City of Austin

AUDIT REPORT

A Report to the Austin City Council

Mayor
Lee Leffingwell

Mayor Pro Tem
Sheryl Cole

Council Members
Chris Riley
Mike Martinez
Kathie Tovo
Laura Morrison
Bill Spelman

Small & Minority Business Resources (SMBR) Participation Goals Audit

August 2014

Office of the City Auditor

City Auditor
Kenneth J. Mory
CPA, CIA, CISA, CRMA

Deputy City Auditor
Corrie E. Stokes
CIA, CGAP, CFE

REPORT SUMMARY

SMBR has not developed an operational plan, including tools to measure and evaluate program performance in relation to program goals, to ensure they are effectively working towards their mission. SMBR tracks goal achievement for individual projects, but does not aggregate this information to monitor overall project-level goal attainment. SMBR does monitor and report annual goal attainment and these reports indicate the City is generally not meeting annual participation goals established in City Code. Additionally, several certification files lacked documentation to facilitate and support certification decisions.

AUDIT NUMBER: AU14103

TABLE OF CONTENTS

BACKGROUND **1**

OBJECTIVE, SCOPE, AND METHODOLOGY **1**

AUDIT RESULTS **2**

Appendix
Appendix A: Management Response 6

GOVERNMENT AUDITING STANDARDS COMPLIANCE

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT TEAM

Katie Houston, CPA, CFE, CLEA, Assistant City Auditor
Kacy Williams, CGAP, Auditor-In-Charge

Office of the City Auditor
phone: (512)974-2805
email: oca_auditor@austintexas.gov
website: http://www.austintexas.gov/auditor

Copies of our audit reports are available at http://www.austintexas.gov/auditor/reports

Printed on recycled paper
Alternate formats available upon request

August 2014

Small & Minority Business Resources (SMBR) Participation Goals Audit

Audit Report Highlights

Why We Did This Audit

This audit was conducted as part of the Office of the City Auditor's (OCA) FY 2014 Strategic Audit Plan.

What We Recommend

The SMBR Director should:

- develop an operational plan that facilitates the achievement of SMBR's mission;
- aggregate and evaluate project-level payment information and compare the attainment of project specific goals to the achievement of annual goals;
- implement a process to ensure certification decisions are fully documented; and
- ensure operations have formal, approved policies and procedures and a formal quality assurance review process.

For more information on this or any of our reports, email oca_auditor@austintexas.gov

Mayor and Council,

I am pleased to present this audit on the Small & Minority Business Resources (SMBR) participation goals.

BACKGROUND

- The mission of SMBR is to redress discrimination through its contracting activities.
- SMBR aims to achieve Annual Participation Goals, established in City Code based on the availability of MBEs and WBEs in the City's marketplace, as well as project-level participation goals established by SMBR based on the availability of certified firms to perform project work.
- SMBR certifies firms meeting eligibility requirements prescribed in the Code of Federal Regulations and City Code as program participants.

OBJECTIVE AND SCOPE

Our objective for this audit was to evaluate the effectiveness of SMBR's process to establish, measure, and monitor achievement of small and minority business enterprise annual participation goals as well as determine if SMBR is properly and consistently certifying firms that apply for certification.

The audit scope included a review of SMBR's annual goals and certification activities occurring between October 1, 2011 and September 30, 2013.

WHAT WE FOUND

SMBR tracks goal achievement for individual projects, but has not developed an operational plan, including tools to measure and evaluate program performance in relation to program goals, to ensure they are effectively working towards their mission.

- SMBR has annual participation goals established in City Code and also establishes project goals for most projects based on firms registered with the City.
- SMBR has a business plan focused primarily on increasing the number of SMBR-certified firms, enhancing awareness of the SMBR department, and providing information to firms on how to comply with the program.
- However, SMBR does not aggregate information on project-level goal attainment and/or good faith effort (GFE) by prime contractors to accurately measure attainment of annual participation goal.
- SMBR also does not have performance measures related to annual or project-level goal progress, or an operational plan for making progress towards established annual goals, project-level goals, or the overall program mission.

While we did not identify firms that should not have been certified, several files reviewed lacked documentation to facilitate and support certification decisions.

