



# County of Allegheny

## Office of the Controller

PERFORMANCE AUDIT REPORT  
ON THE PROGRAM EFFECTIVENESS  
OF THE ALLEGHENY COUNTY  
MINORITY, WOMEN, AND  
DISADVANTAGED BUSINESS  
ENTERPRISE DEPARTMENT  
FOR THE PERIOD JANUARY 1, 2017  
THROUGH DECEMBER 31, 2017

NOVEMBER 26, 2018

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Controller

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**CHELSEA WAGNER**  
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# COUNTY OF ALLEGHENY

## OFFICE OF THE CONTROLLER

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September 11, 2018

Ms. Ruth Byrd-Smith, Director  
M/W/DBE Department  
County Office Building, Room 204  
542 Fourth Avenue  
Pittsburgh, PA 15219

**PERFORMANCE AUDIT REPORT**  
**ON THE PROGRAM EFFECTIVENESS**  
**OF THE ALLEGHENY COUNTY**  
**MINORITY, WOMEN, AND**  
**DISADVANTAGED BUSINESS**  
**ENTERPRISE DEPARTMENT**  
**FOR THE PERIOD JANUARY 1, 2017**  
**THROUGH DECEMBER 31, 2017**

Dear Ms. Byrd-Smith:

We have conducted a performance audit to assess the effectiveness of the Allegheny County Minority, Women, and Disadvantaged Business Enterprise (MWDBE) Department. Our procedures were applied to the period from January 1, 2017 through December 31, 2017. Our engagement was performed in accordance with *Government Auditing Standards*.

As we conducted our audit, we gained an understanding of Allegheny County's MWDBE Program and tested certain aspects of the MWDBE Department's operations. During that process, we identified conditions that are having an adverse impact on the operation of the Program. We have offered recommendations to assist in remediating these conditions, which should improve the operation of the Program. The results of our procedures are included in the attached report.



Ms. Byrd-Smith  
September 11, 2018

We would like to thank the management and staff of the Allegheny County MWDBE Department for their courtesy and cooperation during our engagement.

Kind regards,

A handwritten signature in cursive script, appearing to read "Chelsa Wagner".

Chelsa Wagner  
Controller

A handwritten signature in cursive script, appearing to read "Lori A. Churilla".

Lori A. Churilla  
Assistant Deputy Controller, Auditing

cc: Honorable John DeFazio, President, County Council  
Honorable Nicholas Futules, Vice-President, County Council  
Honorable Rich Fitzgerald, Allegheny County Executive  
Mr. William McKain, County Manager, Allegheny County  
Ms. Jennifer Liptak, Chief of Staff, County Executive  
Mr. Kenneth J. Varhola, Chief of Staff, County Council  
Ms. Sarah Roka, Budget Manager, County Council  
Ms. Mary Soroka, Director, Office of Budget and Finance

## **I. Introduction**

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Allegheny County's Minority, Women, and Disadvantaged Business Enterprise (MWDBE) Department administers Allegheny County's MWDBE Program. The objective of the Program is to increase participation of MWDBEs in Allegheny County procurements. For an enterprise to qualify as a Minority Business Enterprise (MBE) or a Women Business Enterprise (WBE), in addition to meeting an ethnicity and/or gender requirement, ownership must collectively own more than 51% of the enterprise and manage its daily operations (exercise control).

The Program's goals are to achieve 13% utilization of MBEs and 2% utilization of WBEs. However, these goals are superseded by federal goals for procurements funded by the U.S. Department of Transportation (DOT). In order for firms to participate in procurements funded by DOT, the firms must also meet Disadvantaged Business Enterprise requirements. This means that the M/WBE owners must have a personal net worth of less than \$1.32 million.

The MWDBE Department's activities can be grouped into three categories. First, it assists in certifying firms that meet Pennsylvania's Unified Certification Program (UCP) requirements. Second, it engages in outreach activities to increase awareness of the County's MWDBE program and County solicitations in which firms may be able to participate, and serves as an advocate for MWDBEs. Finally, it monitors Allegheny County procurements that are subject to a bidding process and tracks the County's utilization of MWDBEs in relation to the established Program goals.

The Allegheny County MWDBE Department, the Pennsylvania Department of Transportation, Port Authority of Allegheny County, Southeastern Pennsylvania Transportation Authority (SEPTA), and the City of Philadelphia International Airport Office of Business Diversity are the five agencies that certify DBEs (which are MBEs and/or WBEs) under Pennsylvania's Unified Certification Program (PAUCP). Firms interested in being certified must submit a signed and notarized application to one of the five certifying agencies. The application is designed to assist the Department (and other certifying agencies) in determining whether the owner of the firm is truly disadvantaged, meets the program criteria, and demonstrates ownership and control of the business. An on-site interview is a required component of the certification process. The administrative requirements for DBE programs, certification standards/procedures, and enforcement requirements are contained in the Code of Federal Regulations, specifically 49 CFR Part 26 (Transportation). These regulations indicate that the MWDBE Department has 90 days to respond to an application once a substantially complete application is received from the applicant, unless the complexity of the application warrants an additional 60 days. Once certified, MWDBEs that were certified by the MWDBE Department must make the Department aware of any changes in their ownership or control within 30 days of the change via the submission of an Affidavit of Change, and then submit Affidavits of No Change annually by their certification anniversary date.

