



KING COUNTY AUDITOR'S OFFICE

AUGUST 1, 2022

Follow-up on Pro-equity Contracting Audit

The Finance Business and Operation Division (FBOD) has taken several key steps to help address inequities in King County contracts. For example, FBOD has partnered with agencies to establish contracting goals with state-certified minority- and women-owned businesses (MWBE). Setting MWBE goals is a best practice for pro-equity contracting. The Business Development and Contract Compliance (BDCC) section also established a reciprocal certification process in partnership with the state's Office of Minority and Women Business Enterprises (OMWBE), automatically enrolling all state-certified MWBEs as King County small contractors and suppliers (SCS). This will help ensure MWBEs are provided key opportunities with the County. Additionally, FBOD and BDCC have determined a disparity study is necessary to have more targeted efforts to address inequities. To ensure this study happens, they will need to finalize a budget and timeline for completion.

More work is needed to track inequities in county contract spending. King County encourages agencies to spend 50 percent of their goods and services valued under \$10,000 with SCS firms, but to date has not monitored progress, meaning it is unclear whether this goal is being achieved. FBOD and BDCC said that tracking spending on goods and services using purchasing cards (p-cards) is difficult and will be a more involved task because data is stored in a separate system. Identifying a process to track spending on these contract types is important to understand whether goals are being met.

The County Executive and County Council have supported these recommendations. The Council passed a motion that advocated rescinding the state ban on affirmative action, which made it difficult for governments to clearly establish MWBE goals. A 2020 order by the Executive (CON-7-28-EO) affirmed the implementation of several of our recommendations, including making FBOD, BDCC, and Procurement and Payables (P&P) as process owners for this work.

Of the 14 audit recommendations:

	3 DONE		7 PROGRESS		4 OPEN
Fully implemented Auditor will no longer monitor.		Partially implemented Auditor will continue to monitor.		Remain unresolved Auditor will continue to monitor.	

Please see details below for implementation status of each recommendation.

Recommendation 1

PROGRESS



The Business Development and Contract Compliance office should develop, document, and implement a strategy to track racial inequities in contract spending for the Small Contractor and Supplier program on an ongoing basis.

STATUS UPDATE: BDCC developed a data sharing agreement with the state OMWBE to obtain ethnicity and gender data for state certified MWBEs.

WHAT REMAINS: To fully implement this recommendation, BDCC needs to use the ethnicity and gender information collected from OMWBE to consistently track racial inequities in contract spending in its SCS program across all contract types. For example, this could be achieved by publishing annual reports clearly indicating contract spend disaggregated by race and gender across contracts with SCS requirements. In addition, BDCC and FBOD will need to develop a plan to track spend on goods and services obtained through p-cards and the three-quote process.

Recommendation 2

DONE



In order to determine an appropriate time to conduct a disparity study, the process owner the County identifies for Recommendation 4 should assess and document what steps should be taken prior to a disparity study.

STATUS UPDATE: A 2020 executive order by the Executive (CON-7-28-EO) declared that FBOD and BDCC will take the lead in exploring the feasibility of implementing a disparity study, in order to move forward with our recommendation. BDCC and FBOD determined a disparity study is necessary and posted a request for proposal (RFP) for a countywide disparity study of some of its contracts to identify racial and gender disparities.

IMPACT: A disparity study will help ensure the County is focusing its pro-equity contracting efforts to address racial and gender inequities in its contracts.

Recommendation 3

PROGRESS



If disparities persist following steps taken per Recommendation 2, then the County should conduct a disparity study.

STATUS UPDATE: BDCC and FBOD determined a disparity study is necessary and posted an RFP for a countywide disparity study of some of its contracts to identify racial and gender disparities.

WHAT REMAINS: To complete this recommendation, the disparity study report must be finalized and shared.

Recommendation 4

DONE



The County Executive should design, document, and communicate roles and responsibilities, including a process owner, for increasing contracting opportunities for minority- and women-owned business enterprises.

STATUS UPDATE: A 2020 order by the Executive (CON-7-28-EO) designated FBOD as the process leader for this work, supported by the BDCC and P&P sections. The order also clarified roles and responsibilities on increasing contracting opportunities for MWBEs including establishing a steering committee to guide best practices, designating P&P as lead for reducing challenges and barriers to county procurement and contracting requirements for MWBEs, and designating BDCC as entity responsible for reporting on progress and coordinating equity-focused training for department staff.

