

**OFFICE OF INDEPENDENT INTERNAL AUDIT**

**LOCAL SMALL BUSINESS ENTERPRISE PROGRAM**

Audit Report No. 2017-020-PC  
February 2020

**DEKALB COUNTY GOVERNMENT**  
Purchasing and Contracting Department

**FINAL REPORT**



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Chief Audit Executive

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Chief Audit Executive

**PURCHASING & CONTRACTING DEPARTMENT  
LOCAL SMALL BUSINESS ENTERPRISE (LSBE)  
PROGRAM  
AUDIT REPORT NO. 2017-020-PC**

**FINAL REPORT**

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## **What We Did**

In accordance with the Office of Independent Internal Audit's (OIIA) Annual Audit Plan, we conducted a performance audit to assess compliance with DeKalb County's Local Small Business Enterprise (LSBE) ordinance and administrative procedures. As part of the OIIA's purpose of promoting efficiency, effectiveness, and the integrity of DeKalb County (County), we evaluated participation and oversight of the program administered by the Purchasing and Contracting (P&C) Department.

We also reviewed the "Standards for Internal Control" in the Federal Government Green Book (United States Government Accountability Office), the Institute of Internal Auditors' Global Technology Audit Guide (GTAG-9, "Identity and Access Management") and the United States Small Business Administration, as additional criteria in identifying best practices to strengthen the effectiveness and efficiency of the LSBE Program.

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## **What We Found**

Based on the results of our audit, we determined P&C complied with some of the requirements of the LSBE ordinances in the areas such as preparation of the required LSBE vendor listing, quarterly seminars and workshops on how to do business with DeKalb County, and reports to confirm attendance of the mandatory LSBE meetings. Although we observed areas of compliance, we noted noncompliance with the ordinances in the following key areas:

- LSBE standard operating procedures to administer the modified 2016 LSBE program were still in draft form, as of report date.
- Consistent and adequate monitoring procedures were not implemented for the program.
- P&C management had not submitted the required semi-annual reports to senior management and the Board of Commissioners (BOC), as of report date.
- Semi-annual LSBE reports prepared by P&C management did not contain key data as required by the LSBE ordinance.
- Approved certification and recertification vendor applications were missing required documentation such as financial and tax information, citizenship verification, and conflict of interest statement.
- Initial certification letters and tax returns required to confirm continued eligibility or graduation from the LSBE program were missing from the files.
- Monthly reporting and supporting documents to verify that both prime contractors and LSBE firms complied with their responsibilities established by LSBE ordinance were missing from the files.

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- Adequate documentation to confirm encouragement or enforcement, where applicable, of the mentor-protégé initiative for prime contractors, awarded contracts over \$5 million dollars was missing from the files.

In addition, we identified the following risk areas:

- All users were granted administrative access to the DeKalb LINKS - Software used to manage the LSBE program.
- Incomplete prime contractor profile information was in the DeKalb LINKS software; pertinent data fields left blank or filled with a description, such as 'John Doe'.

### **What We Recommend**

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We recommend that P&C management:

- Finalize and implement the written standard operating procedures for the proper administration of the LSBE program in a timely manner.
- Develop and implement controls to provide proper program oversight and monitoring.
- Submit timelier LSBE program reports to senior management and the BOC for their review.
- Implement standard operating procedures to ensure vendor files are maintained and include appropriate documentation to support the LSBE program certification/recertification eligibility.
- Implement standard operating procedures to ensure that only eligible firms remain in the program as it relates to the LSBE graduation requirements.
- Develop and implement standard operating procedures that detail the staff's responsibilities to ensure the fulfillment of all contract compliance components, as required in the ordinance that is in effect.
- Implement procedures for the LSBE mentor-protégé initiative requirement.
- Amend contracts and/or ensure future contracts with the service providers include the requirements of the appropriate security controls and obtain independent verification of the adequacy of security controls.
- Implement operating procedures to ensure that the prime contractor's profiles in DeKalb LINKS software are accurate and complete.

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**BACKGROUND AND INTRODUCTION**

On November 28, 2006, the DeKalb County BOC adopted and the Chief Executive Officer (CEO) of DeKalb County approved a new article (Article VI, Sections 2-200 through 2-212) to the Code of DeKalb County, Georgia, “An ordinance to amend the code of DeKalb County, pertaining to the administration of the LSBE Program, and for other purposes.”<sup>1</sup>

The 2006 ordinance stated that the former CEO and the BOC believed that the new ordinance would encourage local small businesses to remain and grow in DeKalb County, therefore directly and indirectly increasing the tax dollars paid by such businesses to the County.

The 2006 ordinance further stated that the former CEO and the BOC made the success of local small businesses a permanent goal of DeKalb County by implementing the LSBE Program.

In September 2016, the DeKalb County BOC adopted and the Interim CEO of DeKalb County approved, “An ordinance [Article VII, Sections 2.200-2.214] to amend the code of DeKalb County, Georgia, pertaining to the administration of an LSBE DeKalb First Program, and/or other purposes.”<sup>2</sup> The revised ordinance (2016 LSBE ordinance) became effective sixty (60) days after adoption by the BOC and execution by the CEO.

In addition, the 2016 ordinance stated that it was created to incentivize larger contractors, professional firms and vendors, desiring to do business with DeKalb County, to hire or make good faith efforts to hire local small businesses to fulfill a portion of [the contracted] work. It was also created to enhance and improve the structure and administration of the “DeKalb First” (LSBE) Program.

Additional Information:

DeKalb County and Georgia Minority Supplier Development Council, Inc. (GMSDC) entered an agreement on April 13, 2015, under which GMSDC contracted to provide the County, “LSBE program certification services and contract compliance services in compliance with the LSBE Ordinance of DeKalb County in DeKalb County, Georgia.”<sup>3</sup> (**Exhibit 1** on page 6 of this report shows Assignment of LSBE Program Responsibilities per County contract with GMSDC.) GMSDC hosts DeKalb LSBE certification and recertification application process through their website (DeKalb LINKS).