The MWDBE Department's outreach activities include speaking engagements, advertising, attending trade shows, maintaining memberships in organizations with similar missions (e.g. African American Chamber of Commerce, Hispanic Chamber of Commerce), and conducting regularly scheduled counseling sessions at five satellite sites in the following neighborhoods: Homewood, the Hill District, the North Side, East Liberty and McKeesport. Firms are also made aware of *Public Purchase*, a site where interested parties can view the various County

## I. Introduction

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procurement solicitations. The MWDBE Department also typically gets involved when MWDBE firms that were awarded Allegheny County contracts and performed under their contracts have not been paid by the prime contractor for the work they have performed or the goods they have supplied.

The MWDBE Department's monitoring of Allegheny County procurements involves ensuring that the apparent low bidder will meet the County's MWDBE utilization goals, or has met the requirements for a partial or full waiver of the MWDBE requirements, which includes the demonstration of a good faith effort to include MWDBEs in the contract. In some instances, the apparent low bidders may not be able to find MWDBEs that are able to perform a portion of the work identified in the contract specifications. In these instances, the bidders are required to complete a full or partial waiver request and submit it to the MWDBE Department. When completing the waiver request, bidders are required to explain why they are requesting a waiver, demonstrate how they have made a good faith effort to utilize MWDBEs, and supply a copy of the diversity policy that they use in the normal course of their business in addition to providing various other information. If bidders have not adopted and implemented a diversity policy, they have 45 days to develop, implement, and submit one. A diversity policy template is typically included in County bid specifications.

The MWDBE Department uses a software application, *B2G Now*, to track the payments made to MWDBEs under Allegheny County contracts. Prime contractors are required to report, between the 1<sup>st</sup> and the 10<sup>th</sup> of each month, what they have been paid and what they in turn have paid their MWDBE subcontractors. The MWDBE sub-contractors also confirm or dispute what has been reported. If no payment amounts are reported by the 10th of each month, automatic emails are sent out requesting the information. If there is no response to the email after a reasonable amount of time has passed, the MWDBE Department will compose and send a letter to the contractor requesting them to submit the required information. If there is no response to the letter, the MWDBE Department will inform the contractor that they need to respond or risk being in breach of their contract. The participation statements included in the quarterly and yearly reports issued by the MWDBE Department are generated from the software used to track the payments.

The MWDBE Department conducts status meetings at least once per week to resolve any issues identified during the certification process, the monitoring of County procurements, or the tracking of the utilization of (payments to) MWDBEs under County procurements.

During 2017, the MWDBE Department monitored MWDBE participation in 313 contracts. Of the 313 contracts monitored, 133 were completed in 2017. The table below summarizes the waiver status and reported MWDBE participation in these completed contracts.

<i>Expected MWDBE Participation</i>	<i>Number of Contracts</i>	<i>Actual MWDBE Participation</i>	<i>Number of Contracts</i>
No waiver of MWDBE goals	54	Combined 15% or more	28
Partial waiver of MWDBE goals	26	<15%, but >0	34
Full waiver of MWDBE goals	<u>53</u>	None	<u>71</u>
Total	<u>133</u>	Total	<u>133</u>

## **I. Introduction**

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The table demonstrates that MWDBE goals are not always realized, even though MWDBE participation commitments may have been made. It should be noted that there are a number of factors that could cause prime contractors to fail to reach the established MWDBE utilization goals even when the prime contractors put forth their best efforts to utilize MWDBEs.

## **II. Objective, Scope, and Methodology**

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### **Objective**

Our performance audit objectives were to assess the effectiveness of the County's MWDBE program and the extent to which the Allegheny County Minority, Women, and Disadvantaged Business Enterprise (M/W/DBE) Department is operating the County's M/W/DBE program in accordance with the requirements of the Allegheny County Administrative Code.

### **Scope**

Our performance audit covered the period from January 1, 2017 through December 31, 2017. We conducted the audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. 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.

