

RON GALPERIN
CONTROLLER

January 13, 2017

Honorable Eric Garcetti, Mayor
Honorable Michael Feuer, City Attorney
Honorable Members of the Los Angeles City Council
All Angelenos

Re: Economic and Workforce Development Department – Selection and Monitoring of WorkSource Center Service Providers

Today, I am releasing a Special Review Report that calls on the Economic and Workforce Development Department (EWDD) to improve its selection and monitoring practices over WorkSource Center (WSC) service providers.

The WSCs, along with their partner providers, provide a full range of assistance to job seekers and employers. For instance, job seekers can receive career counseling, job listing and labor market information, training, and detailed assessments on their job skills. Employers can use the WSCs for recruiting, posting of job vacancies, human resource services, and customized training. There are 17 WSC service providers contracted with the City and as of fiscal year 2016-17, the City allocated \$17.5 million in funding for these WSC service providers.

As described in the attached Report, executives associated with a WSC service provider formerly contracted by both Los Angeles City and County are facing criminal felony charges due to alleged conspiracy, embezzlement, and misappropriation of public funds during the time the service provider was under contract. It is critical that City officials have an understanding of some of the weaknesses and deficiencies within the City's selection and monitoring processes that may have allowed the alleged activity to go undetected or unremediated.

WSCs perform their contracted duties using federal Workforce Innovation and Opportunity Act (WIOA) funds distributed to the City. The focus of the attached Report is on evaluating EWDD's selection and monitoring policies and procedures of WSC service providers and other control mechanisms in place to help reduce the risk of impropriety. The Review did not evaluate the effectiveness of services provided at WSCs. To that end, our recommendations include:



Honorable Eric Garcetti, Mayor
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- Enhancing EWDD's WSC selection process by: 1) evaluating the composition, expertise, and oversight provided by its Board of Directors; 2) considering prior Fiscal Audit and Program Monitoring Review findings, including findings by other government entities; 3) reporting any questionable or disallowed costs, financial stability concerns, and any official government investigation involving a WSC service provider to the City's Workforce Development Board when recommending a WSC for a City contract or contract extension; and, 4) excluding City employees, employees from other WSCs, and teams that include related family members from scoring a WSC service provider's Program Design and Demonstrated Ability during the selection process.
- Updating EWDD's policies and procedures to include the formal notification of all fraud, waste, and abuse allegations to the City's Ethics Commission and the Controller's Office and providing these policies and procedures to all staff assigned both Workforce Development Division and Financial Management Division.
- Revising EWDD's annual WSC performance evaluation methodologies to better identify unsuitable service providers prior to recommending a City contract extension and continued funding, including methodology enhancements to surveys utilized to evaluate WSC client satisfaction and qualitatively weighing certain aspects of a WSC's administrative capabilities.

The Controller's Office has offered to help coordinate a Compliance Taskforce in partnership with EWDD. Our goal is to help EWDD management implement the recommendations outlined in this report, provide additional advice and counsel, and explore additional best practices to enhance transparency of both EWDD and WSC operations.

Respectfully submitted,



Ron Galperin
CITY CONTROLLER



RON GALPERIN
CONTROLLER

January 13, 2017

Jan Perry, General Manager
Economic and Workforce Development Department
1200 West 7th Street
Los Angeles, CA 90017

Dear Ms. Perry,

Enclosed is the final report of the "Special Review of Economic and Workforce Development Department – Selection and Monitoring of WorkSource Center Service Providers." The draft report was provided to your Department on January 6, 2017. Your comments, received on January 9, 2017, were considered prior to finalizing the report.

Please review the final report and advise the Controller's Office by February 13, 2017 of the actions planned and/or taken to implement the recommendations contained in our report. An electronic template of the Review's Findings and Recommendations can be provided to your staff to facilitate this process.

Sincerely,

ALFRED RODAS, CPA, CIA, CIG, CIGI
Director of Auditing

Enclosure

cc: Gregory Irish, Executive Director, Workforce Development Board
Ana Guerrero, Chief of Staff, Office of the Mayor
Miguel A. Santana, City Administrative Officer
Sharon Tso, Chief Legislative Analyst
Holly Wolcott, City Clerk
Independent City Auditors





SPECIAL REVIEW

City of Los Angeles

Economic and Workforce
Development Department – Selection
and Monitoring of WorkSource Center
Service Providers

January 13, 2017



RON | GALPERIN
Los Angeles City Controller
LAController.org



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Purpose of this Special Review

For decades, the City of Los Angeles (City) has contracted with community-based organizations to operate WorkSource Centers (WSCs) that provide a wide range of assistance to job seekers and employers.

In June 2015 the Los Angeles County (County) District Attorney filed a felony complaint with the California Superior Court against three executives of the Chicana Service Action Center (CSAC), a WSC service provider, alleging conspiracy, embezzlement and misappropriation of public funds. The basis for these charges stems from an alleged misappropriation of funds received by CSAC from the County and the City to provide social services to the unemployed and domestic violence victims. Both the County and City had contracted with CSAC for services, including CSAC's WSC services, for more than 25 years.

Although the Economic and Workforce Development Department (EWDD) and its predecessor, the Community Development Department, issued Requests for Proposals and conducted multiple Annual Performance Evaluations, Program Monitoring Reviews, and Fiscal Audits of WSC activities, improprieties related to CSAC's business practices inexplicitly were not identified or adequately pursued by City staff. This raises questions regarding the adequacy of EWDD's oversight of WSCs.

Accordingly, the Controller's Office, with the support of EWDD management, initiated this Special Review to evaluate EWDD's selection and monitoring of WSC contractors, focusing on controls intended to help prevent and detect waste, fraud and abuse, as well as to help identify unsuitable WSC contractors. It is our intent that this report will provide information to City management to assist with the early identification, prevention, and deterrence of the types of activities alleged to have occurred at CSAC.

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EXECUTIVE SUMMARY

Introduction

For decades the City of Los Angeles (City) has used federal funding to operate community-based WorkSource Centers (WSCs). Such WSC service providers, along with their partner providers, provide a full range of assistance to job seekers and employers. Specifically, job seekers can use WSC computers for job searches, receive career counseling, review job listings and labor market information, be referred for training, and receive detailed assessments on their job skills. Employers can use the WSCs for recruiting, posting job vacancies, human resource services, and customized training. WSCs may also provide or connect clients with more intensive services such as on-the-job training, customized training to meet the special requirements of an employers, training that leads to industry recognized certificates, and family support services, such as support with childcare, to move clients toward economic self-sufficiency.