We appreciate the cooperation we received from SMBR staff during this audit.

Kenneth J. Mory, City Auditor

BACKGROUND

The City's Minority-Owned Business Enterprise (MBE)/Women-Owned Business Enterprise (WBE) Program is based on a series of disparity studies conducted in response to the 1989 U. S. Supreme Court decision, *City of Richmond v. J.A. Croson Co.* The *Croson* decision held that a local government may redress race discrimination through its contracting activities. The mission of the Small & Minority Business Resources Department (SMBR) is to redress discrimination through its contracting activities. SMBR aims to achieve both Annual Participation Goals[1], established in City Code based on the availability of MBEs and WBEs in the City's marketplace, as well as project-level participation goals established by SMBR based on each specific project and particular scope of work anticipated in the project as well as the availability of certified firms to perform project work.

SMBR certifies firms meeting eligibility requirements prescribed in the Code of Federal Regulations and City Code as program participants. Firms can be certified as MBE, WBE, DBE (disadvantaged business enterprise), or as a combination of more than one certification type.

OBJECTIVE, SCOPE, AND METHODOLOGY

The SMBR Participation Goals Audit was conducted as part of the Office of the City Auditor's (OCA) Fiscal Year (FY) 2014 Strategic Audit Plan, as presented to the City Council Audit and Finance Committee.

Objective:
Our objective for this audit was to evaluate the effectiveness of SMBR's process to establish, measure, and monitor achievement of small and minority business enterprise annual participation goals as well as determine if SMBR is properly and consistently certifying firms that apply for certification.

Scope:
The audit scope included a review of SMBR's annual goals and certification activities occurring between October 1, 2011 and September 30, 2013.

Methodology:
To accomplish our objectives, the audit team:

- interviewed key personnel in SMBR's Compliance, Certifications, and Resources divisions;
- researched federal law, City Code, and SMBR's draft policies and procedures[2];
- analyzed documentation from certification files, the certification database, Austin Finance Online, eCapris, AIMS, Vendor Connection, the SMBR webpage, and internal SMBR files; and
- reviewed and analyzed system interfaces between Vendor Connection, eCapris, and AIMS.

---

[1] While treated as program goals, City Code defines "annual participation goals" as the targets to redress discrimination in contracting activities. Annual Participation Goals are expressed as a cumulative goal for all groups of minority persons composed of annual subgoals for each group with a separate goal for women. Current annual goals were established by adopting the goals recommended by an independent consultant hired to conduct the most recent disparity study. While disparity studies are generally conducted every five years, the last disparity study was conducted in 2008. A new study is now underway and should be finalized in early 2015. At that time, annual goals will likely be modified.

[2] SMBR does not have current approved policies and procedures for Department Operations. The Certifications Division has draft policies from 2008 that have not been finalized. Other SMBR Divisions do not have policies and procedures. In 2013, SMBR hired a consultant to prepare Department policies and procedures but these policies and procedures have not yet been approved and implemented by SMBR.

AUDIT RESULTS

SMBR has not developed an operational plan to ensure SMBR is effectively measuring, evaluating, and achieving program goals and the City is generally not meeting annual participation goals established in City Code. Additionally, some certification files lacked evidence to support SMBR's decisions to certify firms.

Finding 1: SMBR has not developed an operational plan, including tools to measure and evaluate program performance in relation to program goals, to ensure they are effectively working towards their mission.

SMBR establishes goals in two different manners using methodologies supported by applicable case law. The annual goals are based on the results of the disparity study and are codified in the City Code. Project goals are based on identified scopes of work for an individual project and relative availability of M/WBEs who have been certified to perform work related to those specific scopes of work. According to City Code, if project-level goals cannot be achieved, the prime contractor can still be considered compliant if the firm can demonstrate good faith efforts (GFE) to achieve the project goals. SMBR makes the final determination regarding the prime contractors' compliance through GFE. SMBR makes efforts to monitor project-level goal attainment on a per project basis, but does not aggregate this information to monitor project-level goal attainment overall and compare it to the achievement of annual participation goals.

