may have one or more task orders associated with it; these are separate contractual agreements to accomplish work under the master contract. The value of individual task orders should not exceed the total value of the contract. By assigning different specialists to monitor task orders, it may be difficult to track whether the payments are consistent with the contract amount and participation goals.

As shown in Exhibit 5, this master contract (shown by the master contract number) has multiple task orders. Different compliance specialists are assigned to manage the task orders associated with this master contract. As a result, it may be unclear which specialist is responsible for managing the contract to ensure overall compliance with payment terms and diversity participation goals.

Exhibit 5: Task Order Level Assignments May Cloud Accountability

Contract Number	Record Type	Master Contract Number	Start Date	End Date	Compliance Officer	Prime Contractor	Status
FC-1210031A TO27	Task Order	FC-1210031A	4/1/2022	10/28/2022	Compliance Specialist 1	Kissberg/Parker-Fry JV	Open
FC-1210031A TO40	Task Order	FC-1210031A	10/10/2022	10/10/2024	Compliance Specialist 1	Kissberg/Parker-Fry JV	Closed
FC-1210031A TO11	Task Order	FC-1210031A	7/1/2022	7/1/2023	Compliance Specialist 1	Kissberg/Parker-Fry JV	Open
FC-1210031A TO84	Task Order	FC-1210031A	9/21/2023	9/30/2024	Compliance Specialist 2	Kissberg/Parker-Fry JV	Open
FC-1210031A TO19	Task Order	FC-1210031A	5/2/2022	7/17/2024	Compliance Specialist 3	Kissberg/Parker-Fry JV	Closed
FC-1210031A TO81	Task Order	FC-1210031A	6/14/2023	9/30/2023	Compliance Specialist 2	Kissberg/Parker-Fry JV	Open
FC-1210031A TO29	Task Order	FC-1210031A	6/3/2022	6/7/2023	Compliance Specialist 3	Kissberg/Parker-Fry JV	Closed
FC-1210031A TO28	Task Order	FC-1210031A	4/25/2022	5/20/2023	Compliance Specialist 3	Kissberg/Parker-Fry JV	Closed
FC-1210031A TO3	Task Order	FC-1210031A	4/11/2022	4/11/2023	Compliance Specialist 3	Kissberg/Parker-Fry JV	Closed
FC-1210031A TO14	Task Order	FC-1210031A	4/4/2022	4/18/2023	Compliance Specialist 3	Kissberg/Parker-Fry JV	Closed
FC-1210031A TO64	Task Order	FC-1210031A	3/28/2023	12/29/2023	Compliance Specialist 2	Kissberg/Parker-Fry JV	Open
FC-1210031A TO36	Task Order	FC-1210031A	8/1/2022	8/2/2023	Compliance Specialist 1	Kissberg/Parker-Fry JV	Open
FC-1210031A TO18	Task Order	FC-1210031A	3/11/2022	4/11/2023	Compliance Specialist 1	Kissberg/Parker-Fry JV	Open
FC-1210031A TO32	Task Order	FC-1210031A	6/20/2022	6/27/2023	Compliance Specialist 3	Kissberg/Parker-Fry JV	Closed
FC-1210031(A) TO4	Task Order	FC-1210031A	2/9/2022	3/9/2023	Compliance Specialist 3	Kissberg/Parker-Fry JV	Closed
FC-1210031A TO80	Task Order	FC-1210031A	6/6/2023	9/30/2023	Compliance Specialist 2	Kissberg/Parker-Fry JV	Open
FC-1210031A TO33	Task Order	FC-1210031A	8/25/2022	12/22/2022	Compliance Specialist 1	Kissberg/Parker-Fry JV	Closed
FC-1210031A TO 31	Task Order	FC-1210031A	8/25/2022	2/25/2023	Compliance Specialist 1	Kissberg/Parker-Fry JV	Open
FC-1210031A TO65	Task Order	FC-1210031A	9/27/2023	12/31/2023	Compliance Specialist 2	Kissberg/Parker-Fry JV	Open
FC-1210031A TO30	Task Order	FC-1210031A	6/3/2022	6/3/2024	Compliance Specialist 3	Kissberg/Parker-Fry JV	Closed
FC-1210031A TO2	Task Order	FC-1210031A	4/21/2022	4/21/2024	Compliance Specialist 1	Kissberg/Parker-Fry JV	Open

Source: Screenshot of contract FC-1210031A B2G search results export, March 24, 2024

To ensure that projects can be monitored for compliance with diversity participation goals outlined in the contract, we recommend that the director of Contract Compliance assign staff to manage projects at the master contract level, rather than by task order. When there are contracts with many task orders, supervisors should ensure that assigned workloads are balanced among contract specialists. In our 2021 audit of the Office of Contract Compliance, we noted that Contract Compliance could improve efficiency by better distributing its workload and using more software features when the office used its previous contract management system.