The City's Economic and Workforce Development Department (EWDD) administers the program by:

- Preparing federal grant applications;
- Procuring WSC service providers and executing contracts;
- Completing Annual Performance Evaluations of the WSC service providers to support contract extensions;
- Receiving and disbursing federal grant funds to WSC service providers;
- Completing required program and fiscal monitoring of WSCs; and,
- Ensuring WSC service providers comply with applicable laws, including those specified by the federal government and various plans/agreements approved by the Mayor, City Council, and the Workforce Development Board (WDB).

The WDB provides high-level oversight and guidance to EWDD on its administration of the program.

As of Fiscal Year (FY) 2016-17, the City's approved funding allocations for the 17 WSC service providers totaled \$17.5 million.

In June 2015, the Los Angeles County (County) District Attorney filed a felony complaint with the Superior Court of the State of California against three Chicana Service Action Center (CSAC) executives, a WSC service provider, alleging conspiracy, embezzlement and misappropriation of public funds received by CSAC from both the County and the City to

provide services to domestic violence victims and the unemployed.¹ Specifically, the felony complaint included allegations of:

- Creating and falsifying a list of Board of Directors;
- Creating and falsifying Board of Director meeting minutes to authorize certain expenditures;
- Using public funds for personal benefit;
- Requesting the authorized signer of CSAC checks to regularly sign blank checks; and,
- Creating fraudulent records and/or client files to support monthly billing invoices.²

The County and the City had contracted with CSAC for more than 25 years, but the allegations only came to light after a whistleblower stepped forward in 2011 to report the alleged improprieties to the County, prompting the County to initiate an extensive review of CSAC's operations and use of public funds.³

In 2013, the County canceled all of its contracts with CSAC, citing fiscal and billing problems. The City continued to contract with CSAC until June 2015, when CSAC failed to submit its 2014 Single Audit, as required to maintain compliance with federal funding requirements.

From 2002 through 2015, the City paid CSAC over \$22 million for services provided to both the unemployed and domestic violence victims.⁴ Although EWDD and its predecessor, the Community Development Department, issued Requests for Proposals (RFPs) and conducted Annual Performance Evaluations, Program Monitoring Reviews, and Fiscal Audits of WSC activities, alleged improprieties related to CSAC's business practices were not identified or adequately pursued by City staff. While the criminal case against CSAC executives continues, the nature of the alleged improprieties raises

¹ CSAC provided services to the unemployed through its WSC.

² The original felony complaint charges related to fraudulent records and/or client files was based on the investigation into the County's contracts with CSAC.

³ In 2015, the City Controller's Office began assisting the District Attorney with its investigation into CSAC operations.

⁴ A majority of funding the City provided to CSAC during this time period was for its WSC services for the unemployed. As such, this Special Review focused on EWDD's selection and monitoring oversight of WSC service providers.

questions regarding EWDD's processes and procedures for selecting and monitoring WSC service providers.

Objective

With the awareness of the criminal complaint against certain CSAC executives, the Controller's Office conducted this separate Special Review (Review) to evaluate EWDD's selection process and monitoring of its WSC contractors, focusing on controls intended to help prevent and detect waste, fraud, and abuse, as well as help identify unsuitable WSC contractors. It is our intent that this report will provide information to City management to assist with the early identification, prevention, and deterrence of the types of fraudulent activities that are alleged to have occurred at CSAC. This Review did not evaluate the performance metrics or effectiveness of the services WSCs provide; however, the Controller's Office may initiate that type of assessment in the future.

Our Review was done in accordance with the Quality Standards for Inspections, Evaluations, and Reviews by Offices of Inspection General, as described in the Principles and Standards for Offices of Inspectors General promulgated by the Association of Inspectors General. These quality standards are used to conduct reviews in a professional manner.⁵ Our Review was conducted between July and September 2016. In addition to the assessment of internal control procedures surrounding the RFP, Annual Performance Evaluation, and monitoring processes, we interviewed various EWDD staff assigned to the Workforce Development Division, Financial Management Division, and the Equal Employment Opportunity Compliance Unit. We also interviewed the WDB Executive Director.

Areas Requiring Attention and Action

Based upon our Review, EWDD should incorporate the following actions into its procurement and monitoring of WSC service providers:

- Future RFP evaluations should consider the composition, expertise, and oversight provided by a WSC's Board of Directors and the number, type, and primary cause of prior Program Monitoring Review and Fiscal Audit findings, including any findings by

⁵ Although the Controller's Office is not an Inspector General's Office, the use of these Standards is allowable and were deemed appropriate given the subject matter of this Review and the familiarity of these Standards by Controller's Office Auditing Division staff.

other government agencies, when recommending a WSC service provider for a City contract.

- The independence of “third party” raters used to score sections of WSC proposals related to Program Design and Demonstrated Ability was at times questionable and needs changes to ensure impartiality. Accordingly, City employees, employees from other WSCs, and teams that include related family members should be excluded from scoring these sections of WSC proposals.
- Any questioned or disallowed costs, financial stability concerns, and any official government investigation involving a WSC service provider should be reported by EWDD to the WDB if formally recommending the service provider for a City contract or funding.
- The Policy and Procedure for Resolving Fraud and Abuse Complaints Received should be revised to require the formal notification of all fraud, waste, and abuse allegations to the City's Ethics Commission and the Controller's Office. Also, EWDD should formally provide this policy and procedure to all staff assigned to both Workforce Development Division and Financial Management Division.
- The reliability and thoroughness of annual performance evaluation methodologies used to evaluate WSCs requires improvement to better identify unsuitable WSC service providers prior to recommending a City contract extension and continued funding. For example, surveys of on-site WSC clients should be completed on an unannounced basis and telephonic surveys of current clients should be completed. EWDD should also initiate follow up efforts for WSC clients found to have invalid, inaccurate, or duplicate phone numbers to confirm the clients' existence.
- The practice of providing advanced notice to WSCs of sampled client files when completing Program Monitoring Reviews should be discontinued. In addition, a supervisor with relevant professional audit experience should oversee the proper completion of Program Monitoring Reviews. These changes will enhance the quality and reliability of Program Monitoring Reviews.
- Adopt certain best practices found in the professional audit industry such as staffing rotations, specifying minimal sample sizes, submitting an annual report to the WDB that summarizes the results of all EWDD reviews and audits, and publically posting this

annual report. EWDD is encouraged to explore and identify additional best practices to enhance transparency of both EWDD and WSC operations.

- Contractor Evaluation Forms should be completed and submitted to the Public Works Bureau of Contract Administration at the end of each WSC service provider contract. This practice allows other City Departments to be aware of any prior performance concerns with a contractor.

The report's Findings and Recommendations Section focuses on these and other critical controls missing in EWDD's contractor selection, Annual Performance Evaluation, Program Monitoring Review and Fiscal Audit processes that will improve EWDD's oversight of WSCs going forward.