Example: In 2012, a professional services contract contained the following project-level goals:

- **MBE**: *African American* – 1.71% compared to the FY12 annual goal of 1.9%.
- **MBE**: *Hispanic* – 10.24% compared to the FY12 annual goal of 9%.
- **MBE**: *Asian/Native American* – 5.30% compared to the FY12 annual goal of 4.9%.
- **WBE** – 14.31% compared to the FY12 annual goal of 15.8%.

SMBR has a business plan that focuses on increasing the number of certified firms, raising awareness of SMBR services, and providing information to firms on how to comply with the program. However, SMBR has not developed an operational plan to ensure they are effectively working towards their mission and also did not have performance measures related to achievement of annual or project goals during the audit scope[3].

Project-level goal attainment is not aggregated and reported. However, measuring and reporting the achievement of annual goals is accomplished by aggregating competitive payments (dollars awarded where M/WBE firms were available) to certified firms for a given quarter and comparing those payments (expressed in percentages) to the annual goals for the applicable period and types of certified firm. These reports, published on Austin Finance Online (AFO), show that the City is generally not meeting annual goals. In fact, the City met only 4 of the 32 (or 12.5%) of the annual goals established for FY12 and FY13 according to these reports. Source data supporting these reports provided by the Financial Services Department show fewer payments to M/WBE firms than what is reflected in the AFO reports meaning that goal achievement may be lower than what these reports show.

[3] In FY14, SMBR implemented a new performance measure to measure the percent of compliant bidders that were awarded a contract and met the minority/women-owned business project goals on their compliance plan.

Finding 2: While we did not identify firms that should not have been certified, several files reviewed lacked documentation to facilitate and support certification decisions.

Files lacked evidence to support certification decisions:
While most certification files appeared to contain evidence supporting certification decisions, auditors observed 6 out of the 19 (or 32%) certification files reviewed did not contain adequate evidence supporting SMBR's decision to certify the firm. Deficiencies in documentation included: incomplete and/or incorrectly calculated personal net worth (PNW) statements, lack of evidence supporting that the business operated in Texas for at least three months prior to the application date, lack of evidence supporting ethnicity or gender, and lack of signed, original copies of DBE application forms.

Subset of Eligibility Requirements for M/WBE Certification:

- City Code §2-9A-15(E): Only a firm managed and controlled by a socially and economically disadvantaged person(s) may be certified as a M/WBE.
- City Code §2-9A-15(E)(4): Socially and economically disadvantaged owner(s) must have overall understanding of, and managerial and technical competence, experience and expertise, directly related to firm's operations and work.
- City Code §2-9A-4 (31)(e), (47)(e): Applicant must have done business in the State of Texas for at least three months prior to application date.

Additionally, auditors noted an instance in which, based on documentation available, SMBR's decision to certify a firm appeared to conflict with decisions to deny certification for two other firms in similar situations.

Inadequate evidence to support financial information provided by DBE applicants:
The Code of Federal Regulations regulates DBE certifications and in part requires supporting documentation for the individual PNW statement; however, evidence of this was not contained in certification files. While files reviewed generally contained tax return information, some lacked complete tax documents including both the individual and business returns along with corresponding schedules. Additionally, files did not contain documentation to support financial information on PNW statements provided by applicants such as business financing agreements. Rather, SMBR accepts information provided by DBE applicants on the PNW statements some of which appears to be incorrectly calculated. Without obtaining accurate PNW statements and supporting documentation for PNW statements, SMBR limits the information it has to make certification decisions to the self-reported, potentially unsubstantiated information provided by applicants.

> Section 49 CFR 26.67 requires that the individual [applying for DBE certification] support PNW with a signed, notarized PNW statement with appropriate supporting documentation, such documentation being specified in a checklist. Where the certifying agency has a reasonable basis to believe that the PNW statement is incomplete or inaccurate, the recipient may "look behind" it, by seeking further information to clear up the issues, according to guidance from the U.S. Department of Transportation.

SMBR does not always conduct site visits for M/WBE applicants:
While SMBR generally conducted site visits for the 14 DBE applicants reviewed in our sample as required by federal regulation, SMBR did not conduct site visits for the 5 M/WBE firms[4] reviewed in

[4] Three of these firms are located outside of the five-county area that SMBR serves.

our sample as current City Code does not require such visits. Without conducting site visits, SMBR's knowledge of the firms applying for certification is limited. This may result in inappropriate firms entering the program and may compromise the participation of firms that legitimately qualify for program certification.

