CITY OF ATLANTA
City Auditor's Office
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October 2024

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