EWDD Management Response and Action Plan

On January 6, 2017, we provided a draft of this report to the General Manager of EWDD who expressed her commitment to address the issues identified in this report, and to work with the City Attorney to implement this Review's recommendations and enforce all aspects of City contracts that are overseen by EWDD.

The General Manager of EWDD also indicated that she is considering the creation of a Compliance Officer position who would ensure: 1) the proper handling of any and all fraud complaints relevant to EWDD and its contractors; 2) the proper resolution of Program Monitoring Review and Fiscal Audit findings; 3) the appropriateness of contract related recommendations from EWDD staff; and, 4) the management of potential political interference (e.g., Council or the WDB) related to EWDD contracts. Our Office supports the creation of an EWDD Compliance Officer.

The Controller's Office has requested that EWDD management submit an Action Plan by February 13, 2017, that discusses EWDD's efforts to implement the recommendations contained in this report.

We appreciate the cooperation and assistance provided by EWDD management and staff during our Review.

BACKGROUND

Federally funded employment assistance programs have been in place for nearly a century, since the Roosevelt Administration implemented the New Deal. In 1998, Congress passed the **Workforce Investment Act (WIA)**, with a goal to *“increase the employment retention and earnings of clients, and increase occupational skill attainment by clients, and as a result, improve the quality of the workforce, reduce welfare dependency, and enhance the productivity and competitiveness of the Nation.”* Under WIA, **WorkSource Centers (WSCs)** were created to improve service delivery to unemployed adults.⁶ WIA’s primary intent is to provide job placement services, followed by job training when deemed necessary.

On July 22, 2014, President Obama signed the **Workforce Innovation and Opportunity Act (WIOA)** into law, which superseded WIA, effective July 1, 2015. WIOA retained the basic components of WIA, but expanded services to some of the most vulnerable workers such as veterans and adults with disabilities, enhanced education and training options, and improved planning and accountability policies across the program.

The U.S. Department of Labor distributes WIOA funds to California’s Employment Development Department based on a formula related to unemployment levels. Funds are then re-allocated through a similar formula to Local Workforce Development Areas. Through this allocation, the City of Los Angeles (City) receives the second largest amount of WIOA funds in the Country. In addition to WIOA funds, WSC funding is also received from other federal, state, local, and private sources.⁷

WIOA Program Administration

The Economic and Workforce Development Department (EWDD) administers the WIOA program within the City by:

- Preparing federal grant applications;
- Procuring WSC service providers and executing contracts;
- Completing Annual Performance Evaluations of the WSC service providers to support contract extensions;

⁶ WIA also provided funding for YouthSource Centers, which provide college and work preparation services to youth.

⁷ Additional funding sources may come from federal Community Development Block Grants, federal Community Services Block Grants, California Department of Education, the City’s General Fund, Los Angeles County, foundations, and private entities.

- Receiving and disbursing federal grant funds to the WSC service providers;
- Completing required program and fiscal monitoring of WSCs; and,
- Ensuring WSC service providers comply with applicable laws, including those specified by the federal government and plans/contracts approved by the Mayor, City Council, and the **Workforce Development Board (WDB)**.

The WDB provides high-level oversight and guidance to EWDD on its administration of the WIOA program. During the Request for Proposal (RFP) and Annual Performance Evaluation process, EWDD completes the evaluation of WSC service providers and recommends approval of the contract/contract extensions to the WDB, which are subsequently approved by the WDB and forwarded for approval by City Council and the Mayor.

WSC Services

WSCs, along with their partner providers, provide a full range of assistance to job seekers and employers. Specifically, job seekers can use WSC computers for job searches, receive career counseling, review job listings and labor market information, be referred for job training, and receive detailed assessments on their job skills.

Employers can also use the WSCs for recruiting, posting job vacancies, human resource services, and customized training.

WSCs may also connect clients with more intensive services such as on-the-job training, customized training to meet the special requirements of employers, training that leads to industry-recognized certificates, and family support services, such as assistance for childcare, to move clients toward economic self-sufficiency.

Beginning in Fiscal Year (FY) 2014-15, EWDD implemented the Integrated Service Delivery (ISD) Model, in which other service providers work in partnership with WSC staff.⁸ EWDD has reported great success with this ISD approach, increasing the number of client enrollments from 4,000 to nearly 20,000 over a 12-month period.⁹

⁸ For example, staff from California's Employment Development Department and Department of Rehabilitation, as well as various college/school districts may be part of the ISD Model.

⁹ Clients provide detailed identifying information used to track and report their progress toward employment. WSC clients must be 18 years or older, have the right to work in the United States and males must be registered for selective service. To qualify as a dislocated worker, clients must meet additional criteria.

Exhibit 1 delineates the City's approved funding allocations for the 17 WSC service providers in FY 2016-17.

Exhibit 1 – City of Los Angeles WSC Service Provider Funding Allocations (FY 2016-17)

Center	WSC Service Provider	Funding
Canoga Park/South Valley	Arbor E&T, dba Rescare Workforce Services	\$ 1,031,800
Boyle Heights/ East LA	Arbor E&T, dba Rescare Workforce Services	1,031,800
West Adams	Asian American Drug Abuse Program, Inc.	1,031,800
West Valley	Build Rehabilitation Industries	1,031,800
Harbor Gateway	Pacific Gateway Workforce Investment Network	1,031,800
Vernon Central/LATTC	Coalition for Responsible Community Development	1,031,800
Wilshire-Metro	Community Career Development, Inc.	1,031,800
Sun Valley	El Proyecto del Barrio, Inc.	1,031,800
Northeast Los Angeles	Goodwill Industries of Southern California	1,031,800
Watts/Los Angeles	Housing Authority of the City of Los Angeles	1,031,800
West Los Angeles	Jewish Vocational Services	1,031,800
Crenshaw	Los Angeles Urban League*	1,031,800
Hollywood	Managed Career Solutions, Inc.	1,031,800
Downtown/Pico Union	Pacific Asian Consortium in Employment	1,031,800
South Los Angeles	UAW – Labor Employment and Training Corporation	1,031,800
Southeast Los Angeles	Watts Labor Community Action Committee	1,031,800
Pacoima/North Valley	Youth Policy Institute, Inc.	1,031,800
Total Funding Allocation – WorkSource Center Service Providers		\$ 17,540,600

Source: WDB's Annual Plan (FY 2016-17)

*Effective July 21, 2016, the National Urban League replaced the Los Angeles Urban League WSC.

