



KING COUNTY AUDITOR'S OFFICE

AUGUST 1, 2023

Follow-Up on Pro-Equity Contracting Audit

The Finance Business and Operation Division (FBOD) and Business Development and Contract Compliance (BDCC) Section have completed several recommendations to help ensure the County provides business to Small Contractors and Suppliers (SCS) in line with County goals. For example, in 2020, BDCC began conducting monthly reviews of all active county contracts with prime contractors that included a requirement to subcontract SCS businesses. BDCC uses this information to ensure that the prime contractor meets requirements. BDCC has applied sanctions in cases where contractors failed to meet requirements, encouraging compliance, and ensuring SCS businesses receive work. Additionally, FBOD has selected a firm to complete the disparity study which will help determine whether it can use race- and sex-conscious strategies to increase equity in county contracting.

FBOD has made progress but can do more to track inequities in county contract spending on goods and services. King County encourages agencies to make 50 percent of their goods and services purchases valued under \$10,000 with SCS firms, but to date has not monitored progress. This means that it remains unclear whether the County is achieving its goal. FBOD has started to identify a process to track which goods and services suppliers are certified minority- and women-owned businesses (MWBE), which will help it monitor spending with these businesses. FBOD needs to finalize this process and report on purchasing card (p-card) spend on small firms disaggregated by race and gender consistently to help track inequities.

Of the remaining 11 audit recommendations:

 <div>4 DONE</div>	 <div>7 PROGRESS</div>	 <div>0 OPEN</div>
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 Office of Minority and Women's Business Enterprises (OMWBE) to obtain ethnicity and gender data for state-certified MWBEs in 2021. BDCC has also partnered with the state OMWBE to automatically enroll state certified MWBEs as SCS firms with the County, helping to streamline some of the race and gender data collected for these firms. BDCC is tracking dollars spent on SCS firms disaggregated by race and gender in its annual reports for formal solicitations but does not track this data for p-cards. FBOD has started a process to better track which goods and services suppliers identify as MWBEs, but it needs to finalize this process and consistently track dollars spent on SCS firms disaggregated by race and gender. This tracking will help ensure the County is aware of how well agencies are meeting the County's goal to spend 50 percent of their direct buys (valued under \$10,000) with SCS firms.

WHAT REMAINS: To fully implement this recommendation, BDCC and FBOD will need to track SCS spend disaggregated by race and gender on goods and services obtained through p-cards.

Recommendation 2

On August 1, 2022

DONE



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 has contracted with Colette Holt & Associates (CHA) to conduct a disparity study. The disparity study will review the County's utilization of MWBEs on architecture, engineering, and professional service agreements and construction contracts between January 2018 through December 2022. CHA hosted a public information webinar describing the study elements and methodology, outlining how business owners and community partners can participate.

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

Recommendation 4

On August 1, 2022

DONE



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: In 2020, BDCC implemented an Equity and Social Justice (ESJ) 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 for work that can happen countywide. In 2021, FBOD communicated to departments that it will partner with department leaders to identify MWBE goals on its contracts in line with the [2021 Executive Order](#). BDCC has also shared presentation materials on what next steps will look like and what department leaders need to do to prepare. FBOD and BDCC established MWBE goals for architecture, engineering, professional, and constructions services countywide. BDCC tracks these goals in annual contracting reports which show county spending with MWBE firms disaggregated by race and gender.

WHAT REMAINS: To fully implement this recommendation, FBOD and BDCC will need to help departments finalize MWBE goals and report on progress regularly.

Recommendation 6

DONE



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: Beginning in 2022, all applicants for SCS certification had to enter their King County supplier registration number into a required data field as part of the online certification process. Applicants can only obtain a supplier registration number after completing the registration process to be a King County supplier. This change ensures that all new and renewing applicants for SCS certification are registered in the County's E-procurement supplier registration portal as county vendors.

WHAT REMAINS: By implementing this recommendation, SCS firms will receive notifications of all county contracting opportunities early and consistently, helping to increase the likelihood that SCS firms apply for these opportunities and likely increase the number of SCS businesses contracting with the County.