### **Methodology**

The methodology used to accomplish our audit objectives included, but was not limited to, the following procedures:

- Reviewed the Allegheny County Administrative Code requirements applicable to the administration of the M/W/DBE Program, and the Code of Federal Regulation Title 49, Part 26.
- Interviewed M/W/DBE Department personnel to gain an understanding of its administration of the M/W/DBE program, including the certification process for M/W/DBEs, the Department's outreach and advocacy activities, and the tracking of M/W/DBE utilization in County procurements.
- Communicated with several organizations with minority- and women-owned business membership in an attempt to gain their perspective on the effectiveness of the MWDBE Department and the County's MWDBE program.
- Reviewed a sample of applications for M/W/DBE certification submitted to the M/W/DBE Department during our audit period as well as the documentation gathered and/or generated by the Department evidencing that the applicants met the established certification requirements in order to evaluate the effectiveness of the certification process.
- Reviewed a sample of County procurements to determine whether the documents soliciting bids or proposals included the M/W/DBE goals and language.
- Reviewed reports on the participation of M/W/DBEs in County procurements issued by the M/W/DBE Department and attempted to trace reported data to supporting documentation to assess the accuracy of the data.

## **II. Objective, Scope, and Methodology**

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- Identified types of procurements for which the MWDBE Department is not involved in the procurement process.
- Identified the total amount of Allegheny County payments in 2017 under piggyback and sole source contracts, contracts for which the MWDBE Department does not participate in the procurement process.

We conducted our procedures from July through August of 2018. We provided a draft copy of this report to the Director of the Minority, Women, and Disadvantaged Business Enterprise Department for comment. Her response begins on page 21.

### III. Findings and Recommendations

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#### *Finding #1*

#### **The MWDBE Department Is Not Involved in All Procurements Where the County is Able to Select its Own Contractors/Vendors**

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**Criteria:**

As acknowledged in the Allegheny County Administrative Code (section 435-2), “businesses owned by minorities, women, and socially and economically disadvantaged persons have not participated in County contracts and leases to the extent that is desirable.” In addition, “there are certain impediments to achieving greater participation by businesses, business concerns or business enterprises owned by minorities, women, and socially and economically disadvantaged persons in the award of County contracts and leases.” In the description of the MWDBE program goals (Code section 435-3), it states that “the County shall make a diligent effort to award various types of County contracts and County leases to M/W/DBE contractors, manufacturers, suppliers, as lessees where the County has, by law, the discretion to select its contractors, manufacturers, suppliers, and lessees.”

**Condition:**

During 2017, the MWDBE Department monitored MWDBE participation in just 313 contracts, and 56 of those 313 contracts had no reported expenditures in 2017. The MWDBE Department does not participate in the procurement process for the majority of County procurements. The MWDBE Department does not participate in the evaluation of piggyback contracting opportunities, sole source procurements, and other types of procurements, which could be noncompetitive, where the County has, by law, the discretion to select its contractors, manufacturers, suppliers, and lessees. This includes purchases of less than \$30,000 where a Request for Quotes (RFQ) is used instead of a solicitation of bids or proposals, and solicitations for professional services which are evaluated by a separate professional services review committee.

“Sole source” procurements are procurements for which Purchasing has concluded that it is unable to find more than one vendor capable of providing the desired goods or services. In these instances the solicitation of bids or proposals is deemed unnecessary, since there is no competition.

“Piggybacking” a contract involves accepting the terms and pricing contained in an existing contract that has already been negotiated and executed by other parties for sought goods and/or services. Governments like Allegheny County engage in piggybacking with the intent of reducing the time and cost associated with the procurement process while taking advantage of favorable terms and pricing that have already been negotiated and obtained from suppliers by other governments. When piggybacking, a government is electing to forego the solicitation of bids or proposals, which is an attempt at identifying the best price available in the

### III. Findings and Recommendations

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open market for the sought goods and/or services. Consequently, it is essential for a government to perform at least a limited analysis of the terms and pricing of the existing contract and the time and costs associated with identifying the best available price in the open market in order to assess whether piggybacking the existing contract may actually benefit the government. In addition, because piggybacking involves accepting the terms and pricing contained in an existing contract, the terms of the existing contract cannot be modified to include MWDBE utilization goals. The only way the County could utilize MWDBEs when piggybacking would be to piggyback on existing contracts where an MWDBE was the supplier.

Because piggybacking an existing contract is typically much easier and faster than soliciting and evaluating bids and proposals, controls should be in place to help ensure that piggybacking is only utilized when and to the extent that it is in the government's (taxpayers') best interest to do so. However, the lack of transparency with respect to piggybacking and sole source contracts that currently exists could be leading to the use of these procurement alternatives when they are not in the best interest of County taxpayers. We noted that Allegheny County's piggybacking of existing contracts is so common that Purchasing does not even track the number of times that the procurement alternative is used.

Upon our request, Purchasing compiled a list of the County's active piggyback and sole source contracts during 2017. We then utilized JD Edwards to analyze the County's total expenditures under these contracts in 2017. The table below contains the details of these expenditures.