FINDINGS & RECOMMENDATIONS RELATED TO WSC OVERSIGHT PROCESS

A. CONTRACTOR SELECTION PROCESS

Finding No. 1: The RFP evaluation criteria can result in unsuitable WSC proposers obtaining a contract with the City and WIOA funding.

Relevant background

During the latest solicitation process for WSCs, EWDD issued an RFP on October 18, 2013, requesting entities to submit proposals by December 19, 2013.¹⁰ A total of 100 points could be awarded, with a minimum score of 70 being required for possible selection and funding. Proposals were rated on five criteria.

For two criteria (58 possible points), EWDD used “third party” raters, consisting of individuals with expertise in workforce development and/or economic development fields. California State University Northridge (CSUN) developed a scoring tool and then trained the “third-party” raters to use the tool in scoring each WSC proposal. The “third party” raters evaluated the following criteria for each proposal:

- *Program Design (40 possible points)* – This evaluation assessed proposal narratives and exhibits, evaluating the proposers’ understanding of the WSC program design and ability to plan, manage, and implement the proposed program model.
- *Demonstrated Ability (18 possible points)* – This evaluation assessed the proposers’ programmatic and administrative capability, including providing program services, collaborating with other service providers, and experience with employment and job training.

For the remaining three criteria (42 possible points), EWDD used its staff to rate the WSC proposals. EWDD’s Workforce Development Division evaluated each proposer’s performance and completed the WSC site visits, while EWDD’s Financial Management Division evaluated each proposal’s cost reasonableness.

¹⁰ Prior to this RFP, it had been over 10 years since a WSC selection process was completed. Per the superseded WIOA program requirements, an RFP process for WSCs must take place every 3 to 5 years.

- *Performance Verification (12 possible points)* – This evaluation assessed the number of WSC clients, client satisfaction, training program, placement rates, average wage of placed clients, and the proposer's administrative capability.¹¹
- *Site Visit (10 possible points)* – This evaluation assessed the readiness of the proposed WSC facility to serve visitors and clients, including being accessible through public transportation, having adequate space and equipment, and compliance with all federal, state, and local fire, building, and zoning codes.
- *Cost Reasonableness (20 possible points)* – This evaluation assessed the proposed costs compared to EWDD's independent cost estimate. It also assessed the accuracy and completeness of the proposal budget, facility costs, costs devoted to actual client services, leveraged resources, and the program's benefit rate (i.e., the ratio of projected client earnings over program costs).

EWDD staff and the "third-party" raters scored 25 proposals. Twenty-one (21) proposals received scores over 70 and on April 8, 2014, EWDD recommended 17 WSC service providers, including CSAC, to receive WIOA funding. WDB accepted EWDD's final WSC RFP recommendations and in May 2014, City Council and the Mayor formally approved the related contracts. Since the last RFP evaluation process occurred in FY 2013-14, this Review evaluated that process to identify internal control weaknesses to be rectified in future RFP evaluations.

Conditions noted

Our Review determined that the RFP evaluation criteria needs to be strengthened by incorporating the following controls in order to identify and highlight unsuitable WSC proposers:

Program Design. The strength of the proposer's governance structure, particularly the composition, expertise, and amount of oversight provided by its Board of Directors was not considered, and the RFP evaluation did not require proposers to submit an up-to-date list of their Board of Directors. This step could have helped to identify the alleged falsification of CSAC's Board of Directors and associated Board of Directors meeting minutes. Therefore, to help ensure that future RFP proposers have adequate oversight

¹¹ Client satisfaction was based on CSUN surveys of WSC clients and visitors.

by a legitimate Board of Directors, EWDD should evaluate each proposer's governance structure during the selection process.

Demonstrated Ability. The RFP evaluation did not assess the results of prior government assessments (e.g., EWDD's Program Monitoring Reviews and Fiscal Audits). Specifically, as of April 8, 2014, the date EWDD recommended the 17 WSC service providers for contracts, five had outstanding questioned costs totaling over \$750,000. Ultimately, nearly \$500,000 of the costs were disallowed and the April 8, 2014 written correspondence from EWDD to the WDB recommending the 17 WSC service providers for funding did not convey this pertinent information for WDB's deliberation and consideration.¹²

Retrospectively, if prior disallowed costs and the primary cause for the disallowance had been considered during either the RFP process or the Annual Performance Evaluations, EWDD should not have recommended CSAC for continued funding since 2010. Specifically, in 2010, EWDD received and researched a complaint submitted by a newly appointed Human Resource Director of a business who questioned CSAC's client registration practices. A EWDD Program Monitor researched the business complaint and identified inappropriate activities being used by CSAC to apparently increase the amount of clients officially reported as being placed into employment after receiving CSAC WSC services. Specifically, the business Human Resource Director reported that CSAC staff requested the names of new employees already hired by the business. Once the Human Resource Director provided CSAC staff with this list of new employees, CSAC enrolled the newly hired employees as WSC clients. In exchange, CSAC provided the employees clothing and gasoline gift cards. However, these employees were already hired by the business before being registered as a CSAC client. CSAC later claimed that the WSC placed these clients with the business and submitted the clothing and gift card expenditures to the City for reimbursement.

The EWDD Program Monitor identified evidence to support these allegations, finding that CSAC registered the hired employees and claimed them as "placed clients" with both the City and Los Angeles County (County). These findings were summarized by the Program Monitor in an Intradepartmental Correspondence dated July 9, 2010 and forwarded to both the Acting Director of the Workforce Development Division and the Acting Chief of Program Operations Division. However, EWDD management did not initiate an expanded investigation or report this finding to the California Employment Development Department, the County, the City's Ethics Commission or the Controller's Office, as

¹² The CSAC WSC accounted for \$147,230 of this disallowed amount.

required by the state and the City's Administrative Code. This finding from 2010, if properly handled, should have prompted further investigation into CSAC's operations, but it did not. Rather, EWDD continued to recommend contracting with CSAC until June 2015.

According to EWDD management, since EWDD did not reimburse CSAC's submission of gift card expenditures, they did not consider the identified practice to be a misuse of government funds. In hindsight, EWDD management acknowledged that the matter should have been reported to appropriate entities and a comprehensive investigation into CSAC's business practices should have taken place in 2010. Applying this lesson learned, the results of any Program Monitoring Reviews, Fiscal Audits, and questionable or disallowed costs should be considered during the procurement process.