SMBR does not have current department policies and procedures:
SMBR does not have current department policies and procedures or a formal quality assurance system detailing how certification applications are to be processed to promote consistent application of program eligibility requirements, nor how much and the types of documentation SMBR staff should obtain, review, and retain when making decisions to certify firms.

Additional Observation: Data on goal achievement may not be reliable.

Per City Code, the City Council shall receive an annual report from the City Manager detailing the City's performance under this chapter. Per the SMBR Director, the report City Council receives is found on the AFO website. During the course of the audit, we identified several concerns that may impact the reliability of this data. For example, Financial Services Department staff reported that additional payments to subcontractors have since been entered, and thus, the payments recently entered were not included in the AFO reports for FY12 & FY13. Additionally, the SMBR Director reported that payment data corresponding to a major city contract was not properly entered into eCAPRIS (the system that provides source data for the expenditure reports) and included in AFO for the years corresponding to these reports. SMBR management also asserts that this payment data is now being entered.

RECOMMENDATIONS

The recommendations listed below are a result of our audit effort and subject to the limitation of our scope of work. We believe that these recommendations provide reasonable approaches to help resolve the issues identified. We also believe that operational management is in a unique position to best understand their operations and may be able to identify more efficient and effective approaches and we encourage them to do so when providing their response to our recommendations. As such, we strongly recommend the following:

To address our first finding:

1. **The SMBR Director should:**
   a. **develop an operational plan that facilitates the achievement of SMBR's mission;**
   b. **periodically aggregate and evaluate project-level payment information and factor the attainment of project specific goals into the overall annual goals; and**
   c. **design, implement, and monitor a process to ensure payments to M/WBE firms are properly entered into eCAPRIS and included in reports published on Austin Finance Online.**

MANAGEMENT RESPONSE: **Partially Concur**
Refer to Appendix A for management response and action plan.

To address our second finding:

2. **The SMBR Director should design, implement, and monitor a process to ensure that decisions to certify firms are fully documented by SMBR staff.**

MANAGEMENT RESPONSE: **Partially Concur**
Refer to Appendix A for management response and action plan.

3. **The SMBR Director should revise, implement, and monitor the process for gathering and evaluating information about firms applying for DBE certification to ensure PNW statements are accurate and supported with financial documentation and that site visits are conducted for M/WBE applicants.**

MANAGEMENT RESPONSE: **Partially Concur**
Refer to Appendix A for management response and action plan.

To address both findings:

4. **The SMBR Director should ensure that all areas of SMBR operations have formal, approved policies and procedures and a formal quality assurance review process to monitor compliance with approved policies and procedures.**

MANAGEMENT RESPONSE: **Concur**
Refer to Appendix A for management response and action plan.

APPENDIX A

MANAGEMENT RESPONSE

MEMORANDUM

TO: Kenneth J. Mory, City Auditor, Office of the City Auditor

FROM: Veronica Briseño Lara, Director, SMBR

DATE: July 21, 2014

SUBJECT: Response to Small and Minority Business Resources (SMBR) Audit

General Observations
SMBR appreciates the opportunity to evaluate the City's MBE/WBE Procurement Program and make improvements to the implementation of the program in accordance with the MBE/WBE Procurement Program Ordinances and Rules. SMBR disagrees with some of the general observations reflected in the audit and this memo outlines these concerns.

Finding 1: SMBR has not developed an operational plan, including tools to measure and evaluate program performance in relation to program goals, to ensure they are effectively working towards the Department's mission.
SMBR partially agrees with this finding. The audit states SMBR does not have an operational plan. The department is governed by the Minority-Owned and Women-owned Business Enterprise Procurement Program Ordinances and Rules, which establish the operational plan for the department. Additionally, SMBR has established step-by-step processes for departmental procedures and is in the process of finalizing and implementing a procedure manual. SMBR concurs with the Auditor's office that there is a need to develop a plan to accomplish the departmental goals and will work to develop a plan.