<i>Contract Type</i>	<i>Total 2017 Active Contracts</i>	<i>Total 2017 Expenditures</i>	<i>Total MWDBE Participants</i>	<i>Total MWDBE Expenditures</i>	<i>% of Total</i>
Piggyback	285	\$23,303,921	3	\$112,704	0.5%
Sole Source	60	\$2,516,272	0	\$0	0%

The table below shows how we developed an estimate of the total 2017 Allegheny County expenditures in which MWDBEs should have been able to participate.

### III. Findings and Recommendations

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Total County Expenditures for 2017	\$940.8M
<i>Less Expenditures in connection with</i>	
Allegheny County Health Choices (Medicaid MH Program)	(289.5M)
Port Authority of Allegheny County (Local Grants Match)	(40.8M)
Community Care Behavioral Health (Medical Claims)	(27.2M)
Community College of Allegheny County (Local Match)	(25.5M)
Allegheny County Treasurer (Inter-departmental Services)	(13.9M)
Redevelopment Authority Allegheny County (CITF/Other)	(9.9M)
City of Pittsburgh (Operation of Senior Centers)	(1.8M)
Parks Foundation (Parks Capital Projects)	(0.4M)
<i>Equals</i>	
Estimated Expenditures Available for MWDBE Participation	<u>\$531.8M</u>

The reported MBE expenditures for 2017 were \$8,563,947, and the reported WBE expenditures for 2017 were \$4,795,637, for a combined total of 2017 reported MWDBE expenditures of \$13,359,584. This combined total only represents approximately 2.5% of the Allegheny County expenditures for 2017 that MWDBEs should have been able to participate in, far less than the established MWDBE combined program goal of 15%.

**Cause:** Under the operating structure that currently exists, the MWDBE Department is ordinarily not made aware that procurement processes are occurring until bids or proposals have actually been received in connection with procurements other than professional services procurements for which a bid or proposal process is being utilized. The MWDBE Department is ordinarily not consulted or made aware of Purchasing’s decisions to use alternative procurement methods (methods that do not or may not involve the solicitation of bids or proposals) for particular procurements, such as the characterization of procurements as a “sole source” procurements, or “piggybacking” on existing contracts.

**Effect:** The MWDBE program goal described in Administrative Code Section 435-3 is not being achieved in that a diligent effort to award various types of County contracts and County leases to M/W/DBE contractors, manufacturers, suppliers, as lessees where the County has, by law, the discretion to select its contractors, manufacturers, suppliers, and lessees is not being made.

**Recommendations:** The Director of the MWDBE Department should:

- Work with the County Executive and County Manager to revise the Allegheny County Administrative Code to more clearly describe the procurements that the MWDBE Department should be

### **III. Findings and Recommendations**

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involved in monitoring. Those procurements should be all County procurements except emergency procurements.

- Work with the County Executive and County Manager to modify the County's current operating structure with respect to the procurement process to bring about MWDBE Department involvement in all County procurements, except emergency procurements, prior to the issuance of solicitations for goods or services. This would enable the MWDBE Department to evaluate piggybacking opportunities and proposed sole source procurements prior to their execution, to help ensure that MWDBEs have a greater opportunity to participate in County procurements.
- Encourage the County Executive and County Manager to publicize the County's use of piggyback and sole source contracts to provide greater transparency with respect to the procurement process, so that Allegheny County taxpayers can evaluate whether the manner in which goods and services are being procured best serves taxpayers' interests.

### III. Findings and Recommendations

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#### *Finding #2*

#### **The MWDBE Department Should be Verifying Prime Contractor Payments by Utilizing the County's JD Edwards Accounting System**

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**Criteria:** Inaccurate data supplied by external sources could have an adverse impact on an organization's ability to meet its objectives. When an organization relies on external sources for operations data, controls should be in place to assess the validity of data supplied by the external sources.

**Condition:** For a sample of 25 randomly selected contracts with MWDBE participation during 2017, we attempted to trace the amounts reported by the prime contractors to the MWDBE Department as payments received during 2017 to the County's JD Edwards accounting system. For 14 of the 25 contracts (56%) we were unable to reconcile the amount reported by the prime contractor as payments received to the JD Edwards system. We were able to obtain detailed payment data from the prime contractors for eight of the 14 contracts where the payments could not be reconciled. We determined that one of the contractors (and the MWDBE subcontractor on the contract as well) reported to the MWDBE Department payments that they had received from the Pittsburgh Water and Sewer Authority, not contract payments that they had received from Allegheny County. Four of the prime contractors erroneously reported to the MWDBE Department payments that were received under more than one County contract. One prime contractor reported to the MWDBE Department that they received more in contract payments than they had actually received. Finally, the remaining two prime contractors reported to the MWDBE Department that they received less in contract payments than they had actually received. The MWDBE Department had not determined that the payment data supplied by the prime contractors was inaccurate.