We noted during our Review, EWDD's Policy and Procedures for Resolving Fraud and Abuse Complaints Received did not require notification to the Ethics Commission and the Controller's Office for all fraud, waste, and abuse allegations as required by the City's Administrative Code (20.60.4). Specifically, City Departments are required to report matters involving potential fraud, waste, or abuse within 10 days of discovery of the information that reasonably indicates that the matter involves fraud, waste or abuse.¹³ City departments shall concurrently report the information to the City's Ethics Commission and the Controller's Office. Additionally, based upon interviews of EWDD staff, it appears that some of them were not aware of the requirement to use an Incident Report to document suspected WSC fraud and abuse. Accordingly, all employees assigned to both Workforce Development Division and Financial Management Division should formally receive a copy of EWDD's Policy and Procedures for Resolving Fraud and Abuse Complaints Received.

Performance Verification. Our Review found that the RFP evaluation did not properly consider WSC service provider financial stability and the circumstances of canceled contracts by other government agencies or other funding sources. Specifically, in March 2013, the County terminated its service contracts with CSAC. This reduction in funding significantly impacted CSAC's operations and the stability of its financial condition.

¹³ Fraud is defined as any intentional act or omission designed to deprive the City of its resources to which the individual or person is not entitled, including but not limited to making false statements or submitting false documents, withholding or misrepresenting material facts. Waste is defined as the extravagant or excessive expenditure of City funds above and beyond the level that is reasonably required to meet the needs of the City or the consumption or use of City resources that is not knowingly authorized. Abuse is defined as the improper use of City resources in a manner contrary to law or City policy or the improper use of one's position for private gain or advantage for themselves or any other person where not otherwise lawful.

According to the RFP solicitation (7.7 – Standing of Proposer Selection) “Regardless of the merits of the proposal submitted, a proposer may not be recommended for funding if it has a history of contract non-compliance with the City or any other funding source, poor past or current contract performance with the City or any other funding source, or current disputed or disallowed costs with the City or any other funding source.”

As of May 2013, CSAC had been included in the County's Contractor Alert Reporting Database and EWDD was aware that the County terminated all CSAC contracts due to fiscal and billing concerns and that an official government investigation into CSAC's operations had been opened. Furthermore, according to County Auditor-Controller investigators, on June 18, 2013, they met with EWDD management to discuss their investigative finding that CSAC had submitted suspected fraudulent documents to the County. At that time, according to County Auditor-Controller investigators, EWDD's Acting Director of the Workforce Development Division indicated that EWDD had not had any findings or issues with CSAC since 2003 or 2004, failing to mention the concerning practice identified by EWDD in 2010 that was indicative of fraud. Information EWDD management obtained from the June 2013 meeting with County Auditor-Controller investigators, coupled with being aware of the concerning CSAC practice that EWDD identified in 2010, should have prompted EWDD management to immediately notify County investigators, the State, the Controller's Office, and the Ethics Commission to prompt additional investigation into the City's contracts with CSAC. Further, despite this knowledge, on April 8, 2014, EWDD continued to recommend CSAC to the WDB for continued WSC funding and contract approval, failing to mention any of these concerns to the WDB.

Recommendations

EWDD Management should:

1.1 Revise future RFP evaluations to include the evaluation of:

- a) Composition, legitimacy, expertise and oversight provided by the proposer's Board of Directors; and,**
- b) Number, type, and primary cause of prior Program Monitoring Review and Fiscal Audit findings, including any findings by other government agencies, when recommending a WSC service provider for a City contract.**

- 1.2 Report any questioned or disallowed costs, financial stability concerns, and any official government investigations involving a WSC service provider to the WDB if formally recommending the service provider for a contract (or contract extension) and funding.**
- 1.3 Update the Policy and Procedure for Resolving Fraud and Abuse Complaints Received to require the notification of all fraud, waste and abuse allegations to the City's Ethics Commission and the Controller's Office.**
- 1.4 Formally provide (and obtain an acknowledgement receipt) the Policy and Procedure for Resolving Fraud and Abuse Complaints Received to all employees assigned to Workforce Development Division and Financial Management Division.**

Finding No. 2: The independence of "third-party" WSC proposal raters is questionable.

Relevant background

On April 10, 2014, WDB accepted EWDD's Final WSC RFP Recommendations to contract with 17 WSC service providers, indicating "third-party" raters scored the proposers' Program Design and Demonstrated Ability. The WDB Executive Director indicated EWDD deemed the identity of these "third-party" raters as confidential and therefore EWDD did not share their names, employers, or details of their professional experience with WDB.

Conditions noted

Our Review found that four of the 17 "third-party" raters were City employees from four other City Departments. Specifically, a Senior Management Analyst, Senior Project Coordinator, Senior Recreation Director, and a sworn Police Officer were used as raters. Another rater was a Director of a WSC located in Los Angeles County. As City Council and the Mayor are ultimately approving the contract with the WSC service providers, City employees should not be used as "third party" raters. Additionally, using a Director of a WSC that is located in close proximity to the City could also raise conflict of interest concerns as WSCs provide similar, potentially competing, services to the community. Moreover, a "third party" rater team included a husband and wife rating the same WSC

proposals, which raises concerns regarding objectivity and impartiality in the rating process.

To reduce the potential for conflicts of interests, either real or perceived, and to enhance the independence of “third-party” raters, EWDD should not use any City employees, employees of WSCs, and rating teams that include family members to rate these sections of WSC proposals.

Recommendation

EWDD Management should:

- 2.1 Exclude City employees (and City contractors), employees/affiliates of other WSCs, and, family members from scoring the section of WSC proposals related to Program Design and Demonstrated Ability.**

B. ANNUAL PERFORMANCE EVALUATIONS

Finding No. 3: Official government investigations into organizational fraud and financial stability concerns may not preclude EWDD from recommending a contract extension.

Relevant background

An RFP evaluation entails a lengthy procurement process and it is typically completed every 3 to 5 years.¹⁴ However, EWDD completes Annual Performance Evaluations of WSC service providers to identify suitable WSCs to recommend to the WDB for an annual contract extension ("certification"). The Annual Performance Evaluations include the following categories:

- Client satisfaction;
- Clients served;
- Client outcomes (e.g., client served, employment retention, measurable skills gained, median earnings, etc.); and,
- Administrative practices (e.g., fiscal compliance, policies/procedures, human resources, percentage of funding used for training, leveraged resources, and businesses served).

Generally, EWDD expresses success rates as a percentage and the percentage is computed by dividing actual performance by the performance goal. At a minimum, a WSC service provider must attain 80 percent or more of each category to be considered a "Qualified Contractor." If a WSC service provider fails to earn the "Qualified Contractor" designation, a corrective action plan must be developed and the WSC service provider may still be recommended for contract extension. However, if a WSC service provider fails to qualify for two consecutive Annual Performance Evaluations, it will not be recommended to the WDB for a contract extension.

¹⁴ Although prior to the FY 2013-14 RFP, the RFP process had not been completed for more than 10 years. Per the superseded WIOA Program requirements, an RFP process for WSC service providers must take place every 3 to 5 years.