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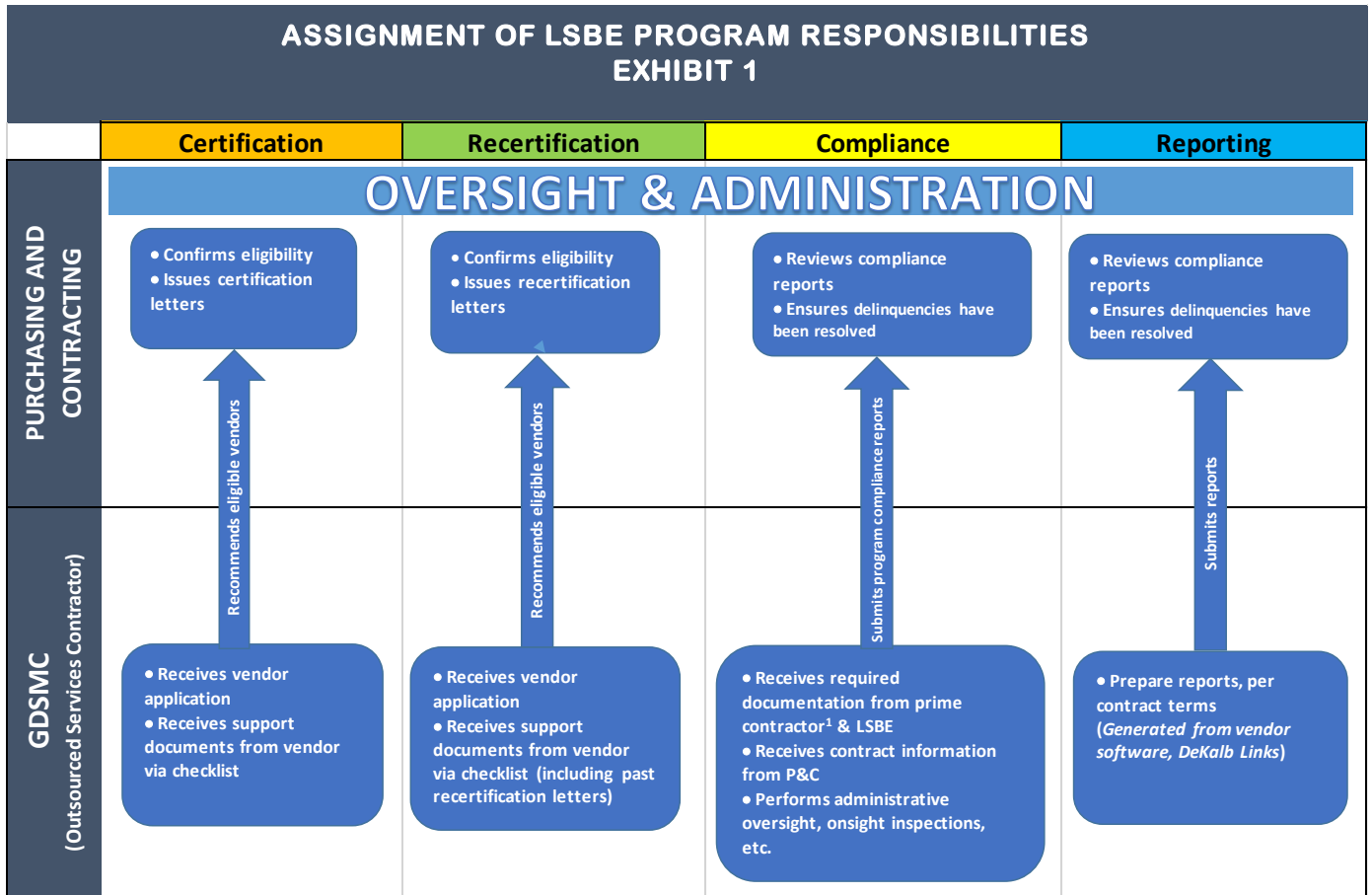
<sup>1</sup> DeKalb County, Georgia, Board of Commissioners Meeting Minutes, November 28, 2006, Local Small Business Enterprise Ordinance, Article VI, Action Item No F8:2

<sup>2</sup> DeKalb County, Georgia, Board of Commissioners Meeting Minutes, September 29, 2016, Local Small Business Enterprise Ordinance, Article VII, Action Item No. I6:2

<sup>3</sup> DeKalb County Local Small Business Enterprise (LSBE) Certification Services, Contract #15-902991 (CPA Agreement No. 966523), Between DeKalb County, Georgia and Georgia Minority Supplier Development Council, Inc.:7

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<sup>1</sup> Prime contractor: “business concern, bidder or proposer who submits a qualified sealed solicitation to the county or business concern that enters into a contract with the county.”<sup>4</sup>

**This diagram is an overview of the assigned LSBE Program responsibilities and is not intended as an actual depiction of all the roles and responsibilities of the parties listed.**