We also noted that for 14 of the 133 completed contracts that the MWDBE Department indicated that it monitored in 2017 (10.5%), the prime contractors did not report to the MWDBE Department the contract payments that they received from the County during 2017. We were advised that the MWDBE Department did not follow up with the prime contractors to get a report of the payments received because the MWDBE Department believed that the contracts had terminated in 2016.

**Cause:** The MWDBE Department does not verify assertions made by prime contractors regarding contract payments received to date using JD Edwards, the County's accounting system. We were advised that an attempt was made to establish an interface between B2G Now, the application used by the MWDBE Department to monitor contracts for compliance, and JD Edwards, but that the attempt was unsuccessful. Consequently, the MWDBE Department would be required to manually

### **III. Findings and Recommendations**

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extract the payment data from JD Edwards. The MWDBE Department has not deemed this to be a necessary step. Consequently, the MWDBE Department has used inaccurate contract payment data entered into the system by external sources.

It appears that Purchasing does not routinely provide the MWDBE Department with notice when contracts that should have MWDBE participation have been extended. In addition, the MWDBE Department does not routinely check on its own to see whether contracts that should have MWDBE participation have been extended.

**Effect:**

Prime contractors could either intentionally or by unintentional error provide the MWDBE Department with inaccurate data about the contract payments received from Allegheny County. Because the MWDBE Department takes no measures to verify the reported data through the County's JD Edwards accounting system, it would not know that the data was inaccurate.

The inability to obtain the amount of payments from prime contractors that they received from the County makes it more challenging for the MWDBE Department to identify inadequate utilization of MWDBEs.

**Recommendations:** The management of the MWDBE Department should:

- Require the Department personnel engaged in the monitoring of compliance to manually enter prime contractor payment data into the B2G Now system and use that data to assess the validity of the amounts reported by the prime contractors as contract payments received.
- Work with the County's Administration to establish a process whereby Purchasing notifies the MWDBE Department when contracts that should have MWDBE participation have been extended.
- Require the Department personnel engaged in the monitoring of compliance to periodically ensure that they are monitoring the proper contract periods by checking on a monthly or quarterly basis for contract updates.

### III. Findings and Recommendations

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#### *Finding #3*

#### **The Department's Programmatic Reports Should Be Strengthened**

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**Criteria:** Programmatic reports can be valuable tools in assessing whether a government's programs are achieving their established objectives to the extent that the data included in the reports is useful and accurate. Therefore, control procedures should be in place to ensure that programmatic reports that are generated contain data about the operation of the program that is both useful and accurate.

**Condition:** We analyzed the *2017 Annual Report Department of Minority, Women and Disadvantaged Business Enterprise* issued by the MWDBE Department along with documentation supporting the data included in the report, and discussed the report contents with MWDBE Department personnel. During our analysis, we identified several issues impacting the usefulness and accuracy of the reported data. Specifically:

- Except for the payments made to the vendor Staples during 2017 reported on page 13 of the annual report (see Exhibit 1, page 19), all of the amounts reported in the tables as "Contract Expenditure" were not really contract expenditures, but represent commitments to utilize MWDBEs that were made at the beginning of contracts. While the narrative on page 13 indicates that the amounts reported in the table on page 13 consist of both actual expenditures and commitments, the narratives on the other pages of the annual report do not indicate that the tables on those pages include amounts that represent commitments. Actual 2017 MWDBE contract expenditures (except for Staples) have not been reported.
- The reported actual 2017 Staples MWDBE Expenditures on page 13 of the annual report (see Exhibit 1, page 19) were overstated by \$12,207. Per review of the report supplied to the MWDBE Department by Staples, the reported amount of expenditures to enterprises that were both minority- and women-owned was already included in the reported amount of MBE expenditures. Per the report, the County's Staples MWDBE expenditures were actually \$289,624, 16.01% of the total expenditures. It should also be noted that the Staples MWDBE expenditures have not been verified.
- We observed that the amount reported as Purchasing and Supplies "MBE Expenditure" on page 13 of the annual report (not actually contract expenditures but commitments, see the first bullet point)

### III. Findings and Recommendations

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did not include three commitments that were inadvertently omitted of \$20,900 in total.

- We observed that the spreadsheet used by the MWDBE Department to calculate the amount reported in the table on page 14 of the annual report (see Exhibit 1, page 20) as Public Works Contract Expenditure (not actually contract expenditures but commitments, see the first bullet point) contained a cell within the spreadsheet with a typographical error. The error resulted in the number entered being perceived by the application as text and excluded from the formula. Consequently, \$8,882,497 was reported instead of the actual total, \$10,915,414, a difference of \$2,032,917. As a result, the reported percentages of MBE, WBE, and MWDBE utilization were all significantly overstated. MBE, WBE, and MWDBE utilization were only 16.39%, 2.12%, and 18.51%, respectively (instead of 20.14%, 2.61%, and 22.79% as reported).
- We observed that the spreadsheet used by the MWDBE Department to calculate the reported amount of MWDBE participation in PennDOT contracts on page 14 of the annual report (see Exhibit 1, page 20) contained a formula that did not include all of the MWDBE participants. Consequently, \$794,873.54 was reported as the MWDBE spend (not actually contract expenditures but commitments, see the first bullet point) instead of the actual amount, \$1,076,504.06.