In the event a WSC service provider fails to meet standards, EWDD prepares a report to WDB recommending its contract termination, containing an evaluation of the impact on the community and a recommended WSC service provider replacement.¹⁵

According to EWDD's Certification Policies and Procedures, extenuating circumstances could also result in the immediate termination of a WSC service provider contract, such as poor performance or confirmed organizational findings of fraud and abuse.

Conditions noted

EWDD's Certification Policy and Procedures, dated July 1, 2016, do not require the WDB to be notified when EWDD recommends a contract extension for a WSC service provider that it is (i) under an official investigation for organizational fraud and abuse; (ii) has had questionable/disallowable cost determinations; or (iii) has financial stability concerns.

Currently and in the past, these types of concerns have not been conveyed to the WDB when EWDD recommends the WSC service providers for continued funding and contract extensions. If EWDD recommends a WSC service provider for funding and a contract extension when these circumstances exist, its rationale and justification for doing so should be delineated in its recommendation to the WDB for further consideration and deliberation. As the WDB provides high-level oversight and guidance to EWDD on its administration of the WIOA Program, this type of information is necessary for the WDB to make a fully informed decision to approve recommended contract extensions.

Recommendation

EWDD Management should:

3.1 Revise the Certification Policy and Procedures to require notification to the WDB when recommending a WSC service provider for contract extension and continued funding if the service provider:

- a) Is under an official government investigation into allegations of organization fraud and abuse, while considering any legal or confidentiality concerns;**

¹⁵ Procedures are established for a WSC service provider to appeal this decision.

- b) Has questionable/disallowed costs; and/or,
- c) Has financial stability concerns.

Finding No. 4: Annual Performance Evaluation measures may result in EWDD recommending unsuitable WSC service providers for City contract extension and WIOA funding.

Relevant background

Client Satisfaction. To measure client satisfaction, EWDD contracts with the California State University Northridge (CSUN) to complete on-site surveys of WSC clients and telephonic surveys of former clients.

Administrative Capability. To measure administrative capability, EWDD uses a 32-question evaluation completed by EWDD staff (e.g., Program Monitors, Fiscal Auditors, and Accountants). Collectively, staff respond to the questions designed to assess a WSC service provider's administrative practices such as timely submission of required documentation, existence of policies and procedures, and compliance with fiscal requirements.

Conditions noted

Our Review identified certain methodology enhancements that are needed in order to provide more reliable and meaningful information on WSC client satisfaction while confirming client existence. Specifically:

- *On-Site Surveys.* The On-Site Surveys include advance notice by CSUN to the WSC service providers when scheduling the visit as a courtesy. Advanced notification is not advisable as the WSC service providers could manipulate survey results by requesting certain clients and/or members of the public to visit the WSC on the scheduled survey date. Additionally, the FY 2014-15 On-Site Survey did not clearly delineate satisfaction responses from WSC clients versus visitors. If the survey finds clients are not visiting the WSC on the survey day or follow-up survey days, this information should be noted by CSUN and followed up on by EWDD.

- *Telephonic Surveys.* The FY 2014-15 Telephonic Survey of WSC former clients included a population of 3,218. Of these former clients, CSUN reported that for 2,194 (68%), they were unable to reach a live person.¹⁶ Of the remaining 1,024 (32%) former clients, 384 answered and completed the Telephonic Survey, resulting in a 12% response rate. Based on a review of the methodology, it also appears that telephonic surveys of current clients are warranted, as unsatisfied clients likely would not be returning to the WSCs to provide feedback during an On-Site Survey. Further, a sample of current or former clients found to have invalid, duplicate, or inaccurate phone numbers should be followed up on (e.g., by mail or in-person) to confirm their existence, a concern that was alleged regarding CSAC's reported clients.

EWDD should also consider any related WSC complaints made by visitors, clients, and businesses to EWDD's Equal Employment Opportunity Compliance Unit when evaluating a WSC's client satisfaction. Currently, these complaints are not considered.

Our Review also identified certain methodology enhancements that are needed in order to provide more reliable and meaningful information on a WSC service provider's administrative capacity. Specifically:

- Responses to each of the 32-questions appear to be given almost equal weight, even though certain responses, in our judgement, should result in a WSC service provider being denied for a contract extension. For instance, during the FY 2016-17 Annual Performance Evaluation, the 32-question administrative capacity evaluation form for one particular WSC service provider highlighted significant financial stability concerns, unsupported expenditures, and the service provider's failure to remit payroll taxes to the Internal Revenue Service for its employees. Despite the significance of these issues, since the responses to the 32 questions were weighted nearly equally, EWDD continued to recommend this WSC service provider to the WDB for contract extension without conveying these concerns to the WDB for consideration. By July 2016, this service provider's fiscal issues affected the WSC's ability to fulfill its performance requirements, resulting in its replacement by another WSC service provider.

¹⁶ This included incidences of no answer, busy signals, voicemails, blocked numbers, suspended numbers, etc.

Recommendation

EWDD Management should:

- 4.1 Revise the Annual Performance Evaluations to better identify unsuitable WSC service providers by:**
- a) Requesting CSUN to complete unannounced On-Site WSC Surveys and clearly delineate visitor versus client satisfaction rates.**
 - b) Expanding CSUN's Telephonic Surveys to include surveys of current clients.**
 - c) Obtaining input from EWDD's EEO Compliance Unit when measuring client satisfaction.**
 - d) Requiring follow up on a sample of WSC clients found to have invalid, inaccurate, or duplicate phone numbers to confirm the clients' existence.**
 - e) Qualitatively weighing EWDD staff responses when assessing a WSC's Administrative Capability.**

C. PROGRAM AND FISCAL MONITORING

Finding No. 5: Program Monitoring Reviews did not incorporate certain best practices that are used in EWDD Fiscal Audits.

Relevant background

EWDD's Workforce Development Division staff conducts WSC Program Monitoring Reviews. While the State requires that a single program monitoring review be conducted annually, WDB requires six program monitoring reviews of a WSC each year. However, accomplishing this is not always possible. According to EWDD's draft Program Monitoring Procedures (dated September 16, 2013) the Program Monitoring Reviews focus on evaluating the implementation of contractual services, ensuring compliance with the WSC contract, adherence to performance goals, and timely delivery of services. The draft Program Monitoring Procedures further indicate that Program Monitoring Reviews allow the Program Monitors to provide technical assistance to WSCs where needed, and facilitate early identification of potential allegations of fraud and abuse.