System Workarounds Hinder Data Tracking and Reporting

Contract Compliance staff are not using the SDMS system to manage contracts the way the system was designed, instead employing workarounds in the system that make it difficult to track diversity participation goals. Task orders are not always associated with master contracts in the system, which leads to double-counted contract payments, and the contract management workload is assigned by task order rather than at contract level, both of which make it difficult to track progress toward meeting overall contract participation goals. SDMS has the capability to attach task orders to master contracts and allow task orders to be drawn down from the master contract amount, so system workarounds are not needed. Also, we found that Contract Compliance's diversity participation annual report to City Council did not align with the data in SDMS, overreporting minority and female

business participation for EBO contracts by a significant amount. To accurately track contract and task order amounts, and thus diversity participation goals, Contract Compliance staff should use the system as designed for tracking and reporting EBO goal attainment and assign work at the contract level rather than by task order.

Contract Compliance staff uses manual workarounds to monitor contract and task order amounts. The city contracted with B2GNow to implement SDMS (Supplier Diversity Management System), which is accessible to certified firms, contractors, and the public, migrating from the previous PRiSM system. SDMS was designed for tracking diversity participation goals; however, staff do not use the system the way it is intended, resulting in the inability of Contract Compliance staff to accurately track contract totals and diversity participation goals.

For example, master contracts and associated task orders are required to be entered into the system in order to track contract totals and ensure that subcontractors are paid amounts consistent with contract terms. OCC uses task orders instead of overall contracts to track EBO goals in SDMS, and the task orders are not always linked to master contracts. As a result, instead of totaling task orders to match to the overall contract value, the task order entries add value to contracts, which double counts the overall contract total and EBO goal calculations. Also, because some task orders in SDMS are not attached to master contracts, compliance officers cannot see the total amount spent on a contract, or EBO goals included in the contract.

Exhibit 6 shows a master contract with associated task orders. The master contract has an initial value of $5,000,000; however, adding the imported task order contracts and attaching them to the master contract increases the value of the entire contract to $7,445,413 in SDMS, which incorrectly modifies the EBO participation amount.

SDMS incorrectly calculates total contract awards of master contracts with task orders that were migrated from the previous system. When the data were migrated from PRiSM to SDMS, the system doubled the total contract award amounts by combining the master contract award and the task order award amounts. Additionally, not all task orders are linked to the associated master contract. To mitigate this issue, Contract Compliance staff created a manual workaround in which compliance specialists entered zero-dollar award amounts for all active master contracts with task orders (see Exhibit 7) and used the task orders to track payments and diversity participation goals in SDMS. These manual workarounds increase the risk of inaccurate data

reporting and mismanagement of award amounts and diversity goals for contracts with task orders.

Exhibit 6: Task Orders Not Always Linked to Master Contracts, Resulting in Double-Counting

Category	Contract Number	Contract Value	Total Paid	Total Credit Paid	Goal	For Credit Percent
Master Contract	1200311E	$5,000,000	$0	$0	34.70%	0.00%
Task Order	RFP-S-1200311E TO 03	$145,727	$141,187	$0	0.00%	0.00%
Task Order	RFP-S-1200311E TO 04	$199,888	$191,100	$143,854	90.00%	75.28%
Task Order	RFP-S-1200311E TO 06	$188,481	$27,335	$3,725	34.70%	13.63%
Task Order	RFP-S-1200311E TO 19	$138,458	$83,002	$0	0.00%	0.00%
Task Order	RFP-S-1200311E TO02	$44,206	$0	$42,677	96.00%	0.00%
Task Order	RFP-S-1200311E TO1	$728,864	$728,864	$218,372	29.00%	29.96%
Task Order	RFP-S-1200311E TO13	$109,757	$96,432	$55,825	34.70%	57.89%
Task Order	RFP-S-1200311E TO20	$890,032	$236,627	$165,577	74.30%	69.97%
All Task Orders		$2,445,413	$1,504,547	$630,028	49.01%	41.87%
Entire Contract		**$7,445,413**	**$1,504,547**	**$630,028**	**39.40%**	**41.87%**

Source: B2G (SDMS) Master Contract & Task Order Detail & Rollup screenshot, as of March 28, 2024

Exhibit 7: Contract Entered with Zero Dollar Value as a Workaround

Source: B2G (SDMS) system screenshot of contract FC-1210031A as of March 28, 2024

According to an SDMS representative, the system has the capability to attach task orders to master contracts and allow task orders to be drawn down from the master contract amount. To accurately track contract and task order amounts, and thus diversity participation goals, we recommend the director of the Office of Contract Compliance work with the SDMS vendor to implement system features to tie task orders to master contracts. We also recommend the director of the Office of Contract Compliance require compliance specialists to retroactively link all task orders for active projects to master contracts.