**Cause:** Control procedures designed to ensure the clarity and accuracy of the data to be reported were either not in place or not functioning as intended.

**Effect:** The commitments made to utilize MWDBEs at the beginning of contracts are not always kept. Reporting on commitments and not always clearly indicating that they are commitments could lead readers of the reports to misinterpret the data being reported. The mathematical errors that were not detected by the MWDBE Department also resulted in inaccuracies in the reported data. These conditions impair the ability of report users to accurately assess the effectiveness of the County's MWDBE Program.

**Recommendations:** The management of the MWDBE Department should:

- Carefully review the written reports generated by the Department prior to their issuance and take advantage of opportunities to clarify information that may be misinterpreted or misunderstood by users.

### **III. Findings and Recommendations**

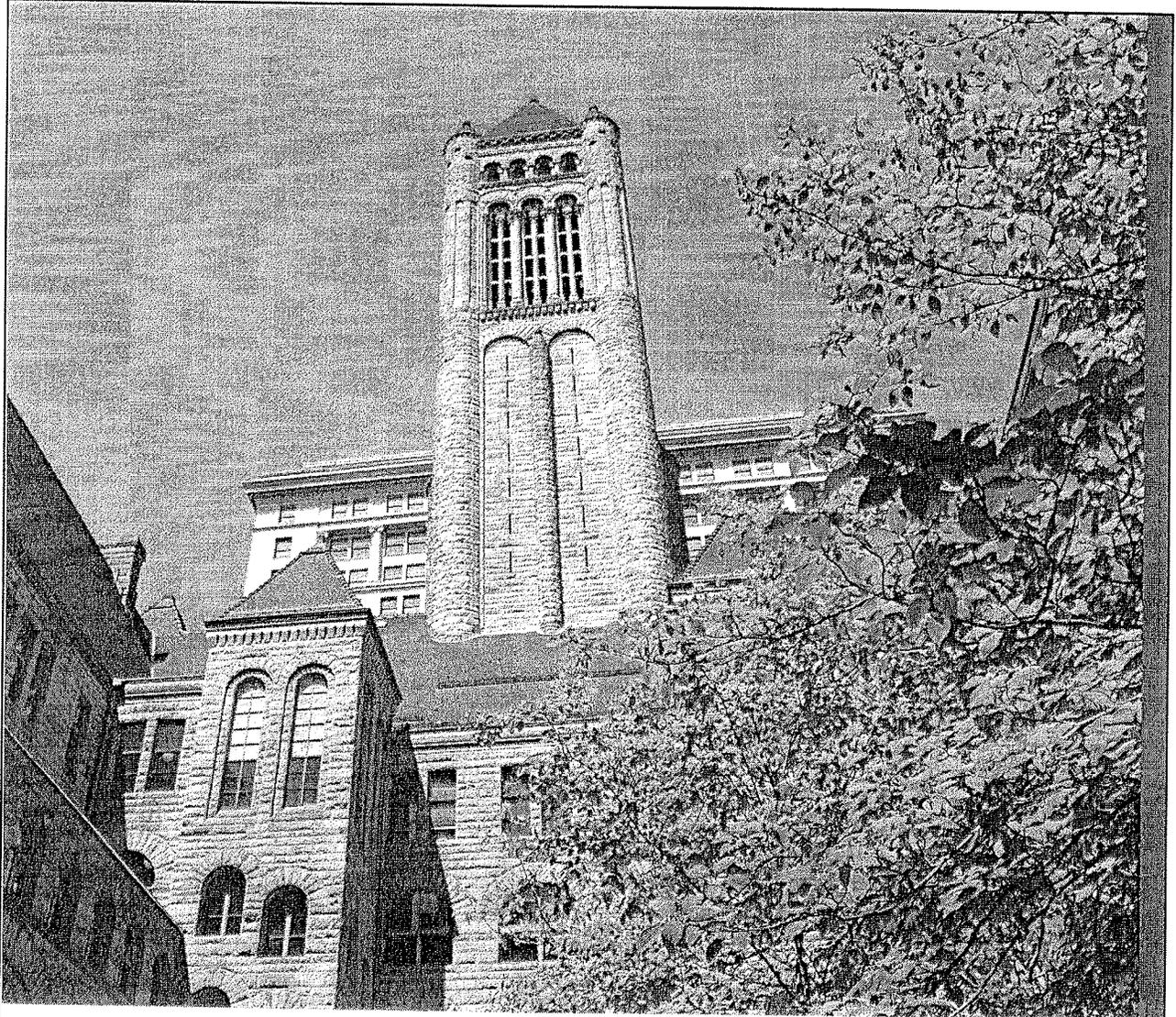
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- Report on actual MWDBE expenditures as opposed to commitments made to utilize MWDBEs at the beginning of contracts which may not be honored in order to make the report more meaningful to users.
- Implement a review process to ensure that the mathematical data compiled for reporting purposes is accurate.