Program Monitoring Reviews also focus on compliance with the WIOA Program requirements, such as a WSC's leveraging of resources, confirming client eligibility, service verification, performance monitoring (e.g., placements and related wages), client follow-up services, the evaluation of expenditures, etc. Program Monitors use various checklists to document the results of their reviews. Thereafter, a Program Monitoring Review Report is issued to the WSC service provider detailing the results of the review.

A Senior Management Analyst manages four Program Monitors and is responsible for Program Monitoring Review assignment, framing topics for monitoring, tracking/reviewing written reports, and following up on the resolution of identified issues. The Senior Management Analyst also drafts portions of the WDB Annual Plan, and completes budget reviews.

EWDD's Financial Management Division conducts annual WSC Fiscal Audits to determine whether the service providers are in compliance with federal, state, local, and City grant regulations. Fiscal Audits also monitor actions taken to address prior findings, including questioned and disallowed costs. EWDD's Fiscal Audit objectives evaluate whether WSC service providers: a) use WIOA funds on allowable activities; b) appropriately allocate

expenditures to funding sources and required cost categories; c) appropriately maintain auditable fiscal records; and, d) comply with grant regulations and contract provisions.¹⁷

Fiscal Audit Procedures require auditors to document the date of each test work step and to maintain supporting workpapers. As the Financial Management Division has a limited number of auditors, some WSC Fiscal Audits are completed by an independent audit firm contracted by EWDD. The contracted audit firm uses the same Fiscal Audit Procedures as EWDD fiscal auditors.

Conditions noted

Program Monitoring Reviews are essentially limited scope program audits; however, the manner in which EWDD completes its Program Monitoring Reviews is not as reliable as their Fiscal Audits for the following reasons:

Advanced notice of sample selections. Program Monitors provide WSCs with advance notice of both their on-site visits and the sampled client files that will be reviewed during their on-site visits. This practice should cease.

Review procedures do not evaluate certain high-risk areas that have been found to be problematic with other WSCs. Based upon prior findings with the CSAC WSC, Program Monitoring Review procedures should complete business customer interviews, ensuring those businesses with the highest reported client placements are legitimate and that placements were not already hired before the WSC signed up the client.¹⁸ Further, the procedures should require Program Monitors to periodically interview the WSC's Board of Directors to discuss their governance oversight and related Program Monitoring and Fiscal Audit findings.

Focus on topics and frequency, instead of a comprehensive program evaluation. Interviews of Program Monitors and an analysis of Program Monitoring Reviews found that WDB's requirement of completing six Program Monitoring Reviews of a WSC was not achieved in FY 2014-15, with certain WSCs receiving only two Program Monitoring Review reports. As a result, certain WSC topics were not evaluated in these years. Rather than focusing on limited topics with high frequency, a more comprehensive approach, on a

¹⁷ Financial Management Division also researches questionable costs to determine if they are allowable. If disallowed, Financial Management Division will collect repayment from the WSC contractor.

¹⁸ Although Contract Monitors review client placements to ensure the client is "documented" in the WSC client file as becoming a client before the placement, an interview of the business customers would assist with ensuring reverse referral practices are not being used by the WSCs.

longer schedule, may allow Program Monitors to obtain a more useful and broader assessment of a WSC's program performance, similar to the comprehensive Fiscal Audit assessments completed by Financial Management Division.

Program Monitors have various job classifications, some lack civil service protection, and they are not supervised by someone with professional audit experience. Two Program Monitors have a project coordinator job classification, one Program Monitor has a senior project coordinator job classification, and one Program Monitor has a neighborhood empowerment analyst job classification. However, since the Program Monitors are also reviewing WSC budgets and the Program Monitoring Review Procedures require a great deal of analytical sample selection and test work, the management analyst or auditor job classifications may be more appropriate. Furthermore, the project coordinators and senior project coordinator are exempt positions without civil service protection though Program Monitors are required to report suspected WSC service provider fraud and abuse concerns identified during their reviews, similar to their fiscal auditor counterparts, who are civil service employees.

In addition, a supervisor with professional audit experience should supervise the completion of the Program Monitoring Reviews, to ensure that the Program Monitors employ best practices (e.g., supporting work papers, risk based sampling, risk based procedures, etc.) established by the audit profession when completing their reviews.

Program Monitors did not timely upload Program Monitoring Review Reports and other electronic documents onto the Workforce Development Division's server. Currently the Financial Management Division is storing its Fiscal Audit workpapers and related audit reports (i.e. Single Audits) on a centralized server. In contrast, during our Review we noted that the Workforce Development Division had difficulty providing its Program Monitoring Review reports as they were stored in a decentralized manner. Collectively maintaining this information in a centralized database management system will allow EWDD management, Program Monitors, Fiscal Auditors, and Fiscal Accountants to remain informed of both historical and current WSC service provider findings identified in Program Monitoring Reviews. Implementation of this practice by the Workforce Development Division would also help to identify any delays in the completion of mandatory WSC Program Monitoring Reviews.

Recommendation

EWDD Management should:

5.1 Incorporate the following best practices into the Program Monitoring Review process:

- a) Cease the practice of providing advance notice to WSCs for client files sample selections and site visits.**
- b) Interview businesses with high reported client placements to ensure that the placements are legitimate and to identify potential improvements to the services WSC's provide to business customers.**
- c) Interview WSC Boards of Directors to validate representation and evaluate oversight.**
- d) Expand the quality and thoroughness of each Program Monitoring Review, rather than simply focusing on completing reviews that are too limited in scope.**
- e) Determine the appropriate job classifications for Program Monitors, and work towards converting those positions to civil service.**
- f) Hire a supervisor with relevant professional audit experience to oversee the completion of Program Monitoring Reviews.**
- g) Implement an automated database or other electronic solution to store, modify, track, and extract information to include Program Monitoring Reviews and Fiscal Audits for each WSC.**

Finding No. 6: Certain best practices commonly used in the audit industry are lacking in EWDD's Program Monitoring Reviews and Fiscal Audits.

Program Monitoring and Fiscal Audits can be improved by requiring implementation of the following best practices used in the audit industry:

Relevant background

The specification of minimal sample sizes is considered a best practice.

The Program Monitoring Reviews and Fiscal Audits are structured and similar for all WSCs. Thus, a minimal sample size should be specified based on size of the population and risks associated with the test work areas being evaluated, with Program Monitors and Fiscal Auditors documenting their rationale to support risk-based sample selections and any expansions of test work. Specifying minimal sample sizes and requiring the documentation of sampling procedures will allow a supervisor or reviewer of associated workpapers to ensure that the test work area was sufficiently and appropriately evaluated. For example, the County's Auditor-Controller Contract Monitoring Division specifies minimum sample sizes when completing Contract Monitoring Reviews of its WSCs.