IMPACT: Clearly assigning roles and responsibilities for achieving a pro-equity contracting goal will help clarify which work needs to be done and by whom, increasing accountability.

Recommendation 5

PROGRESS



The process owner the County identifies for Recommendation 4 should work with agencies to develop, document, and publicly report annual, voluntary department-level and county-level goals for procurement spending with minority- and women-owned business enterprises.

STATUS UPDATE: FBOD communicated to departments that it will partner with department leaders to identify MWBE goals on its contracts. It has also shared presentation materials on what next steps will look like and what department leaders need to do to prepare. In 2020, BDCC implemented an Equity and Social Justice Innovation Plan, applying MWBE goals on certain contracts with the aim of increasing spending with MWBEs. This plan tracks spending and progress toward MWBE goals and provides a useful blueprint on work that can happen countywide.

WHAT REMAINS: To fully implement this recommendation, FBOD and BDCC will need to establish and monitor MWBE goals for departments countywide and report on progress regularly.

Recommendation 6

PROGRESS



The Business Development and Contract Compliance office and Finance and Business Operations Division should develop, document, and implement a plan to ensure that all active Small Contractors and Suppliers are registered as county vendors.

STATUS UPDATE: Procurement, in collaboration with BDCC, is conducting outreach communications with all SCS firms to inform them of King County's new e-Procurement system and of the requirement to register in the County's supplier portal to do business with the County. Procurement is following up with quarterly reports to verify the percentage of SCS firms registered as county vendors in the e-Procurement system. In 2021, 66 percent of all SCS firms were

registered as county vendors in the portal. It has indicated it will continue to do outreach efforts with the goal of ensuring 100 percent of SCS firms are registered as county vendors.

WHAT REMAINS: To fully implement this recommendation, Procurement will need to continue its outreach efforts and monitoring of the percentage of SCS firms registered as county vendors until all SCS firms are consistently registered in the county portal. If current efforts do not achieve this goal, then a new plan will need to be developed.

Recommendation 7

OPEN



The process owner the County identifies for Recommendation 4 should work with the Office of Risk Management to review, revise, and communicate standard contract language on insurance requirements to reduce the extent to which insurance is a barrier to contracting with King County for small businesses and minority- and women-owned business enterprises.

STATUS UPDATE: FBOD and BDCC plan to meet with the Office of Risk Management to begin implementing this recommendation but have not yet done so.

WHAT REMAINS: To fully implement this recommendation, FBOD and BDCC need to meet with the Office of Risk Management to identify strategies to alleviate the burden of contract language on standard insurance requirements for small businesses and MWBEs.

Recommendation 8

OPEN



The process owner the County identifies for Recommendation 4 should work with the Office of Risk Management to develop, document, and communicate guidance for departments and divisions to reduce the extent to which insurance is a barrier to contracting with King County for small businesses and minority- and women-owned business enterprises.

STATUS UPDATE: FBOD and BDCC plan to meet with the Office of Risk Management to begin implementing this recommendation but have not yet done so.

WHAT REMAINS: To fully implement this recommendation, FBOD and BDCC will need to communicate guidance for departments and divisions to reduce the extent to which insurance is a barrier to contracting with small businesses and MWBEs.

Recommendation 9

OPEN



The process owner the County identifies for Recommendation 4 should develop, document, and implement a plan to offer tools and trainings to increase contracting opportunities with King County for small businesses and minority- and women-owned business enterprises.

STATUS UPDATE: There has been no update on new tools or trainings provided to county agencies or project managers to help reduce barriers to contracting.

WHAT REMAINS: To fully implement this recommendation, FBOD will need to develop and implement a plan to offer appropriate tools and trainings to county agencies around pro-equity contracting. At the time of our audit, several agencies said they want more training around pro-equity contracting policy and practice. As noted in our audit, BDCC made great strides in implementing an Equity and Social Justice Innovation for project managers to use to set aspirational MWBE goals. However, agencies said they need more training and guidance on operationalizing these plans to achieve impact. Identifying the right training and tools can help agencies implement pro-equity contracting effectively and sustainably.