Neither we nor Contract Compliance staff could verify or duplicate diversity participation information reported to City Council. Contract Compliance is responsible for providing reports to the mayor and City Council. We analyzed data supporting the Contract Compliance's FY23 annual report (see Exhibit 8), comparing it to data in SDMS, and found that the payment for credit values that measure diversity participation goals were only 53% of the values reported to City Council (see Exhibit 9). Data in the report were inconsistent with the information maintained in SDMS. According to staff, the annual report was produced using an undocumented and imprecise procedure. Staff said they did not document the steps followed to produce the report or maintain records of the underlying data after the report was presented to City Council. SDMS has reporting capabilities, but staff must ensure the underlying data are complete and accurate and use the system to produce replicable reports. Without accurate reporting, Contract Compliance cannot determine or report on the extent to which the city is meeting its diversity participation goals.

Exhibit 8: Contract Compliance Reported Inaccurate Data to City Council

City of Atlanta, Georgia
Office of Contract Compliance
EBO Participation Report

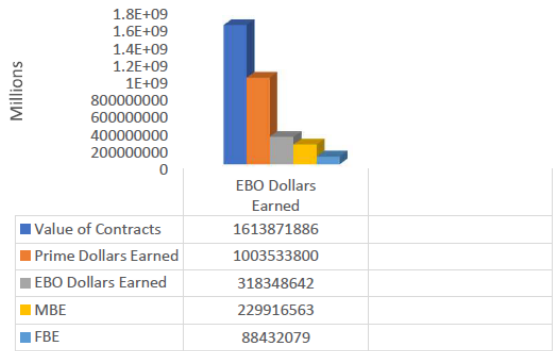
This report provides a **Prime Spend Earnings** summary and an ***EBO* Dollars Earned** summary. The Dollars Earned summary represents spending that occurred between **07/01/2022** and **6/30/2023**

Reporting from 07/01/2022 to 06/30/2023

Overall Dollars Earned for all Active EBO Contracts

Total Number of Active Contracts	Value of Active Contracts	Total Prime Dollars Earned
286	$1,613,871,886	$1,003,533,800

Average Advertised MBE Goal:	24.83%	Average MBE Commitment:	25.88%
Average Advertised FBE Goal:	9.24%	Average FBE Commitment:	8.69%



EBO Dollars Earned		% of Prime & Sub Dollars
MBE	$229,916,563	22.91%
FBE	$88,432,079	8.81%
Total	**$318,348,642**	**31.72%**

MBE Participation		% of Prime & Sub Dollars
AABE	$184,606,709	18.40%
HABE	$30,718,556	3.06%
APABE	$14,591,298	1.45%
Total MBE Participation	**$229,916,563**	**22.91%**

FBE Participation		% of Prime & Sub Dollars
FBE	$88,432,079	8.81%
Total FBE Participation	**$88,432,079**	**8.81%**

Source: FY23 Annual report provided by Contract Compliance staff

According to Section 2-1457 of the city code, Contract Compliance must provide records to the mayor, City Council, and general public (upon request) on the office's operations, including information on the economic opportunities available to minority-owned and female-owned businesses. As shown in Exhibit 9, the amounts Contract Compliance reported in its FY23 annual report for overall dollars earned for EBO contracts were significantly higher than the data recorded in SDMS. The specific period we analyzed was between July 1, 2022, through June 30, 2023, to coincide with the FY23 annual report.

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
FBE	$88,432,079	$38,488,138	$49,943,941
MBE	$229,916,563	$133,030,592	$96,885,971

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

We recommend the director of Contract Compliance work with B2G representatives to identify the appropriate diversity participation reports from SDMS that reflect the office's operations. The director should also ensure that data in SDMS are accurate and complete.

Policies and procedures have not been updated since the implementation of SDMS. Contract Compliance's practices have changed with the implementation of the current SDMS system; however, the office's written policies and procedures have not been updated. Contract Compliance's current procedures cover solicitation responsibilities, participation goal monitoring, vendor outreach, and vendor certification.

Contract Compliance is currently under the leadership of its Interim Director, who was appointed by the mayor after the departure of its previous director in November 2023. Staff turnover has been a challenge for Contract Compliance, with 8 of 19 compliance specialists hired for their positions in 2021 or later. Recent departures of some senior staff members have made it challenging for remaining compliance specialists who inherit unfamiliar tasks, some without documented procedures.