Conditions noted

Currently, minimal sample sizes are not specified for most test work areas, and the rationale to support risk-based sample selections is not always documented.

Relevant background

Requiring mandatory staffing assignment rotations and the completion of annual independence evaluation forms is considered a best practice.

Professional standards require government auditors to be independent in both appearance and in fact. Requiring staffing assignment rotations and the completion of

documentation by personnel performing reviews of third parties are two best practices used in the audit industry that are critical to help enhance independence.¹⁹

Conditions noted

Our review noted that mandatory staffing assignment rotations and the completion of independence evaluation forms are not required by either Workforce Development Division or Financial Management Division. Our Review identified a Fiscal Auditor who had conducted Fiscal Audits of the same WSC for at least 15 years, and a Program Monitor who had conducted Program Monitoring Reviews of another WSC for at least 6 years. While familiarity with the WSCs can be helpful, in this situation, we believe that this familiarity is not conducive to promoting an attitude of professional skepticism needed to provide effective oversight over the WSCs. Adoption of mandatory staffing assignment rotations and the completion of independence evaluation forms would help to ensure uniform expectations among all Program Monitoring Reviews and Fiscal Audits, helping to maintain the independence of both Program Monitors and Fiscal Auditors.

Relevant background

The posting and submission of an Annual Program Monitoring Review and Fiscal Audit Report to the WDB would be in line with best practice.

Posting as well as summarizing the results of both Program Monitoring Reviews and Fiscal Audits on an annual basis would not only enhance public transparency, but also elevate the importance of these functions to WSC service providers and EWDD staff and allow the WDB to remain informed and provide additional oversight to EWDD and the WSCs. The annual summary report, at a minimum, should include any reported findings, including the primary cause for any disallowed costs and corrective action being taken to address identified findings to prevent future occurrences. For example, the County's Auditor-Controller Contract Monitoring Division submits WSC Contract Monitoring Reviews to the County's Board of Supervisors and publically posts their WSC monitoring reports on its website.

¹⁹ *Independence of mind* is a state that permits performance of an audit without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism. *Independence in appearance* is the absence of circumstances that would cause a reasonable and informed third party, having knowledge of the relevant information, to reasonably conclude that the integrity, objectivity, or professional skepticism of an audit organization or member of the audit team had been compromised.

Preparing an annual report for the WDB would also help to ensure Fiscal Auditors and Program Monitors discuss all concerns they have identified with WSC service providers and collectively re-evaluate whether any of the findings were indicative of fraudulent activity and abuse of government funds.

Conditions noted

Our review found that EWDD does not require that the results of Program Monitoring Reviews and Fiscal Audits be summarized and included in an annual report that could be provided to the WDB. If this practice had been in place in 2010, the concern regarding CSAC's inappropriate practice of enrolling WSC clients that were already employed may have been recognized by others within EWDD and WDB as being as a reportable concern to the State, County, the City's Ethics Commission and the Controller's Office, requiring additional investigation.

Recommendation

EWDD Management should:

6.1 Require both Program Monitoring Review and Fiscal Audit functions to:

- a) Specify minimal sample sizes for test work areas.**
- b) Document rationale to support the selection of risk-based samples.**
- c) Periodically rotate Program Monitor and Fiscal Auditor assignments.**
- d) Complete independence evaluation forms prior to assigning Program Monitoring Reviews and Fiscal Audits.**
- e) Submit an Annual Summary Report to the WDB containing reported findings from both the Program Monitoring and Fiscal audits, including the primary cause for any disallowed costs and corrective action being taken to prevent future occurrences. This Annual Summary Report should be posted on EWDD's website.**

Finding No. 7: The WSCs are not required to submit their General Ledger to the Accounting Section even though this type of comparison could assist in the early identification of expenditure concerns.

Relevant background

On a monthly basis, WSCs are required to submit an Expenditure Report to EWDD's Financial Management Division, providing a high-level summary of accrued expenditures from the previous month. The WSCs are not required to submit their detailed General Ledger, which essentially supports the information summarized in the Expenditure Reports.

Condition noted

Based on discussions with Financial Management Division staff, requiring the submission of a WSC General Ledger on a quarterly basis would enhance their ability to identify WSC expenditure concerns in a timelier manner, since a detailed General Ledger provides a more detailed record of financial transactions.

Recommendation

EWDD Management should:

- 7.1 Require each WSC to submit a copy of its General Ledger to EWDD on a quarterly basis.**

Finding No. 8: The required City Contractor Evaluations are not always submitted to the Public Works Bureau of Contract Administration (BCA) to notify other City Departments of performance concerns.

Relevant background

The Public Works Bureau of Contract Administration (BCA) maintains a Contractor Evaluation Program Database. According to the City Contractor Evaluations Ordinance No. 173018 and the related Rules and Regulations for implementing this Ordinance, City contract administrators must complete an evaluation of a contractor's performance and submit the evaluation to the BCA's Special Research and Information Section (SRIS) within 14 days from the date the contract ends.

When a department's evaluation indicates that work performed by the contractor was "Marginal" or "Unsatisfactory" in one of the performance indicators, SRIS will send the final evaluation to the contractor who must respond back within 14 days. The final contractor evaluation and any response received by SRIS will be included in BCA's Contractor Evaluation Program Database and it becomes a part of public record.

When selecting a contractor for a service contract, the awarding authority must consider prior performance information contained in the Contractor Evaluation Program Database.²⁰ This control allows other City Departments to be aware of prior performance issues with City contractors. As such, it is critical for EWDD to complete the required contractor evaluations when a service contracts ends.

Condition noted

According to BCA, EWDD has not submitted a contractor evaluation for CSAC since 2008. Thus CSAC's performance and financial stability concerns were not included in the Contractor Evaluation Program Database.

²⁰ If after the database inquiry, the awarding authority has selected another proposer rather than the selected proposer because of (a) poor performance evaluation(s), the awarding authority must notify the selected proposer of such reason in writing and allow the selected proposer an opportunity to rebut adverse evidence and to present evidence that the proposer is qualified to perform the contract before awarding the contract to any other proposer.

Recommendation

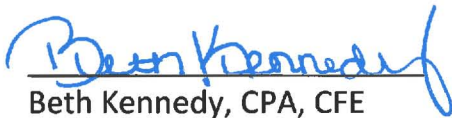
EWDD Management should:

- 8.1 Comply with City requirements by submitting completed contractor evaluations to the BCA when a service contracts end.**

Respectfully submitted,



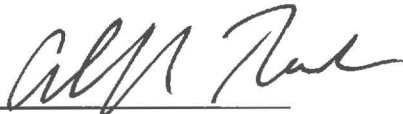
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