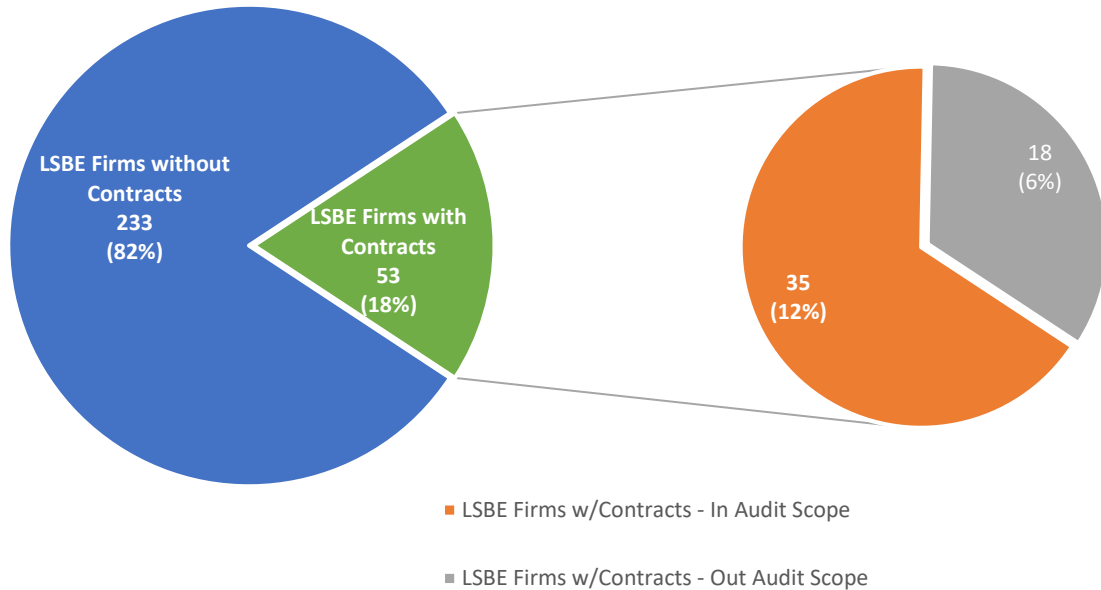
**AUDIT RESULTS**

We observed that of the 286 vendors recorded on the LSBE Certified Vendor List, 18 percent (53 vendors) acquired contracts with the County through a prime contractor or as the prime contractor themselves (**Chart 1**). The remaining 233 LSBE vendors did not have contracts. Thirty-five of the 53 LSBE firms identified with County contracts were within our audit scope of July 1, 2015, to June 30, 2017 (**Chart 1**). We stratified the 35 firms according to the applicable LSBE ordinance and randomly selected an audit sample of 11 firms. Detailed on the next page are the findings regarding compliance in the participation and oversight of the LSBE program, along with recommended best practices (**See Appendix IV**) to assist P&C in achieving the objectives of the LSBE program.

<sup>4</sup> DeKalb First "Local Small Business Enterprise Program", accessed April 2, 2018, [https://library.municode.com/ga/dekalb\\_county/codes/code\\_of\\_ordinances?nodeId=CODECO\\_CH2AD\\_ARTVIIDEFILOSMBUENPR](https://library.municode.com/ga/dekalb_county/codes/code_of_ordinances?nodeId=CODECO_CH2AD_ARTVIIDEFILOSMBUENPR)

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LSBE FIRMS POPULATION  
CHART 1



FINDING 1- LACK OF FORMAL OPERATING PROCEDURES

**Objective:** To ensure compliance with the established LSBE ordinances and administrative procedures and to evaluate the efficiency and effectiveness of the program participation and oversight.

**Criteria:** The 2016 LSBE Ordinance, Sec. 2-203 LSBE Certification, (a), states that "**Through appropriately promulgated written procedures**, the director or his/her designee shall certify as an LSBE any business concern that meets the following criteria [items 1-7, (b) &(c)]."

For effective internal control, the US Government Accountability Office (GAO) states that "Internal control comprises the plans, methods, **policies, and procedures** used to fulfill the mission, strategic plan, goals, and objectives of the entity."<sup>5</sup>

**Condition:** As of report date, P&C had only draft operational procedures for the LSBE program and these procedures did not clearly address areas such as:

- Oversight process of the LSBE applicants recommended for certification and recertification.
- Monitoring process to ensure contract performance compliance.
- The evaluation process to graduate LSBEs from the program that are no longer eligible.

<sup>5</sup> US Government Accountability Office, Standards for Internal Control in the Federal Government, GAO-14-704G (September 2014), pg. 5



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- Guidelines to administer and enforce the mentor-protégé initiative (*See Finding 7 for details of the initiative*).

For example, the draft procedures manual stated that “recommendation for approval [of the applicant for LSBE certification] is submitted via the DeKalb LSBE Links for approval by DeKalb Procurement & Contracting Certification Committee (program oversight authority).” However, the procedures didn’t state the documentation P&C should obtain to confirm eligibility.

**Cause:** P&C management stated, “Formal operating procedures are in the development stage until we (P&C) determine what the LSBE program will look like.” Additionally, P&C management acknowledged that the program utilizes on-the-job training conducted by the most seasoned in-house staff. This consists of only two persons compared to ten staff members before the reorganizing and the outsourcing of some LSBE program services.

**Consequence:** The lack of standard operating procedures may increase the risk of inconsistent adherence to the ordinance requirements, consequently, hindering the successful achievement of program objectives. Moreover, this may affect the growth of the small business community and the reinvestment of tax dollars to the County.

**Recommendation:**

We recommend that P&C management:

- Finalize and implement the written standard program operating procedures to administer the LSBE program in a timely manner. The procedures should include:
  - Oversight of the certification and recertification.
  - Monitoring of contract performance compliance.
  - Evaluation of LSBE firms to ensure compliance with the graduation requirements.
  - Administration of the mentor protégé initiative.
- Reassess staffing needs to ensure the accomplishment of program objectives as outlined in the LSBE ordinance.
- Implement a formalized training program for staff on the finalized operating procedures evidenced by either a training certificate of completion/attendance or sign-in sheet, etc.

**FINDING 2- INSUFFICIENT MONITORING/OVERSIGHT OF LSBE PROGRAM SERVICES**

**Objective:** To ensure compliance with the established LSBE ordinances and administrative procedures and to evaluate the efficiency and effectiveness of the program participation and oversight.

**Criteria:** The 2016 LSBE ordinance, Sec.2.202 (1), stipulates that it is the Director’s primary responsibility to ensure effective and equitable program implementation. This ordinance further states in Sec. 2.210 (C) that, the director shall monitor the LSBE subcontractor participation during the contract.

The 2006 LSBE ordinance, Sec. 2.208 (b) states that the Contract Compliance Division shall monitor subcontractor participation during the course of the contract.

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The US GAO states that monitoring of the internal control system is essential in helping internal controls remain aligned with changing objectives, environment, laws, resources, and risks.<sup>6</sup>

**Condition:** P&C management has not implemented consistent and adequate monitoring procedures for the LSBE Program services. This is the primary cause of the subsequent audit findings in this report.