The U.S. Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*, known as the "green book," states that officials should "periodically review policies, procedures, and related control activities for continued relevance and effectiveness, including updating policies, procedures, and control activities timely to reflect significant changes in an entity's process." Outdated policies

result in staff performing tasks inconsistently with current practices. To ensure policies and procedures are updated and consistent with current practices, we recommend the director of the Office of Contract Compliance require staff to update policies and procedures to reflect current practices and use of SDMS and develop a schedule to ensure annual reviews occur.

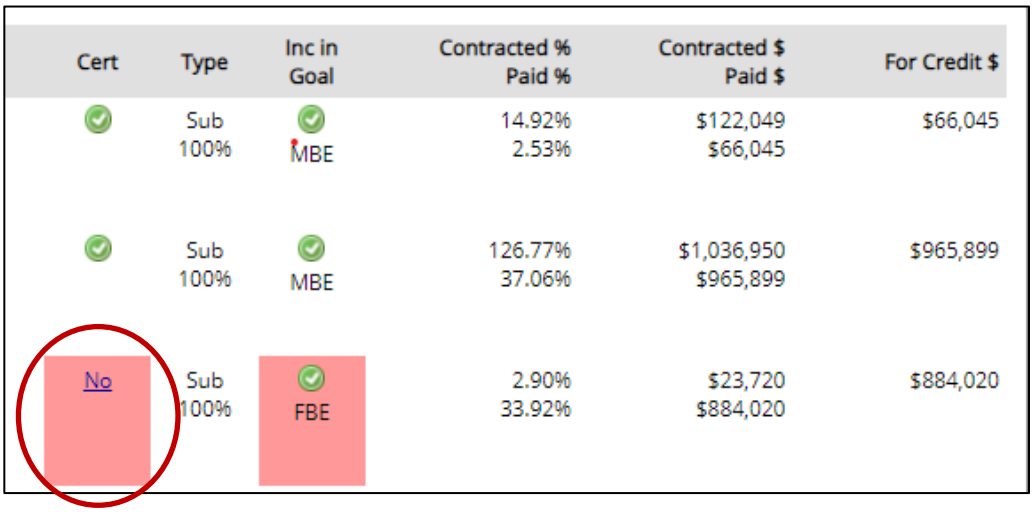
Equal Business Opportunity Goals Have Been Met with Uncertified Subcontractors

Contractor profiles in SDMS contain information about the ethnicity and gender of the business owner. We reviewed reported payments to subcontractors between July 2021 through December 2023 that were credited toward EBO diversity participation goals. We found that 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. These credits overstate the participation of minority- and female-owned businesses. Payments to uncertified subcontractors which are credited towards equal business opportunity goals can distort program outcomes. We also identified a firm that was denied recertification when Contract Compliance's previous contract management system was in use that received participation credit, after the office transitioned to the current system.

For contractors to obtain credit toward meeting equal business opportunity goals, participating subcontractors must be certified as minority-owned and/or female-owned entities. Contract Compliance's procedures state that prime contractors will not be allowed credit toward their EBO goals for using firms that are not certified. Although compliance staff stated that subcontractors are to meet the requirements of the equal business opportunity programs in which they participate, staff also told us they do not check the certification status of subcontractors periodically during the duration of a project. When a subcontractor no longer meets the requirement of being either minority or female owned, they are required to notify Contract Compliance and the compliance staff should no longer give participation credit for future work. Also, while city code Section 2-1453(j) imposes a continuous duty for firms to update Contract Compliance with changes that would affect their certification status, city code also obligates Contract Compliance to investigate certification status as appropriate.

SDMS has controls to assist contract specialists in monitoring participation credits. As shown in Exhibit 10, the system flags payments to uncertified subcontractors used to satisfy EBO goals.

Exhibit 10: SDMS Has Controls to Identify Payments to Uncertified Subcontractors



Cert	Type	Inc in Goal	Contracted % Paid %	Contracted $ Paid $	For Credit $
✓	Sub 100%	✓ MBE	14.92% 2.53%	$122,049 $66,045	$66,045
✓	Sub 100%	✓ MBE	126.77% 37.06%	$1,036,950 $965,899	$965,899
No	Sub 100%	✓ FBE	2.90% 33.92%	$23,720 $884,020	$884,020

Source: B2G (SDMS) system screenshot as of March 28, 2024

Providing diversity participation credits for firms that do not meet participation criteria overstates the participation of minority- and female-owned businesses. Without strict adherence to program requirements, it becomes difficult to determine whether the city's diversity programs are achieving their goals. We recommend the director of the Office of Contract Compliance require staff to conduct thorough review of contracts, ensure goals are met with qualified subcontractors and investigate anomalies. We also recommend the director ensure that procedures are developed to indicate steps to be followed when a firm that is contracted and performing work is denied re-certification or certification is revoked.