Recommendation 10

OPEN



The process owner the County identifies for Recommendation 4 should work with the Finance and Business Operations Division to develop, document, and communicate guidance on how agencies can reduce the extent to which evaluation criteria are barriers to contracting with King County for small businesses and minority- and women-owned business enterprises.

STATUS UPDATE: FBOD and BDCC said their partnerships with departments have largely been focused on goal setting for MWBE use. Therefore, they have not gone into further details on strategies for reducing barriers related to evaluation criteria.

WHAT REMAINS: FBOD and BDCC will need to identify common barriers in evaluation criteria that make it difficult for small businesses and MWBEs to access county contracts. They will need to communicate these findings as guidance to agencies. Identifying these barriers and providing guidance can help address some racial inequities that exist in county contracts such as people of color historically excluded from education and employment opportunities.

Recommendation 11

PROGRESS



The process owner the County identifies for Recommendation 4 should track and publicly report annual county procurement spending with small businesses and minority- and women-owned business enterprises for goods and services.

STATUS UPDATE: BDCC tracks and reports on contract spend with MWBEs on formal goods and services solicitations (over \$50,000) as a part of the contracting opportunities program, however not all good and services spend is monitored for MWBE usage. As of July 2022, there is no consistent oversight on SCS usage for direct buys or the three-quote process. However, as part of the three-quote process, agencies are encouraged to get quotes from three viable companies and to include at least one SCS firm. The County also encourages agencies to spend 50 percent of their goods and services contracts valued under \$10,000 with SCS firms, but progress is not monitored.

WHAT REMAINS: To complete this recommendation, FBOD will need to identify a process to track and publicly report spend on goods and services purchases under \$50,000. Implementing that process is important to understand whether goals are being met.

Recommendation 12

DONE



Finance and Business Operations Division should develop, document, and implement policies and procedures that outline a process for agencies to conduct regular monitoring of Small Contractors and Suppliers requirements and to report at least quarterly to the Business Development and Contract Compliance office on their progress.

STATUS UPDATE: In 2020, BDCC began conducting monthly reviews of all active contracts with SCS requirements applied at 25, 50, and 75 percent of project completion. These reports are shared with agencies monthly to help ensure proper oversight is provided to their contractors with SCS requirements.

IMPACT: During our audit, we found that agencies that actively monitored contracts for SCS requirements achieved their goals more frequently than agencies that did not. Implementing this recommendation will help achieve SCS requirements across more contracts.

Recommendation 13

PROGRESS



Following regular monitoring from Recommendation 12, Finance and Business Operations Division should ensure that contractors that repeatedly fail to meet Small Contractors and Suppliers requirements are sanctioned in-line with King County Code 2.97.100.

STATUS UPDATE: In 2020, BDCC began conducting monthly reviews of all active contracts with SCS requirements applied at 25, 50, and 75 percent of project completion. BDCC will use this information for oversight on these requirements. It plans to sanction contractors who fail to meet them in-line with county code; however, sanctions have not been applied since the monthly reviews began.

WHAT REMAINS: To fully implement this recommendation, BDCC will need to indicate how information will be used to sanction contractors that fail to meet requirements in-line with county code. And BDCC will need to show examples of sanctioned contractors that failed to meet the requirements.

Recommendation 14

PROGRESS



The Business Development and Contract Compliance office should develop, document, and implement a plan to ensure that it removes expired firms from the Small Contractors and Suppliers directory after three years, in-line with policy.

STATUS UPDATE: In 2021, the County amended its eligibility requirements for SCS certification to match size standards of the state OMWBE. This means the County can use OMWBE's certification standards for its SCS program. Streamlining certification across OMWBE and SCS eligibility criteria is a benefit of a reciprocal process. BDCC said this is a first step when assessing whether to designate OMWBE as the official certification entity for SCS firms. Since this would align with the OMWBE oversight process, this step would help alleviate the issue of a lapse in certification status.

To address the backlog, BDCC said in April 2022 that it hired staff to identify and follow-up with firms that have an expired SCS certification status.

WHAT REMAINS: BDCC will need to finalize a plan to streamline its certification process and to ensure there is proper oversight of firms with an expired SCS certification. BDCC will also need to demonstrate that firms with an expired SCS certification in its active directory are either removed or their certification is renewed.

Anu Sidhu conducted this review. If you have any questions or would like more information, please contact the King County Auditor's Office at KCAO@KingCounty.gov or 206-477-1033.