**Cause:** P&C management mentioned that due to a reorganization of the department, staffing resources for the LSBE Program are limited and the in-house staff for the program consists of only two positions.

Additionally, there are no written operating procedures to assist P&C management in monitoring operating results and controlling risks revealed by operating deficiencies.

**Consequence:** The lack of monitoring procedures of the LSBE ordinance could lead to noncompliance not being detected in a timely manner. Ultimately, this could lead to a failure in achieving the program objectives. For example, an “LSBE MSA [Metropolitan Statistical Area] firm”, based on business residency, was inaccurately or inadvertently certified as an LSBE DeKalb firm. This allows the prime contractor to garner more incentive points for a prime contractor listing this LSBE firm in a bid for a contract with the County.

**Recommendation:** We recommend that P&C management:

- Develop and implement written standard operating procedures which include monitoring and oversight procedures of the LSBE Program.
- Reassess their staffing needs to ensure adequate staff is available to provide sufficient monitoring and oversight of the LSBE program services.

**FINDING 3- PROGRAM ADMINISTRATION REPORTING REQUIREMENTS NOT FULFILLED**

**Objective:** To ensure compliance with the established LSBE ordinances and administrative procedures and to evaluate the efficiency and effectiveness of the program participation and oversight.

**Criteria:** The 2016 LSBE Ordinance, Sec. 2-202 Program Administration, (b: 1-2) requires a written semi-annual report compiled by the director and provided to the CEO and each member of the BOC. The ordinance lists the minimum information to be included in the report such as the number of LSBEs on contract with non-LSBE prime contractors, total contracted dollars, etc.

Communication of quality information that flows up the reporting lines from management and personnel to oversight body is necessary for effective oversight of internal control and achievement of the department’s objectives. This upward communication supports decision-making and evaluation of the program’s performance.<sup>7</sup>

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<sup>6</sup> US Government Accountability Office, Standards for Internal Control in the Federal Government, GAO-14-704G (September 2014), pg. 64

<sup>7</sup> US Government Accountability Office, Standards for Internal Control in the Federal Government, GAO-14-704G (September 2014), pg. 61

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**Condition:** The PowerPoint report provided by P&C management, containing the semi-annual reporting information, was missing the following data required in the LSBE ordinance.

- The number of LSBEs on contract with non-LSBE prime contractors
- The total contracted dollars
- Other key performance indicators.

In addition, when inquired, the supporting data for the report was not available.

As of this report date, P&C management confirmed that the required LSBE Program report had not been submitted to the BOC or the CEO. Based on the 2016 LSBE ordinance's effective date, the first semi-annual LSBE Program report should have been submitted for review to the BOC and the CEO around July 2017.

**Cause:** P&C management mentioned that they are working on reformatting the report and determining what content should be included in the report.

**Consequence:** The lack of reporting on the LSBE program to the CEO and BOC could hinder the governing authority and senior management's ability to evaluate the program's performance and make needed improvements in a timely manner.

In addition, the County may lose prospective vendors considering participation in the program, and subsequently losing additional opportunities for the reinvestment of tax dollars back into the County.

**Recommendation:** We recommend P&C management:

- Submit timelier semi-annual LSBE program reports to the CEO and BOC for their review.
- Update the semi-annual LSBE program report to ensure it contains the information specified in the LSBE ordinance.

**FINDING 4- LSBE APPLICATIONS CERTIFIED/RECERTIFIED WITHOUT REQUIRED DOCUMENTATION**

**Objective:** To ensure compliance with the established LSBE ordinances and administrative procedures and to evaluate the efficiency and effectiveness of the program participation and oversight.

**Criteria:** P&C management requires each vendor requesting LSBE certification with DeKalb County to complete a formal application as described on their website.

The certification and recertification requirements are outlined in the 2006 and 2016 LSBE ordinances. In addition, P&C's checklist contains the required documentation to support eligibility. See **Appendix V, Exhibit 2** for the DeKalb County ordinance (Chapter 2- Administration, Article VII, Sec. 2.201 & 2.203) and checklist certification requirements.

Listed in **Appendix VI, Exhibit 3** are the requirements for LSBE recertification based on the applicable DeKalb County ordinances (Chapter 2-Administration, Article VII, Sec. 2.202 & 2.211).

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**Condition:** The files lack adequate documentation to support the decision to certify or recertify applicants as LSBE firms.

**Table 1** - Shows compliance with the LSBE certification requirements. Of the 11 files we reviewed, we found instances of incomplete applications, missing picture identification, and missing work references.

| <b>LSBE CERTIFICATION COMPLIANCE<br/>SAMPLE ITEMS NOT IN COMPLIANCE WITH LSBE ORDINANCES<br/>TABLE 1</b> |                                   |          |                                   |          |
|--|-----------------------------------|----------|-----------------------------------|----------|
| <b>REQUIRED ITEM</b>   | <b>2006<br/><i>(Sample 6)</i></b> | <b>%</b> | <b>2016<br/><i>(Sample 5)</i></b> | <b>%</b> |
| Missing Formal Application   | 1                                 | 17%      | 1                                 | 20%      |
| Incomplete Formal Application  | 5                                 | 83%      | 4                                 | 80%      |
| Missing Government Issued Picture ID   | 1                                 | 17%      | 0                                 | 0%       |
| Missing Personal Financial Statement   | 1                                 | 17%      | 0 <sup>1</sup>                    | 0%       |
| Missing Tax Returns  | 0                                 | 0%       | 2                                 | 40%      |
| Unsigned Tax Returns   | 4                                 | 67%      | 3                                 | 60%      |
| Exceeded Average Gross Receipts Limit  | 1                                 | 17%      | 0                                 | 0%       |
| No Work References   | 0 <sup>2</sup>                    | 0%       | 5                                 | 100%     |
| Business Certified as LSBE-DeKalb Located in Other Metro-Atlanta County                                  | 1                                 | 17%      | 0                                 | 0%       |