A Structured Quality Control System Could Improve Contract Compliance's Monitoring

In addition to updating the office's policies and procedures to conform to SDMS, the current contract management system, we recommend that the director of Contract Compliance also put a structured quality control system in place to ensure that staff are following procedures, and that contract management is consistent among compliance specialists. We found that staff are unable to effectively track and report on EBO participation goals because required documentation is not consistently captured in SDMS, including copies of the contracts, task orders and change orders, subcontractor utilization forms, subcontractor agreements, and schedule of participation forms. We also found that approvals for subcontractor replacements are not clearly documented, and site visits are not being conducted on all projects. Also, the system is not being used the way it is intended, which creates data inaccuracies and makes tracking less effective.

Contract Compliance has undergone significant turnover in the office during the last six years, including at the director level. Moving to a new system can also 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. We recommend that the director of Contract Compliance put a structured quality control system in place to ensure that staff are following procedures, and that contract management is consistent among compliance specialists.

Recommendations

To provide complete and accurate information about whether the city is meeting its EBO diversity participation goals for eligible contracts, the director of the Office of Contract Compliance should:

1. work with the chief procurement officer to formalize a communication protocol between Contract Compliance and the user agencies to ensure that compliance staff are notified of scheduled notice to proceed meetings
2. log contracts into SDMS after signature and follow up with the user agencies periodically to confirm when the notice to proceed meeting will take place
3. Obtain copies of the contract, letter of recommendation, task orders and change orders, subcontractor utilization forms, subcontractor agreement, and schedule of participation form from the contractor and upload them into SDMS
4. establish a policy that requires both primes and subcontractors to upload documentation showing proof of payments, showing payment amount and date, within three business days of payment receipt
5. add a line to the contractor substitution form for the director's signature, and document approval of changes to the subcontractor plan consistent with city code requirements and procedures
6. require staff to update its policies to set a minimum number of site visits required, the specific intervals they should be performed, and require documentation of site visits to be uploaded to SDMS within a specified time
7. assign staff to manage projects at the master contract level, rather than by task order
8. work with the SDMS vendor to implement system features to tie task orders to master contracts
9. require compliance specialists to retroactively link all task orders for active projects to master contracts
10. work with B2G representatives to identify the appropriate diversity participation reports from SDMS that reflect the office's operations

11. update policies and procedures to reflect current practices and use of SDMS and develop a schedule to ensure annual reviews occur
12. require staff to conduct thorough review of contracts, ensure goals are met with the qualified subcontractors and investigate anomalies
13. ensure that procedures are developed to indicate steps to be followed when a firm who is contracted and performing work is denied re-certification or certification is revoked
14. put a structured quality control system in place to ensure that staff are following procedures and that contract management is consistent among compliance specialists

Appendices

Appendix A: Management Review and Response to Audit Recommendations

Report # 24.04	**Report Title:** Office of Contract Compliance Subcontractor Utilization

Recommendation #1:

We recommend the director of the Office of Contract Compliance work with the chief procurement officer to formalize a communication protocol between Contract Compliance and the user agencies to ensure that compliance staff are notified of scheduled notice to proceed meetings.

Risk Category:	**Recommendation Priority:**	**Auditee Response:**
Information Systems	Low	Agree

Related Finding(s):

1. Of the 46 contracts in our audit scope (issued on or after July 2021 that contained EBO goals), we found that only 22 contracts were in SDMS. Staff states OCC receives adopted participation goals during the Notice to Proceed (NTP) meeting, at which time OCC would provide the awardee an overview and SDMS along with a request for final documentation. However, staff states that user agencies do not consistently invite OCC to NTP meetings.

Proposed Action:	**Current Status:**
1. OCC proposes creating a contract approval process that incorporates the DOP contract system and includes OCC. 2. OCC will set up bi-monthly meetings with DOP to review procurement activities, discuss forecasting, and address any issues or concerns.	Not Started
Business Owner: Rocsean Spencer, Contracts Compliance Director, Executive Offices	**Estimated Implementation Date (M/Y):** November 2024

Additional Comments:

Recommendation #2:
We recommend the director of the Office of Contract Compliance should require contract specialists to log contracts into SDMS after signature and follow up with the user agencies periodically to confirm when the notice to proceed meeting will take place.

Risk Category:	**Recommendation Priority:**	**Auditee Response:**
Information Systems	Medium	Agree

Related Finding(s):

1. Of the 46 contracts in our audit scope (issued on or after July 2021 that contained EBO goals), we found that only 22 contracts were in SDMS. 24 of 46 contracts (52%), were not in SDMS. Once the city is ready to award a contract, Procurement provides all stakeholders with a copy of the contract to sign. The director of OCC is required to sign contracts awarded that contain EBO goals. Staff states OCC receives adopted participation goals during the NTP meeting, at which time OCC would provide the awardee an overview of SDMS along with a request for final documentation. However, staff states that user agencies do not consistently invite OCC to NTP meetings.