The audit also discusses the way SMBR sets goals and how participation is evaluated in comparison to these goals. Annual goals and project specific goals are established using two different methods because the purposes of the two goals are different. Further, using different methodology is supported by standard industry practice, legal precedent and the MBE/WBE Program Procurement Ordinances. The program's annual goals are based upon research of years of past City contracts and established in the year a disparity study was completed and approved by the City Council. Project specific goals are established on contracts based on actual identified scopes of work for the project and relative availability of MBE/WBEs who have been certified to perform work in those specific scopes of work. The above methodologies are based on the current City's disparity study and meets industry standards of a legally defensible minority and small business program.

It is correct that project-specific goals are not aggregated for purposes of evaluation. SMBR agrees this would be a helpful tool, and is in discussion with Finance Department to create a mechanism to do so.

Page **1** of **4**

SMBR does track the percentage of times prime contractors/consultants are compliant by meeting the goals versus achieving Good Faith Efforts at the time of council award for construction-related procurements (goals were met on 79% of awards in Fiscal Year 2013). Even though this number is for City Council awards rather than expenditures, it shows the prime contractors' commitments to meeting goals. To truly evaluate participation on contracts, expenditures should be compared to an aggregate annual participation goal as well as an aggregate project specific goal.

It is important to note that the MBE/WBE participation reports reflect all expenditures and does not differentiate by procurement types evaluated in the disparity study for goal-setting opportunities. For example, the professional services annual goal is based on the disparity study on construction-related professional services but the MBE/WBE reports include expenditures for all professional services – including non-construction related (i.e. legal, real estate, accounting, etc.) that often do not have goals. A more accurate account would include a subset of reports that differentiate these procurements in addition to the current reports produced.

When compiling the reports, it also important to evaluate participation on the life of a complete project. The current expenditure reports take a snapshot of annual participation. However, many projects last multiple years. The expenditure report might reflect a year of strong prime participation, but the MBE/WBE participation may have actually occurred in the previous year or the following year and is not reported resulting in unmet goals. If the entire lifespan of the contract is evaluated, participation can be accurately assessed.

City Code provides that a respondent can be compliant with the program by either meeting the goals or providing Good Faith Efforts, and SMBR strives to encourage, but not force prime contractors to meet and exceed project specific participation goals without imposing an illegal quota system which could legally jeopardize the City's program. When Good Faith Efforts are evaluated, SMBR does so in accordance with the MBE/WBE Procurement Program Ordinances. Further, SMBR holds primes accountable to the participation goals stated on their approved Compliance Plan. These are the goals that become a part of the prime's contract with the City.

SMBR has discovered there are subcontractor payments not accounted for in *eCAPRIS* and has been working steadfastly to identify the contracts with missing information and update the information. The goal is to have this information updated by the end of August, which will result in an increase in participation numbers. SMBR is also developing and implementing a process to continuously review the payment data entry to ensure completeness and accuracy in the future. It is also an opportune time to work with the Finance Department on a plan to implement an online reporting system that allows the Prime Contractor/Consultant to report subcontractor/subconsultant payment data, rather than the current system of routing paper pay applications with voluminous back up. Once the payment information is entered, it could be automatically sent to the subcontractor/ subconsultant for verification.

SMBR will create a cross-departmental task force to evaluate and create a plan to address these issues and concerns and provide a full set of reports that analyze MBE/WBE participation using a variety of subsets. SMBR has already started these discussions with the Purchasing Office, which is responsible for the reports, and will include additional departments as part of the cross-departmental effort to accurately report MBE/WBE participation.

Finding 2: While we did not identify firms that should not have been certified, several files reviewed lacked documentation to facilitate and support certification decisions.

SMBR disagrees. This finding contains statements that are factually incorrect. The audit states 6 of the 19 files (out of a total of approximately 950 certified firms) reviewed did not contain adequate evidence

supporting SMBR's decision to certify the firms. Specifically, the audit listed the following issues: "incomplete and/or incorrectly calculated personal net worth (PNW) statements, lack of evidence supporting that the business operated in Texas for at least three months prior to the application date, lack of evidence supporting ethnicity or gender, and lack of signed, original copies of DBE application forms."