Recommendation 7

PROGRESS



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: BDCC, Risk Management, and Procurement & Payables (P&P) have set up monthly working meetings to review contract language and issues related to insurance requirements that impact MWBEs. In addition, the chief procurement officer is working with insurance brokerage representatives to discuss opportunities and receive their input on ways that the County can address impacts of insurance and bonding requirements on MWBEs.

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

Recommendation 8

PROGRESS



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, BDCC, and the Office of Risk Management meet monthly to review contract language and issues related to insurance requirements that impact MWBEs.

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

DONE



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: FBOD and BDCC have convened an interdepartmental steering committee made up of various agencies to help identify and implement ways to increase contracting with small firms and MWBEs. These meetings provide an opportunity for agencies to share barriers they face in contracting with small firms and MWBEs and identify solutions to address those barriers. The steering committee meets monthly and will continue to do so for the near future. BDCC also hosts a series of trainings for agencies to better understand ways that they can increase opportunities to

contract with small firms and MWBEs. Many of these trainings focus on sharing county requirements for SCS utilization and MWBE goals on contracts through things like the ESJ Innovation Plan. As a part of Recommendation 1, BDCC is also using its tracking of MWBE spending to help identify which departments may need more support through training and tools to support contracting with small businesses and MWBEs.

WHAT REMAINS: By fully implementing this recommendation, county agencies will better understand how to implement pro-equity contracting effectively and sustainably, helping to achieve the County's equity goals to increase spending with SCS firms and MWBEs.

Recommendation 10

PROGRESS



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: BDCC and P&P are collaborating with Procurement staff and county agencies to better communicate evaluation criteria for the ESJ Innovation Plan which establishes ESJ evaluation criteria for capital improvement design projects and technical consulting contracts to reduce barriers for MWBEs. The ESJ evaluation criteria will also ensure that businesses bidding for business with the County include MWBEs. This could reduce barriers to their participation. The chief procurement officer has also hosted listening sessions with MWBE suppliers and small business organizations to learn more about barriers they experience in contracting with the County. This information could inform future Procurement guidance to the County. BDCC also provided us with examples of its work with county agencies to help review and develop evaluation criteria and language on specific contracts.

WHAT REMAINS: To fully implement this recommendation, FBOD and BDCC will need to identify and document common barriers in the County's evaluation criteria that make it difficult for small businesses and MWBEs to access county contracts. They will need to communicate these findings as general guidance to agencies. Identifying 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 spending with MWBEs on formal goods and services solicitations (over \$50,000) as a part of its contracting opportunities program, however

not all good and services spending is monitored for MWBE participation. There is no consistent oversight on the County's percentage of direct buys from SCS firms. However, the County encourages agencies to spend 50 percent of their goods and services contracts valued under \$10,000 with SCS firms, but the County does not monitor progress. FBOD has started to identify a process to track which goods and services suppliers are certified MWBEs, which will help it monitor spending with these businesses.

WHAT REMAINS: To complete this recommendation, FBOD needs to finalize its process to track goods and services suppliers that are MWBEs and report on p-card spend on SCS firms disaggregated by race and gender to help track inequities. Implementing that process is important to understand whether the County is meeting its goals.

Recommendation 12

On August 1, 2022

DONE



Recommendation 13

DONE



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 county contracts with prime contractors that included a requirement to subcontract SCS businesses. BDCC uses this information to ensure that the prime contractor meets requirements. The BDCC manager and supervisors review these reports to identify contracts for follow-up action. Follow-up actions includes sanctions for noncompliance, including not paying the full contract amount where contractors did not meet requirements, and reductions to requirements where circumstances of a contract have changed but a contractor made good faith efforts to meet requirements.

WHAT REMAINS: By fully implementing this recommendation, the County will hold contractors accountable to their SCS requirements, increasing compliance to these requirements, and ensuring small businesses are receiving county business in line with county goals.

Recommendation 14

DONE



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: BDCC developed a tool to forecast the number of certified SCS firms that will expire in each month to help address certification expiries before they happen.

IMPCAT: By implementing this recommendation, the SCS directory will be up to date and include only firms that are truly small, helping to ensure these businesses are receiving county incentives

as intended and that incentives are not going to firms that no longer meet the eligibility criteria for a small business.

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@ingcounty.gov or 206-477-1033.