Proposed Action:	**Current Status:**
1. OCC will establish a protocol to communicate with DOP regarding NTP inclusion. 2. OCC will establish system notifications and reminders within SDMS compliance dashboards.	Not Started
Business Owner: Rocsean Spencer, Contracts Compliance Director, Executive Offices	**Estimated Implementation Date (M/Y):** November 2024

Additional Comments:

Recommendation #3: We recommend the director of the Office of Contract Compliance ensure that compliance staff obtain copies of the contract, letter of recommendation, task orders and change orders, subcontractor utilization forms, subcontractor agreement, and schedule of participation form from the contractor and upload them into SDMS.		
Risk Category: Information Systems	**Recommendation Priority:** Low	**Auditee Response:** Agree
Related Finding(s): **1.** Of the 46 contracts within our audit scope, we found that 22 (48%), were in SDMS. Of those 22 contracts, key project documentation such as subcontractor utilization forms (EBO Form 3), subcontract agreements, and schedules of participation were missing from project files. 10 contracts did not have subcontractor agreement(s), 7 contracts did not have subcontractor utilization forms, and 21 contracts did not have schedule of participation.		
Proposed Action: OCC's staff has uploaded the contract, letter of recommendation, task orders and change orders, subcontractor utilization forms, subcontractor agreement, and schedule of participation form from the contractor into SDMS.		**Current Status:** Implemented
Business Owner: Rocsean Spencer, Contracts Compliance Director, Executive Offices		**Estimated Implementation Date (M/Y):** N/A
Additional Comments:		

Recommendation #4: We recommend the director of the Office of Contract Compliance establish a policy that requires both primes and subcontractors to upload documentation showing proof of payments, showing payment amount and date, within three business days of payment receipt.		
Risk Category: Contractual	**Recommendation Priority:** Low	**Auditee Response:** Disagree
Related Finding(s): 1. We found that payments in SDMS are self-reported by prime contractors and confirmed by subcontractors. No documentation from either party is required, and contract monitoring specialists are not required to compare the dates of payments to primes that are recorded in Oracle with the self-reported data from prime contractors in SDMS.		
Proposed Action: The is a verification process in OCC's SDMS that tracks prompt payment records for subcontractors. In my opinion, documentation uploads are not necessary.		**Current Status:** Implemented
Business Owner: Rocsean Spencer, Contracts Compliance Director, Executive Offices		**Estimated Implementation Date (M/Y):** N/A
Additional Comments:		

Recommendation #5: We recommend the Director of the Office of Contract Compliance add a line to the contractor substitution form for the director's signature, and document approval of changes to the subcontractor plan consistent with city code requirements and procedures.		
Risk Category: Legal and Regulatory Compliance	**Recommendation Priority:** High	**Auditee Response:** Agree
Related Finding(s): 1. We found an instance where a subcontractor was removed after construction had begun and the substitution form was present in SDMS, but no supporting documentation or written approval from the director of OCC was present.		
Proposed Action: OCC will make necessary updates to internal documents.		**Current Status:** Started
Business Owner: Rocsean Spencer, Contracts Compliance Director, Executive Offices		**Estimated Implementation Date (M/Y):** October 2024
Additional Comments:		

Recommendation #6: We recommend the director of the Office of Contract Compliance require staff to update its policies to set a minimum number of site visits required, the specific intervals with which they should be performed, and required documentation of site visits to be uploaded to SDMS within a specified time.		
Risk Category: Contractual	**Recommendation Priority:** Low	**Auditee Response:** Agree
Related Finding(s): 1. We found that the number of required site visits for a contract is not documented in OCC's written policy, but staff stated their current practice is to conduct at least two site visits for each project. Of the 22 contracts found in SDMS within our audit scope, 4 contracts had site visits documented in SDMS and 18 did not. Of the 18 contracts without site visits, 5 were more than 70% complete and 1 was more than 50% complete. These 6 projects should have had at least one site visit conducted, according to current practices.		
Proposed Action: OCC will implement a structured site visit requirement protocol to ensure thorough oversight and assessment of vendors and project compliance.		**Current Status:** Not Started
Business Owner:		**Estimated Implementation Date (M/Y):** December 2024
Additional Comments:		