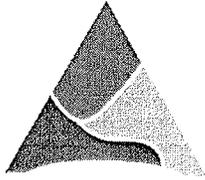
## **IV. Conclusion**

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In order to provide the greatest amount of opportunity for MWDBEs, the MWDBE Department must involve itself in all procurements where Allegheny County has the ability to select its own contractors and vendors. When monitoring County procurements for MWDBE participation, the MWDBE Department should manually enter prime contractor payment data into the B2G Now system and use that data to assess the validity of the amounts reported by the prime contractors as contract payments received. The MWDBE Department should also focus on generating useful programmatic reports that accurately reflect the progress that the County has made in utilizing MWDBEs.



**2017 ANNUAL REPORT  
DEPARTMENT OF MINORITY,  
WOMEN AND DISADVANTAGED  
BUSINESS ENTERPRISE**



**ALLEGHENY COUNTY**  
ALWAYS INSPIRING

## DEPARTMENT OF ADMINISTRATIVE SERVICES: DIVISION OF PURCHASING & SUPPLIES

The Department of Administrative Services: Division of Purchasing and Supplies procures supplies, equipment and services for Allegheny County. Their mission is to bring value to the procurement process while reducing cost, creating efficiency and providing high quality customer service.

The following numbers represent committed participation on the Requests for Proposal (RFPs) and lowest bid Invitations for Bid (IFBs) during calendar year 2017. Piggyback, sole source, extension and Request for Qualifications (RFQ) contracts are not reviewed by the Department of Minority, Women and Disadvantaged Business Enterprise. Additionally, multi-year contracts are reported during the year they are signed.

	Contract Expenditure	MBE Expenditure	MBE %	WBE Expenditure	WBE %	M/WBE Expenditure	M/WBE %
Purchasing and Supplies	\$30,452,600	\$2,829,603	9.29%	\$1,149,289	3.77%	N/A	N/A
Staples	\$1,809,142	\$272,308	15.05%	\$17,316	0.96%	\$12,207	0.67%
Total	\$32,261,742	\$3,101,911	9.6%	\$1,166,605	3.62%	\$12,207	0.67%

	Contract Expenditure	Total MWDBE Expenditure	Total MWDBE %
Purchasing and Supplies	\$30,452,600	\$3,978,892	13.1%
Staples	\$1,809,142	\$301,831	16.68%
Total	\$32,261,742	\$4,280,723	13.27%

The numbers listed for Purchasing and Supplies represent contract commitments. The numbers listed for Staples represent actual dollars spent with M/W/DBEs.

The County enters into some revenue based contracts, typically in the County Parks. The 2017 MWDBE participation in revenue contracts includes \$47,271 in revenue from MBE firms and \$1,000 in revenue from WBE firms.

## DEPARTMENT OF PUBLIC WORKS

The Department of Public Works is charged with the provision of the County's infrastructure, maintenance and engineering service. Its mission is to provide those services in an efficient, effective, responsive and responsible manner in order to enhance the quality of life, economic prosperity and mobility of the citizens of Allegheny County.

	Contract Expenditure	MBE Expenditure	MBE %	WBE Expenditure	WBE %	MWDBE Expenditure	MWDBE %
Public Works	\$8,882,497	\$1,789,046	20.14%	\$231,624	2.61%	\$2,020,670	22.79%

In 2017, the County oversaw PennDOT contracts totaling \$23,375,004.36, of which \$794,873.54 was spent with MWDBEs.

## DEPARTMENT OF HUMAN SERVICES

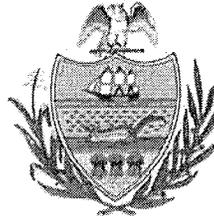
The Department of Human Services (DHS) is responsible for providing and administering publicly-funded human services to Allegheny County residents. DHS is dedicated to meeting those needs through community partners that hold contracts to service the County's most vulnerable populations. Although the majority of those partners are not certified as MWDBEs, DHS does provide information relative to its service providers that have self-identified as African American, faith based or both.

Providers designated as African American were based on the following criteria: foundation mission/purpose, CEO/Board Chair is African American, and neighborhood/consumers are predominantly African American. Likewise, providers designated as faith based were determined by the following criteria: mission/purpose and affiliation with faith based entity.