<sup>1</sup> 2016 LSBE law does not set a net worth limit

<sup>2</sup> 2006 Law did not specifically require work references

**Table 2** - Shows compliance with the LSBE recertification requirements. Of the completed formal applications reviewed, we found that recertification occurred 17-760 days past the 90-day expiration date. In addition, these vendors were not decertified and were still listed on the LSBE certification register. In other instances, we could not determine if the applications were within the 90-day period because some applications did not have dates or had two dates.

| <b>LSBE RECERTIFICATION COMPLIANCE<br/>SAMPLE ITEMS NOT IN COMPLIANCE WITH LSBE ORDINANCES<br/>TABLE 2</b> |                                   |          |                                   |          |
|--|-----------------------------------|----------|-----------------------------------|----------|
| <b>REQUIRED ITEM</b>   | <b>2006<br/><i>(Sample 6)</i></b> | <b>%</b> | <b>2016<br/><i>(Sample 5)</i></b> | <b>%</b> |
| No Past DeKalb-LSBE Certification letters  | 5                                 | 83%      | 3                                 | 60%      |
| No Evidence of 90-day expiration notice to LSBE  | 6                                 | 100%     | 0 <sup>1</sup>                    | 0%       |
| Missing Formal Application Made Within 90 Days of Certification Expiration                                 | 1                                 | 17%      | 1                                 | 20%      |
| Recertification Application Past 90-day Expiration Period  | 1 <sup>2</sup>                    | 17%      | 2 <sup>2</sup>                    | 40%      |
| Dates on the application unclear (No date or two dates)  | 2 <sup>2</sup>                    | 33%      | 1 <sup>2</sup>                    | 20%      |

<sup>1</sup> 2016 LSBE ordinance does not require program administrators to make 90-expiration notice to LSBE firms

<sup>2</sup> Based on 5 completed applications (2006); 4 completed applications (2016)

**Cause:** P&C management does not have standard operating procedures to support their confirmation of eligible LSBE applicants for certification and recertification.

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P&C management has not verified the third-party vendor's adherence to program ordinance requirements.

More specifically, when asked about incomplete applications, P&C management stated, "The applications are on-line fillable documents, certain fields of the application(s) are not shown due to formatting when printed." We were unable to verify the explanation.

**Consequence:** Not adhering to program eligibility requirements could lead to ineligible LSBE firms participating in the LSBE program and therefore taking business from LSBE firms that would rightly benefit from the program participation.

Furthermore, inconsistently applied certification/recertification requirements might cause a public perception of bias and/or negligence in the awarding of the LSBE certification/recertification. A perception of bias or negligence may affect the County financially as highly qualified/skilled current and future business prospects may resort to other avenues for business opportunities.

**Recommendation:** We recommend P&C management:

- Implement standard operating procedures for processing LSBE applications to ensure vendor files are maintained and include appropriate documentation in support of the LSBE program certification/recertification eligibility.
- Perform program oversight procedures to ensure that the supporting documentation from the third-party service provider used to certify and recertify the LSBE applicants is maintained and only vendors with valid LSBE certifications are included on the certified vendor listing.
- Reformat online fillable documents to ensure all fields can be viewed and/or printed.

**FINDING 5 - NONCONFORMITY WITH LSBE GRADUATION REQUIREMENTS**

**Objective:** To ensure compliance with the established LSBE ordinances and administrative procedures and to evaluate the efficiency and effectiveness of the program participation and oversight.

**Criteria:** The 2016 LSBE Ordinance, Sec. 2-213, Graduation, requires the director to graduate an LSBE from eligibility at the expiration of the certification period if the LSBE grows to exceed the limits as specified in the eligibility requirements, Sec. 2.203 (a)(1-7).

**Condition:** Initial certification letters and tax returns to confirm continued eligibility or graduation from the LSBE program were missing from two vendor files, which is part of the policies and procedures to comply with the law.

**Cause:** Lack of standard operating procedures and a lack of program monitoring to ensure appropriate documentation exists to verify compliance with the graduation requirements.

**Consequence:** When LSBEs that should have graduated from the program no longer meet the average gross annual receipts criteria continue to participate in projects, this may lessen the available projects for eligible LSBEs in the program.

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Additionally, when LSBEs that should have graduated continue to participate in the program, other LSBEs may perceive bias exists with certain firms in complying with the program requirements.

**Recommendation:** We recommend P&C management implement procedures to ensure compliance with the graduation requirements and that only eligible firms remain in the program. These procedures should include obtaining and maintaining adequate documentation of the graduation requirements.

**FINDING 6 - LACK OF DOCUMENTATION TO SUPPORT CONSISTENT CONTRACT COMPLIANCE**

**Objective:** To ensure compliance with the established LSBE ordinances and administrative procedures and to evaluate the efficiency and effectiveness of the program participation and oversight.

**Criteria:** Outlined in **Appendix VII, Exhibit 4** are the contract requirements under the 2006 and 2016 LSBE ordinances (Chapter 2-Administration, Article VII, Sec. 2.204, 2.207, 2.208, & 2.210) for LSBEs and prime contractors.

**Condition:** Documentation to verify that the prime contractors and the LSBE firms complied with the ordinances and program requirements were missing in the following areas:

- Documentation was not available to demonstrate P&C management's review of the subcontracts executed by the prime contractor and the LSBE firm. Therefore, P&C management had not verified that the subcontract contained the agreed-upon percentage or dollar amount, and prompt payment obligation, etc.
- Documentation such as canceled check and invoice copies that evidence compliance with the LSBE ordinances received prompt and accurate payments from prime contractors was not available.
  - For example, one LSBE firm reported an amount due from the prime contractor of over \$230,000, although the prime contractor agreed with the amount owed to the firm.
  - In another instance, an LSBE firm reported an amount due of nearly \$723,000 but the prime contractor reported an amount due to this LSBE firm of approximately \$65,000. No reconciliation statement was found to explain the variance between the amounts reported owed to the LSBE firm.
- Require listing of all LSBE firms and subcontractors to be used in the performance of the prime contract was not included in the payment requests submitted to the County.
- Documentation was not received to verify the performance of site visits to the prime contractor's business location.

