



CITY OF CHICAGO
OFFICE OF COMPLIANCE

January 12, 2011

Aaron Feinstein
Special Assistant
180 N. Michigan Avenue
Suite 2000
Chicago, Illinois 60601

Re: Response to May 2010 Recommendation for Supplier Diversity Program

On December 14, 2010, you requested that the Office of Compliance respond to your Review of the Minority and Women-Owned Business Enterprise (MWBE) Program, which was published in May 2010 so that you may examine changes made to the Program.

Following is the response to your specific requests, outlined in blue font:

1) Actions your department has taken on each of the recommendations contained in the IGO's Review of the Minority and Women-Owned Business Enterprise Program

- Track and Report Actual Payments to MWBEs
 - OCX has fully activated an online case management and contract compliance system (C-2) to track payments made by prime contractors to certified sub-contractors.
 - As part of the system activation, OCX invited over 2100 firms to participate in training and completed training for over 500 firms through 2010. Additional training sessions to be conducted monthly.
 - There are approximately 1700 active contracts where contract owners reporting payments, with approximately 700 architects and engineers remaining and scheduled to be reporting by end of 1st Quarter 2011.
 - In addition to requiring prime contractors to report payments to certified firms, OCX is reviewing the possibility of having prime vendors to also report payments to non-certified sub-contractors. This information will allow OCX to more closely monitor contract compliance, without having to conduct a full audit.

- File Contract Data Electronically
 - In January 2010, OCX began manually entering contract data into the case management system and conducting quality assurance of the data entered. All active contracts with supplier diversity goals are now fully entered.

- On a monthly basis all new contracts and all payments made on existing contracts are entered into the C-2 system as a direct feed from the City's Financial Management and Purchasing System (FMPS).
- Ensure More Detailed Documentation of Payments to MWBEs
 - The C2 system will provide responses from both the prime and sub-contractors regarding payments made and received. In addition, the new OCX audit program will review and validate additional documentation such as bank records to help ensure the payments were made and the work was performed by the subcontractor.
- Direct Payment of Subcontractors
 - The City has several concerns about paying subcontractors directly and could not support doing so at this time. As the report acknowledges, it would require (we believe) a significant amount of additional resources for the City to process the payments and distribute them to subcontractors. Given the City's very limited personnel resources, taking on new/additional activities that would require additional taxpayer support would not be appropriate at this time. Further, the City has serious concerns about inserting itself into the relationship between prime and subcontractors. The City does not currently have a contractual relationship with subcontractors, so to become the entity responsible for paying subcontractors directly could greatly increase the City's liability and also lead to an increase in disputes between the City, prime contractor and subcontractor, issues regarding the quality and acceptance of the work and payment of retainage (especially where EEO and CRO damages may apply).
- Increase Cooperation Between User Departments, DPS, and Compliance
 - The Office of Compliance works closely with departments on contract compliance and closeout, including conducting monthly roundtable meetings with DOA/OMP. In addition, OCX works in partnership with DPS to ensure we understand the challenges facing the certification community and jointly engage in outreach events, training and other opportunities.
 - The Office of Compliance has also scheduled training for City departments in the 1st quarter of 2011 on how to utilize the C2 system.
- Increase Contract Specific Goal Setting
 - This recommendation is being addressed by DPS and will be submitted under separate cover

- Increase Penalty Collection from Non-Compliant Firms
 - [This recommendation is being addressed by DPS and will be submitted under separate cover](#)
 - Increase Resources for MWBE Certification and Compliance
 - In 2011, OCX officially reallocated four FTEs from other compliance areas to the Supplier Diversity program, bringing the total FTE count to 11. Additionally, we have retained an external firm to assist in the initial review of applications, and will also utilize an external auditing service to conduct contract compliance audits.
 - More Detailed Descriptions of MWBE's Scope of Services
 - [This recommendation is being addressed by DPS and will be submitted under separate cover](#)
 - Detail Subcontracting to Non-MWBEs on All Schedule D-1's
 - [This recommendation is being addressed by DPS and will be submitted under separate cover](#)
 - Conduct a Rigorous Analysis of the Personal Net Worth of MWBE Applicants
 - The Office of Compliance only requires a Personal Net Worth Statement for M/WBE applicants who are seeking construction status. In order to ensure an appropriate and standardized method review, OCX developed a checklist and spreadsheet to assist in the calculation and analysis of the Personal Net Worth statements for all our reviewers. In addition, all applications are submitted for quality assurance to the Deputy and are further submitted to the Certification Committee for final review and approval. Lastly, the certification files will be randomly subjected to audit of the reviewer's final determination as well as the process followed.
- 2) **A list of the names of the contractors and the names of the people in your department who are currently working on the administration of the MWBE program. Please provide a description of the responsibilities of each staff member and contractor**

Deputy Director

Oversight for all facets of the program including strategy, reporting, quality management, regulatory interpretation and analyses, risk management and day-to-day operations.

Senior Compliance Officer, Contract Compliance

Manages day to day operations of contract compliance, electronic case management, vendor data and payments, vendor training, job site monitoring, auditing and reporting.

Senior Compliance Officer, MWBE Certification

Manages day to day operations of MWBE certification unit, including application processing, training, customer service, marketing and outreach, and program process improvements

Senior Compliance Officer, DBE Certification

Manages day to day operations of Federal DBE program unit, including application processing, training, customer service, marketing and outreach, collaboration with ILUCP, and program efficiencies

Associate Compliance Officer, DBE Certification

Under supervision, implements the Federal DBE program, including application processing, customer service, marketing and outreach, collaboration with ILUCP, and program efficiencies

Assistant Compliance Officers

Assists Associates and Senior Compliance Officers with implementation of certification and contract compliance, including intake, customer service, marketing, training, compiling documentation, data entry, file maintenance, site visits, and ad hoc projects as assigned.

Training Analyst

Under supervision, supports the marketing and outreach efforts of the supplier diversity program including attending scheduled community events, developing training and marketing materials, scheduling seminars and training sessions, executing training sessions and seminars.

External Contractor

Review applications for eligibility and make recommendations to the Deputy Director. Provide information and responses for Certification Committee, as needed

3) The status of the implementation of the C2 system.

- In 2010 OCX began moving contract monitoring from a paper process to an e-solution (C2) to accurately and efficiently record payments made to certified firms and provide access to such data to City departments.
- Approximately 1700 contract compliance plans were entered into the system to begin the process of tracking and reporting payments between vendors and certified firms.
- OCX worked with the Department of Innovation and Technology to establish a direct link from the City's Financial Management Purchasing System (FMPS) allowing contracts, modifications and payments made on active contracts to be validated through C-2. A payment notice is sent to all vendors with City contracts monthly, requesting payments made to certified firms. Immediately after a payment is reported to a certified firm, that firm receives a notice of confirmation.
- OCX monitors all activity on C2 including: goal attainment, shortfall, and non-responsive prime and subcontractors.
- To provide City departments with a uniform way to enforce prevailing wage report discrepancies related to the Chicago Residency Ordinance and Equal Employment Opportunity requirements on construction contracts, OCX has begun implementing a prevailing wage tool (LCP Tracker).
- Once the prevailing wage tracker is completely implemented, vendors on City construction contracts will upload all certified payroll records, eliminating the need of data entry for this area by OCX staff.

Sincerely,

Alyse Hutchinson
Acting Executive Director
Office of Compliance