The Department of Minority, Women and Disadvantaged Business Enterprise serves as the repository for DHS contract participation data and does not review or certify any contracts on their behalf.

	African American	Faith Based	African American and Faith Based	Total
Number	45	18	16	47
Value	\$51,945,188	\$8,445,979	\$8,072,766	\$52,318,400.51
Average per Contract	\$1,154,338	\$469,221	\$504,548	\$1,113,157

COUNTY OF



ALLEGHENY

RICH FITZGERALD  
COUNTY EXECUTIVE

November 16, 2018

Chelsa Wagner, Controller  
104 Allegheny County Courthouse  
436 Grant Street  
Pittsburgh, PA 15219

RE: Performance Audit Report on The Program Effectiveness of the Allegheny County  
Department of Minority, Women and Disadvantaged Business Enterprise Department  
For the Period January 1, 2017 through December 31, 2017

Dear Ms. Wagner,

Thank you for the time and effort spent by your staff on the recent department audit referred to above. Your staff was courteous and professional, and their suggestions and recommendations are much appreciated. As you are aware, our goals and objectives mirror yours in that we strive to provide the best services to Allegheny County residents in the most efficient manner possible.

Please accept this letter as our response to the findings and recommendations noted in your draft report. Our response to each finding is set forth below.

**Finding #1** – This finding is entitled, **“The MWDBE Department Is Not Involved in All Procurements Where the County is Able to Select its Own Contractors/Vendors.”** Since there are several types of procurements listed, I will address them separately.

We concur with the “sole source,” “piggybacking” and “Request for Quotes (RFQ)” descriptions. There is no involvement from the MWDBE Department since in “sole source” procurement the conclusion is that only one vendor has the capability of providing the goods or service. In the case of “piggyback” contracts, it involves accepting the terms and pricing contained in an existing contract that has already been executed by other parties. RFQs, which are procurements of less than \$30,000, are not evaluated by the MWDBE Department.

You are correct to ascertain that in reviewing the other 2017 MWDBE expenditures, the reported numbers are based on procurements that were evaluated by the MWDBE Department in

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RUTH BYRD-SMITH, DIRECTOR  
DEPARTMENT OF MINORITY, WOMEN & DISADVANTAGED BUSINESS ENTERPRISE  
204 COUNTY OFFICE BUILDING • 542 FORBES AVENUE • PITTSBURGH, PA 15219  
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accordance with the current operating structure. It is difficult, without knowing the makeup of the other procurements identified on the report as "Estimated Expenditures Available for MWDBE Participation" with an aggregate total of \$531.8M, to determine if that number is completely accurate. We do believe that it is safe to say that the MWDBE Department does not evaluate all procurements.

We will discuss this recommendation with the County Manager and the appropriate staff.

**Finding #2 – This finding is entitled, "The MWDBE Department Should be Verifying Prime Contractor Payments by Utilizing the County's JD Edwards Accounting System."**

In 2015 the department purchased B2Gnow contract compliance software. This cloud-based package allows the prime vendor to report what Allegheny County has paid them and what they have in turn paid the MWDBE firms on their contract. It also sends a notice to the sub-vendor that allows them to verify or dispute what the prime has reported to this department.

We will explore opportunities to do reconciliation between JDE and B2Gnow and take into consideration the cost benefit with the County Manager and the appropriate staff.

**Finding #3 – This finding is entitled, "The Department's Programmatic Reports Should Be Strengthened."**

We concur that information reported should be more descriptive and accurate so that it is not misinterpreted.

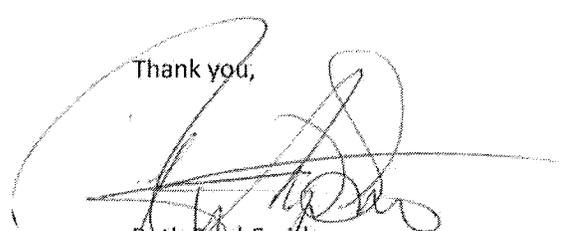
**Conclusion**

We have reviewed your findings and recommendations and, as noted herein, we will discuss the County procurement process, the vendor payment capturing process and our programmatic reports with the County Manager and the appropriate staff.

Once again, on behalf of the Department of Minority, Women and Disadvantaged Business Enterprise, I want to thank your staff for their time, effort and attention to process improvement, and to assure you that your recommendations will be seriously considered and implemented as appropriate.

If you have any questions or wish to further discuss any of the items in your report or this response, please feel free to contact me.

Thank you,



Ruth Byrd-Smith  
Director

CC: Amy B. Weise, Deputy Controller  
Lori A. Churilla, Assistant Deputy Controller, Auditing  
William D. McKain, CPA, County Manager  
Barbara M. Parees, Deputy County Manager  
Lisa L. Edmonds, MCA, Deputy Director