The table below (**Table 3**) summarizes areas of noncompliance with the LSBE program contract compliance.



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**LSBE PROGRAM CONTRACT COMPLIANCE  
SAMPLE ITEMS NOT IN COMPLIANCE WITH LSBE ORDINANCES  
TABLE 3**

| REQUIRED ITEM   | 2006<br><i>(Sample 6)</i> | %    | 2016<br><i>(Sample 5)</i> | %   |
|---|---------------------------|------|---------------------------|-----|
| LSBE Subcontracts – No evidence of review by P&C management   | 6                         | 100% | 4 <sup>1</sup>            | 80% |
| LSBE Subcontracts – Missing terms of payment to LSBE within 7 days  | 1                         | 17%  | 0                         | 0%  |
| LSBE Subcontracts- Missing LSBE Benchmark/Compensation terms to be paid to LSBE for work performance                              | 2                         | 33%  | 1                         | 20% |
| DeKalb/Prime Contract-Missing notarized LSBE participation schedule   | 1                         | 17%  | 0 <sup>2</sup>            | 0%  |
| DeKalb/Prime Contract-Incomplete; missing pages in numbered sequence  | 0                         | 0%   | 1                         | 20% |
| DeKalb/Prime Contract- Missing finalized work schedule from prime contractor  | 0 <sup>3</sup>            | 0%   | 4                         | 80% |
| Prime & LSBE Monthly reports missing support documentation, check copies, invoices, etc.  | 6                         | 100% | 4                         | 80% |
| Prime & LSBE firms reported a balance due to LSBE   | 2                         | 33%  | 0                         | 0%  |
| Prime Payment Request to County missing listing of all LSBEs/Subcontractors to be used in Contract performance                    | 6                         | 100% | 4                         | 80% |
| No documentation of site visits to prime contractor business location by LSBE Program Administrators to verify LSBE participation | 6                         | 100% | 4                         | 80% |

<sup>1</sup> 2016 Subcontracts show 4 instead of 5 because one LSBE firm was also Prime on the contract; hence, the subcontract was not requested.

<sup>2</sup> 2016 LSBE ordinance did not specify the inclusion of notarized LSBE Participation Schedule in DeKalb County contract with a prime contractor.

<sup>3</sup> 2006 LSBE ordinance did not require submission of a finalized work schedule to P&C from prime contractors.

**Cause:** Standard operating procedures did not exist to administer compliance requirements and a lack of program monitoring to ensure adherence to contract performance requirements. In addition, P&C management stated that penalties authorized in the LSBE ordinances to curtail noncompliance were not enforced.

**Consequence:** The lack of required documentation from the prime contractor and LSBE firms (outlined in the last seven categories of the table 3 above) may make it difficult to monitor contract performance compliance of the program.

In addition, the lack of a notarized Schedule of LSBE Participation and the Finalized Work Schedule from the prime contractors made it challenging to monitor LSBE participation. This also may lead to misuse of the LSBE program through schemes in which the vendor secures preferential points towards winning a bid and securing a contract with the County, but then passes most of the work to other subcontractors rather than the LSBE firms used to secure the bid. The result of such schemes is a breach of contract.

**Recommendation:** We recommend P&C management:

- Develop and implement standard operating procedures that detail the staff’s responsibilities to ensure the fulfillment of all contract compliance components, as required in the ordinance that is in effect. These procedures should include, but not limited to:
  - Review the executed subcontract to ensure key components are in the subcontract.

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- Review the monthly payment listing reports along with check and invoice copies, and any other documents to substantiate the work and payments to the subcontractor.
- Monitor LSBE subcontractor participation during the contract period through site visits and review of the LSBEs and subcontractor listing, attached to the prime contractor's payment request.
- Request, maintain and monitor the Finalized Work Schedule required from prime contractors to help ensure compliance with the ordinance according to section 2.207, item (c) of the 2016 LSBE ordinance.
- Enforce the penalties as outlined in the LSBE ordinance.

See **Appendix IV** for additional best practices for program improvement.

**FINDING 7- NO EVIDENCE TO DEMONSTRATE ENFORCEMENT OF MENTOR-PROTÉGÉ INITIATIVE**

**Objective:** To ensure compliance with the established LSBE ordinances and administrative procedures and to evaluate the efficiency and effectiveness of the program participation and oversight.

**Criteria:** The current mentor-protégé initiative is an effort to develop local small business talent and provide technical, administrative, and other assistance as required for contracting with DeKalb County.<sup>8</sup>

The 2006 LSBE Ordinance, Sec. 2-210, encourages prime contractors to participate in the mentor-protégé initiative for County projects valued over \$5 million dollars and determined by the Director to qualify for the mentor-protégé relationship whereas the 2016 LSBE Ordinance, Sec. 2-214, requires prime contractors to participate in the mentor-protégé initiative for project over \$5 million dollars.

**Condition:** Procedures did not exist to ensure eligible contracts over \$5 million dollars were included in the mentor-protégé program. Of the eleven contracts reviewed between the County and the prime contractor, 3 out of 6 contracts (50%) under the 2006 law and 2 out of 5 contracts (40%) under the 2016 law contained a contract price over \$5 million dollars. In addition, no evidence existed to show that the mentor-protégé partnerships were encouraged for contracts over \$5 million dollars under the 2006 LSBE Law. Under the 2016 law, no executed agreement existed to confirm the consistency in the implementation of mentor-protégé partnerships for contracts with a price of over \$5 million dollars.

Although P&C management was unable to provide mentor-protégé agreements for LSBE firms in this audit; they provided one mentor-protégé agreement for an LSBE firm not included in this audit sample.

**Cause:** P&C management stated that mentor-protégé initiative is not consistently enforced and there is no mechanism in place to track protégé achievement after program completion.