To clarify, PNW statements account for an applicant's financial means. An applicant whose PNW exceeds the established limit is not considered economically disadvantaged and therefore not eligible for program participation. (Applicants must meet both social and economic disadvantage requirements.) PNW statements are notarized documents; the burden of proof is placed upon the applicant to provide accurate and complete information. Regardless, of the three (3) firms identified by the audit with PNW calculation issues, all figures were recalculated for verification and all were found to be well below the PNW limit in compliance with program guidelines. Additionally, two of the three firms had personal net worth's less than what was initially calculated.

The audit cited one file for lack of evidence supporting that the business operated in Texas for at least three months prior to the application date. The goal of SMBR is to assist eligible MBE/WBE/DBE and SBE firms in becoming certified. Therefore, when evaluating the timeframe a business has operated within Texas various factors are considered and this particular firm was certified more than three months after submission of its application. Additionally, staff did not begin the review of this particular file until the three months had lapsed.

The audit's account of firms failing to provide proof of ethnicity or gender and failure to provide signed original copes of DBE application forms demonstrate a lack of understanding with regard to the application of DBE interstate certification guidelines. The one firm with these issues in question, out of the 6 mentioned above, was a DBE applicant. DBE applicants affirm ethnicity and gender by signature on the DBE application; secondary documentation is not required. Furthermore, per 49 CFR Parts 23 and 26 and language from Federal Register regarding interstate certification, it is not necessary to collect biographical data for out of state applicants. Through interstate certification, SMBR is able to recognize some out of state DBE applicants without having a file. Ultimately it is the responsibility of the home certifying agency to verify an applicant's social disadvantage status. Separately, it is SMBR's policy and practice to obtain Statement of Ethnicity Affidavits for applicants in instances where documentation of ethnicity is not available (ex: birth certificates, driver license, or passport) for MBE applicants.

The audit also mentioned an instance where the application of certification guidelines appeared to be inconsistent: "…SMBR's decision to certify a firm appeared to conflict with decisions to deny certification for two other firms in similar situations." To clarify, these two files out of the 6 mentioned above, were similar but not the same thus warranting different certification outcomes. The firm which was certified was evaluated with the commodity codes in accordance with the owner's technical expertise and experience (marketing and sales). The other firm was denied because the firm's commodity codes were construction-related service codes; the owner did not demonstrate technical expertise and experience with these particular service codes. In addition, the firm who was certified also requested construction-related service codes; those codes were denied. Furthermore, the certified firm did demonstrate, in contrast to the audit's finding, evidence of capital contribution. This finding demonstrates a lack of understanding of the MBE/WBE Procurement Ordinance referencing circumstances involving community property allowing for a spouse to "relinquish control over his or her community property in the subject business.[1]"

[1] See City Code §2-9A-D-4, *Owned, Managed, and Independently Controlled*

Page 3 of 4

Below is a chart with a description of each of the files cited in the audit. SMBR asserts that none of the concerns raised would have warranted for the firm not to be certified or that there is no supporting evidence that the firm should be certified.

Firm	Issue raised in Audit	SMBR's response	Certification decision
Firm A	Contradictory treatment based on resume/experience and capital contributions.	Firm was only certified in the commodity codes for which the owner had expertise. Other codes were denied. Evidence of capital contribution has been confirmed.	Substantiated
Firm B	Didn't do business in Texas for at least three months	Firm was certified more than three months after the firm was in business.	Substantiated
Firm C	Incomplete and/or inaccurate PNWs and didn't provide original application docs	The PNW is a notarized affidavit; the burden is on the applicant to provide factual information. Even so, the calculation errors resulted in corrected PNWs well below the eligibility limits. Original application documents were provided.	Substantiated
Firm D	Incomplete and/or inaccurate PNWs	The PNW is a notarized affidavit; the burden is on the applicant to provide factual information. Even so, the calculation errors resulted in corrected PNWs well below the eligibility limits.	Substantiated
Firm E	Incomplete and/or inaccurate PNWs	The PNW is a notarized affidavit; the burden is on the applicant to provide factual information. Even so, the calculation errors resulted in corrected PNWs well below the eligibility limits.	Substantiated
Firm F	Failure to provide proof of ethnicity	This was a DBE firm. The DBE application affirms ethnicity.	Substantiated

Lastly, the audit states that SMBR does not always conduct site visits for MBE/WBE applicants. This statement is misleading.