Recommendation #7: We recommend the director of the Office of Contract Compliance assign staff to manage projects at the master contract level, rather than by task order.		
Risk Category: Contractual	**Recommendation Priority:** Medium	**Auditee Response:** Agree
Related Finding(s): 1. We found that OCC uses team silos to monitor contracts by user agency (city department). A master contract may have one or more task orders associated with it to accomplish work under the master contract. The value of the task orders should not exceed the total value of the master contract. By OCC's assignment of task orders to be monitored by different specialists rather than assignment by master contract, it may be difficult to track whether payments are consistent with the master contract amount and participation goals.		
Proposed Action: The alignment of all necessary master contracts and task orders has been achieved.		**Current Status:** Implemented
Business Owner: Rocsean Spencer, Contracts Compliance Director, Executive Offices		**Estimated Implementation Date (M/Y):** N/A
Additional Comments:		

Recommendation #8: We recommend the director of the Office of Contract Compliance work with the SDMS vendor to implement system features to tie task orders to master contracts.		
Risk Category: Information Systems	**Recommendation Priority:** Medium	**Auditee Response:** Agree
Related Finding(s): 1. We found that task orders are not always associated with the master contract in SDMS. This leads to double-counted contract payments and makes it difficult to track progress toward meeting overall contract participation goals. According to an SDMS representative, the system has the capability to attach task orders to master contracts and allow task orders to be drawn down from the master contract amounts. Manual workarounds increase the risk of mismanagement of award amounts and diversity goals for contracts with task orders.		
Proposed Action: The connection of all necessary master contracts and task orders has been achieved in the SDMS.		**Current Status:** Implemented
Business Owner: Rocsean Spencer, Contracts Compliance Director, Executive Offices		**Estimated Implementation Date (M/Y):** N/A
Additional Comments:		

Recommendation #9: We recommend the director of the Office of Contract Compliance require compliance specialists to retroactively link all task orders for active projects to master contracts.		
Risk Category: Information Systems	**Recommendation Priority:** Medium	**Auditee Response:** Agree
Related Finding(s): 1. We found that OCC staff are not using SDMS to manage contracts the way the system was designed, employing workarounds in the system that make it difficult to track diversity participation goals. Because some task orders are not attached to the master contract in SDMS, compliance specialists cannot see the total amount spent on a contract or the EBO goals included in a contract. According to an SDMS representative, the system has the capability to allow task orders to be drawn down from master contract amounts.		
Proposed Action: Master contracts and task orders have been successfully linked.		**Current Status:** Implemented
Business Owner: Rocsean Spencer, Contracts Compliance Director, Executive Offices		**Estimated Implementation Date (M/Y):** N/A
Additional Comments:		

Recommendation #10: We recommend the director of the Office of Contract Compliance work with B2G representatives to identify the appropriate diversity participation reports from SDMS that reflect the office's operations.		
Risk Category: Information Systems	**Recommendation Priority:** Medium	**Auditee Response:** Agree
Related Finding(s): 1. We analyzed the data supporting the OCC FY23 annual report, comparing it to the data in SDMS, and found that the payment for credit values that measure diversity participation goals were only 53% of the values reported to City Council. Data in the report was inconsistent with the information maintained in SDMS. According to staff, the annual report was produced using an undocumented and imprecise procedure. SDMS has reporting capabilities that can be used to produce replicable reports, if the underlying data is complete and accurate.		
Proposed Action: OCC will develop and implement a comprehensive reporting framework within SDMS to ensure real time monitoring, compliance and performance evaluation of contracts and certifications.		**Current Status:** Not Started
Business Owner: Rocsean Spencer, Contracts Compliance Director, Executive Offices		**Estimated Implementation Date (M/Y):** January 2025
Additional Comments:		

Recommendation #11: We recommend the director of the Office of Contract Compliance require staff to update policies and procedures to reflect current practices and use of SDMS and develop a schedule to ensure annual reviews occur.		
Risk Category: Information Systems	**Recommendation Priority:** Low	**Auditee Response:** Agree
Related Finding(s): 1. We found that OCC policies and procedures have not been updated since the implementation of their current system, SDMS, even though their practices have changed. Outdated policies result in staff performing tasks inconsistently with current practices.		
Proposed Action: OCC will make policy and procedure updates to reflect current practices and use of SDMS.		**Current Status:** Not Started
Business Owner: Rocsean Spencer, Contracts Compliance Director, Executive Offices		**Estimated Implementation Date (M/Y):** December 2024
Additional Comments:		

Recommendation #12: We recommend the director of the Office of Contract Compliance require staff to conduct thorough review of contracts, ensure goals are met with qualified subcontractors, and investigate anomalies.		
Risk Category: Contractual	**Recommendation Priority:** Medium	**Auditee Response:** Agree
Related Finding(s): 1. We found that 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. Staff told us they do not check the certification status of subcontractors periodically during the duration of a project.		
Proposed Action: OCC will develop comprehensive guidelines for contract reviews. These reviews will outline key elements to be reviewed, alignment with organizational goals, compliance, contractual terms, performance metrics and risk assessment.		**Current Status:** Not Started
Business Owner: Rocsean Spencer, Contracts Compliance Director, Executive Offices		**Estimated Implementation Date (M/Y):** January 2025
Additional Comments:		