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<sup>8</sup> DeKalb First "Local Small Business Enterprise Program", accessed April 2, 2018, [https://library.municode.com/ga/dekalb\\_county/codes/code\\_of\\_ordinances?nodeId=CODECO\\_CH2AD\\_ARTVIIDEFILOSMBUEN\\_PR\\_S2-214MEOTIN](https://library.municode.com/ga/dekalb_county/codes/code_of_ordinances?nodeId=CODECO_CH2AD_ARTVIIDEFILOSMBUEN_PR_S2-214MEOTIN)



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**Consequence:** Lack of procedures to ensure eligible contracts over \$5 million dollars may lead to noncompliance and/or inconsistent adherence to the ordinance requirements. Noncompliance with the mentor-protégé initiative may obstruct the growth and development of the small business talent, which directly and indirectly affects the economic base of the County, and one of the main objectives of the LSBE program.

**Recommendation:** We recommend that P&C management:

- Implement procedures for the LSBE mentor-protégé initiative requirement.
- Enforce the mentor-protégé initiative and ensure that prime contractors with contracts over \$5 million dollars are engaged in a mentor-protégé relationship and adhere to the mentor-protégé guidelines.
- Obtain quarterly reports from the mentor and the protégé, which should include information such as the protégé's growth, costs and expenditures, and completion of developmental activities or skills to help ensure that protégés benefit from the program.

**FINDING 8 - ALL USERS GRANTED ADMINISTRATOR RIGHTS TO DEKALB LINKS SOFTWARE** **CONFIDENTIAL**

**Note:** The details of this finding are confidential under the exemptions noted in Georgia Open Records Act #50-18- 72(a). The details of this finding would put the organization at risk. Questions and further information should be requested from the Chief Audit Executive of the Office of Independent Internal Audit.

**FINDING 9 - INCOMPLETE VENDOR PROFILE INFORMATION IN DEKALB LINKS SOFTWARE –**

**Objective:** To ensure compliance with the established LSBE ordinances and administrative procedures and to evaluate the efficiency and effectiveness of the program participation and oversight.

**Criteria:** The U.S. GAO Standards for Internal Control states that management designs control activities such as operating procedures so that all transactions are completed and accurately recorded.<sup>9</sup>

**Condition:** Contact information fields for prime contractors in the contract compliance module of DeKalb LINKS software were missing the required information. For example, one contractor's contact name field included fictitious information such as John Doe, [JDoe@email.com](mailto:JDoe@email.com) and three other contractors' contact fields were blank. There were no addresses or email information.

**Cause:** Lack of operating procedures and monitoring procedures to ensure the appropriate and complete information provided by the program participants.

**Consequence:** The lack of accurate and/or complete vendor information makes contact with the vendor difficult, specifically when ensuring contract compliance with the LSBE program. It could

<sup>9</sup> US Government Accountability Office, Standards for Internal Control in the Federal Government, GAO-14-704G (September 2014), pg. 48

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lead those responsible for verifying the accuracy of the information to question the validity of the prime contractor.

**Recommendation:** We recommend P&C management implement operating procedures to ensure the prime contractors' profiles in DeKalb LINKS software are accurate and complete. We further recommend that the responsible staff verify that the system entries agree with the prime contractor information provided.

**ADDITIONAL ITEMS FOR CONSIDERATION**

**WEBSITE SHOULD BE IMPROVED – CONFIDENTIAL**

**Note:** The details of this finding are confidential under the exemptions noted in Georgia Open Records Act #50-18- 72(a). The details of this finding would put the organization at risk. Questions and further information should be requested from the Chief Audit Executive of the Office of Independent Internal Audit.

**MISFILED VENDOR RECORDS**

During the audit, we found four different LSBE firm files that were filed in the wrong place. Misfiled vendor information could cause inefficiencies when trying to process LSBE transactions.

We recommend P&C management develop procedures that help ensure adequate storing of vendor files. These procedures should be used to educate staff responsible for managing and maintaining the records.

## **APPENDIX**

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### **Appendix I – Purpose, Scope, and Methodology**

#### **Purpose**

The purpose of the engagement was to:

- Ensure compliance with the established LSBE ordinances and administrative procedures and to evaluate the efficiency and effectiveness of the program participation and oversight.
- Identify opportunities to strengthen the effectiveness and efficiency of the LSBE Program.

#### **Scope and Methodology:**

The scope of this engagement was to examine documentation relative to participation and oversight of LSBE program from July 1, 2015, to June 30, 2017. This audit did not include the following sections of the LSBE ordinances:

- 2006 LSBE Ordinance: Sec. 2.203, Sec. 2.204 (Items a-d), Sec. 2.205, Sec.2.206, Sec. 2.209.
- 2016 LSBE Ordinance: Sec. 2.204, Sec. 2.205, Sec. 2.206, Sec. 2.212.

The methodology included, but was not limited to the following:

- Reviewing DeKalb County ordinances and administrative procedures on the LSBE program.
- Examining supporting documentation to assess compliance with the LSBE ordinances and administrative procedures of the LSBE program.
- Examining controls over the effectiveness and efficiency of procedures that ensure proper administration of the program.
- Interviewing appropriate personnel and external parties.
- Reviewing best practices to strengthen the effectiveness and efficiency of the LSBE program.
- Reviewing other applicable documentation.

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Appendix II – Management Response



Chief Executive Officer  
Michael L. Thurmond

Board of Commissioners

District 1  
Nancy Jester

District 2  
Jeff Rader

District 3  
Larry Johnson

District 4  
Steve Bradshaw

District 5  
Mereda Davis Johnson

District 6  
Kathie Gannon

District 7  
Lorraine Cochran-Johnson

February 14, 2020

Dear Mr. Greene,

This letter acknowledges receipt of your Final Report for Audit No. 2017-020-PC, Audit of Local Small Business Enterprise Program ("LSBE Audit"), dated October 2019.