It has been SMBR's policy and practice to conduct site visits on all construction firms, commodities firms, and any firm(s) which require additional review or for which a cause for denial may be warranted. Of the five MBE/WBE firms identified as not having site audits, three were not located in SMBR's five county area, one was a broker (and therefore does not carry supplies) and the final one was certified for a non-professional service commodity. These five firms did not meet the criteria used to conduct site audits for MBE/WBEs.

SMBR continuously strives to have a program that is considered to set an industry standard. The department is constantly looking to make improvements so that the program benefits the intended populations – small, minority and women-owned businesses, as well as incorporating race and gender neutral aspects to comply with the law. While some of the observations in the audit are certainly areas where improvements can be made, others need a fuller explanation of the program administration and constraints. SMBR appreciates the Auditor's office input and recommendations on the MBE/WBE Procurement Program.

Page 4 of 4

APPENDIX A

ACTION PLAN

SMBR Participation Goals Audit

Recommendation	Concurrence and Proposed Strategies for Implementation	Status of Strategies	Proposed Implementation Date
1. The SMBR Director should: a. develop an operational plan that facilitates the achievement of SMBR's mission, b. periodically aggregate and evaluate project-level payment Information and factor the attainment of project specific goals Into the overall annual goals, and c. design, implement, and monitor a process to ensure payments to M/WBE firms are properly entered into eCAPRIS and included in reports published on Austin Finance Online.	**Partially concur** a. SMBR concurs that an operational plan that outlines how the department will achieve its departmental goals will be beneficial to the MBE/WBE Procurement Program. SMBR acknowledges though that the MBE/WBE Procurement Ordinance and Rules are the guiding documents for the department and MBE/WBE Procurement Program and its operations. b. SMBR is working with the Purchasing Office and Controller's Office to develop a mechanism to report on an aggregate project and participation goal. c. SMBR concurs. SMBR also recommends the City implement the capability for contractors/consultants to record their subcontractors/subconsultant payments online to increase efficiency, accuracy and reporting capabilities.	Underway a. SMBR will work on developing an operational plan. b. SMBR is establishing a cross – departmental task force to evaluate the reports and create better reporting mechanisms to more accurately reflect our processes and goals set on solicitations. c. SMBR will work with the Finance Department to consider ways to advance the City's online reporting tools.	Mid 2015

2. The SMBR Director should design, implement, and monitor a process to ensure that decisions to certify firms are fully documented by SMBR staff.	**Partially concur** SMBR has acknowledged the need for formalized process manuals. While flowcharts and processes exist, as well as the MBE/WBE Procurement Program Rules and Ordinances, a manual is in the stages of being finalized. This process began in the fall of 2013 and has had high priority placed on the drafting. However, the recommendation implies our current processes are not documented or consistent and SMBR disagrees as discussed In the memo.	Underway The Certification Procedure Manual is in the final stages of completion.	August 2014
3. The SMBR Director should revise, implement, and monitor the process for gathering and evaluating information about firms applying for DBE certification to ensure PNW statements are accurate and supported with financial documentation and that site visits are conducted for M/WBE applicants.	**Partially Concur** SMBR intends to follow new Federal guidelines when adopted to collect additional supporting financial documentation (SMBR already collects some). Site audits have historically been conducted on a majority of applicants (as discussed in SMBR's response memo). SMBR is currently considering requiring site visits for all MBE / WBE applicants.	Underway/Complete The Federal Guidelines are anticipated to go into effect in 2015. SMBR is considering requiring site visits for all MBE/WBE applicants.	2015
4. The SMBR Director should ensure that all areas of SMBR operations have formal, approved policies and procedures and a formal quality assurance review process to monitor compliance with approved policies and procedures.	**Concur** Procedure manuals from the department are currently in the final stages of completion.	Underway Both Certification and Compliance Procedure Manuals are in the final stages of completion.	August 2014