Recommendation #13: We recommend the director of the Office of Contract Compliance ensure that procedures are developed to indicate steps to be followed when a firm who is contracted and performing work is denied re-certification or certification is revoked.		
Risk Category: Contractual	**Recommendation Priority:** Medium	**Auditee Response:** Agree
Related Finding(s): 1. We identified a firm that was denied recertification when Contract Compliance's previous contract management system was in use that subsequently received participation credit, after the office transitioned to the current system.		
Proposed Action: OCC will develop a procedure outlining the de-certification and certification revoking process. This procedure will include notification, documentation, compliance check, and any follow-up actions.		**Current Status:** Not Started
Business Owner: Rocsean Spencer, Contracts Compliance Director, Executive Offices		**Estimated Implementation Date (M/Y):** January 2025
Additional Comments:		

Recommendation #14: We recommend the director of the Office of Contract Compliance put a structured quality control system in place to ensure that staff are following procedures, and that contract management is consistent among compliance specialists.		
Risk Category: Contractual	**Recommendation Priority:** Low	**Auditee Response:** Agree
Related Finding(s): 1. We found that staff are unable to efficiently track and report on EBO participation goals be goals because required documentation is not consistently captured in SDMS, including copies of the contracts, task orders and change orders, subcontractor utilization forms, subcontractor agreements, and schedule of participation forms. 2. We found that approvals for subcontractor replacements are not clearly documented, and site visits are not being conducted on all projects.		
Proposed Action: OCC will develop a structured quality control system aligning all areas of compliance.		**Current Status:** Not Started
Business Owner: Rocsean Spencer, Contracts Compliance Director, Executive Offices		**Estimated Implementation Date (M/Y):** February 2025
Additional Comments:		

Appendix B: Subcontractor Utilization Plan

EQUAL BUSINESS OPPORTUNITY SUBCONTRACTOR PROJECT PLAN SUBCONTRACTOR/SUPPLIER UTILIZATION

List all Majority, EBO Certified, and Non-EBO Certified subcontractors/suppliers, including lower tiers, to be used on this project.

Name of Sub-contractor/ Supplier	Contact Name, Address and Phone Number	City of Atlanta Business License? (yes or no)	Joint Venture Partner? (yes or no)	NAICS Code	Scope of Work to be Performed	Ethnicity of M/FBE Ownership (see code below)	M/FBE Certification No. and Expiration Date	Dollar ($) Value of Work and Scope of Work	Percentage (%) of Total Bid Amount

Dollar Value of Prime Proponent self-Performance: $_____ **Total MBE%_____ Total FBE%_____ Total EBO%_____**

Code: AABE - African American Business Enterprise, HABE – Hispanic American Business Enterprise, FBE – Female Business Enterprise, APABE – Asian (Pacific Islander) American Business Enterprise (SBE and DBE Certifications will not suffice for this procurement)

Proponent Company Name: _____ Project Name: _____ Contract#: _____

Proponent's Contact Number:_____ Contact Name (Print)_____ Date: _____

Source: Office of Contract Compliance

Appendix C: Schedule For Participation Form

NAME OF PRIME CONTRACTOR: _____ CONTRACT/T.O.#: _____

ADDRESS: _____ CONTRACT/T.O. NAME: _____

CITY, STATE, & ZIP CODE: _____ LOCATION: _____

TELEPHONE NUMBER: _____ CONTRACT VALUE _____

SCHEDULE FOR PARTICIPATION OF DIVERSE SUBCONTRACTORS (MBE/FBE/SBE/DBE/ACDBE)

NAME OF DIVERSE SUBCONTRACTOR	DIVERSITY CATEGORY	CONTACT FIRST NAME	CONTACT LAST NAME	EMAIL ADDRESS	TELEPHONE #	TYPE OF WORK PERFORMED:	NAICS CODE	CITY OF ATLANTA BUSINESS LICENSE?	PROJECT COMMENCEMENT AND COMPLETION DATE FOR WORK	AGREED PRICE	Percentage of Total Contract Value
JV PARTNER(S)											
											#DIV/0!
											#DIV/0!
SUBCONTRACTORS/ SUBCONSULTANTS											
											#DIV/0!
											#DIV/0!
											#DIV/0!
											#DIV/0!
											#DIV/0!

Company Representative: _____ Signature: _____ Date: _____

Source: Office of Contract Compliance