We are taking the following steps to address the concerns you noted in your audit:

- Clear directive and priority status designation from CEO's office on the future direction of the LSBE Program
- New leadership in the Department of Purchasing and Contracting ("P&C")
- Internal administrative investigation
- Restructuring of the LSBE office
- Development and implementation of new Standard Operating Procedures
- P&C internal audit
- Staffing assessment for LSBE office, to include consideration of both in-house staff and potential contractor assistance
- System review of software

It is important to note that the LSBE Audit is for the time period of **July 1, 2015 through June 30, 2017**. In 2015, the DeKalb Governing Authority, concerned with the administrative oversight and effectiveness of the LSBE Program, sought a repeal and revision to the LSBE Ordinance. Of the 2-year period identified for audit, approximately 18 months of that timeframe covers a program governed by an Ordinance that was repealed and replaced in its entirety in December 2016. Concerns raised by State Representative Viola Davis led to the initiation of an internal administrative investigation of the LSBE Program, which is still in progress.

Further, County staff is working to determine the root cause of many of the issues included in the audit. Upon completion of the internal investigation, P&C's internal audit and determination of any root causes, this administration will work directly with Interim Chief Procurement Officer Cathryn Horner to ensure that clear standard operating procedures are developed and fully implemented in accordance with the current LSBE Ordinance.

Below you will find the Thurmond Administration's final response to each finding in your audit of the LSBE Program:



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**Finding 1 – Lack of Formal Operating Procedures**

Response: Agreed. New P&C leadership is currently working to develop and implement written standard operating procedures and assess staffing needs. The administration is committed to implementing a formalized training program for LSBE staff once the standard operating procedures are finalized.

**Finding 2 – Insufficient Monitoring/Oversight of LSBE Program**

Response: Agreed. New P&C leadership is currently working to develop and implement written standard operating procedures and assess staffing needs. Additionally, there has been a restructuring of the LSBE office and P&C is conducting an internal audit.

**Finding 3 – Program Administration Reporting Requirements Not Fulfilled**

Response: Agreed. New P&C leadership is working to ensure timely submittal of complete semi-annual LSBE reports in accordance with the current LSBE Ordinance.

**Finding 4 – LSBE Applications Certified/Recertified without Required Documentation**

Response: Agreed. New P&C leadership is currently working to develop and implement written standard operating procedures and is performing a system review of software.

**Finding 5 – Nonconformity with LSBE Graduation Requirements**

Response: Agreed. New P&C leadership is currently working to develop and implement written standard operating procedures.

**Finding 6 – Lack of Documentation to Support Consistent Contract Compliance**

Response: See Response to Finding 5, above.

**Finding 7 – No Evidence to Demonstrate Enforcement of Mentor-Protégé Initiative**

Response: See Response to Finding 5, above.

**Finding 8 – All Users Granted Administrator Rights to DeKalb Links Software**

Response: Agreed. New P&C leadership is currently performing a system review of software.

**Finding 9 – Incomplete Vendor Profile Information in DeKalb Links Software**

Response: See Response to Finding 4, above.

This administration is committed to the purpose for which the DeKalb First LSBE Program was created and is dedicated to seeing that program thrive by creating opportunities for qualified local small businesses to invest in the local county economy, create jobs and further the objective of building a diverse, robust economy helping DeKalb businesses grow and prosper.

Sincerely,



Michael L. Thurmond  
Chief Executive Officer

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Appendix III – Definitions and Abbreviations

Key Definitions

**LSBE DeKalb Firm:** a business that “have a physical presence within the geographic boundaries of DeKalb County such as having office space, a plant, warehouse, or other physical business facility presence (not including a post office box), for at least one (1) year prior to submitting an application for LSBE certification.”<sup>10</sup>

**LSBE MSA Firm:** a business that “have a physical presence within the geographic boundaries of the counties within the MSA, but outside of DeKalb County such as having office space, a plant, warehouse, or other physical business facility, but specifically excluding the existence of a post office box without any other physical presence, for at least one (1) year prior to submitting an application for LSBE certification.”<sup>11</sup>

**Metropolitan Statistical Area (MSA):** “means the geographical area consisting of Cherokee, Clayton, Cobb, Douglas, Fayette, Fulton, Gwinnett, Henry and Rockdale counties.”<sup>12</sup>

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<sup>10</sup> DeKalb First "Local Small Business Enterprise Program", accessed April 2, 2018, [https://library.municode.com/ga/dekalb\\_county/codes/code\\_of\\_ordinances?nodeId=CODECO\\_CH2AD\\_ARTVIIDEFILOSMBUENPR](https://library.municode.com/ga/dekalb_county/codes/code_of_ordinances?nodeId=CODECO_CH2AD_ARTVIIDEFILOSMBUENPR)

<sup>11</sup> DeKalb First "Local Small Business Enterprise Program", accessed April 2, 2018, [https://library.municode.com/ga/dekalb\\_county/codes/code\\_of\\_ordinances?nodeId=CODECO\\_CH2AD\\_ARTVIIDEFILOSMBUENPR](https://library.municode.com/ga/dekalb_county/codes/code_of_ordinances?nodeId=CODECO_CH2AD_ARTVIIDEFILOSMBUENPR)

<sup>12</sup> DeKalb First "Local Small Business Enterprise Program", accessed April 2, 2018, [https://library.municode.com/ga/dekalb\\_county/codes/code\\_of\\_ordinances?nodeId=CODECO\\_CH2AD\\_ARTVIIDEFILOSMBUENPR](https://library.municode.com/ga/dekalb_county/codes/code_of_ordinances?nodeId=CODECO_CH2AD_ARTVIIDEFILOSMBUENPR)

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**Appendix IV – Best Practices Identified for the LSBE Program**

| Criteria/ Best Practices  | References /Sources   |
|---|---|
| <p><b>Implement a Reconciliation of Prime/LSBE Monthly Reports</b></p> <p><b>Criteria:</b></p> <ul style="list-style-type: none"> <li>The United States Government Accountability Office (GAO) defines “Transaction control activities” as actions built directly into operational processes to support the entity in achieving its objectives and addressing related risks. The GAO recommends that Management may design a variety of transaction control activities for operational processes, which may include verifications, reconciliations, authorizations and approvals, physical control activities, and supervisory control activities.</li> <li>United States GAAP (Generally Accepted Accounting Principles) states that the purpose of account reconciliation is to provide accuracy and consistency in financial accounts.</li> </ul> <p><b>Best Practice(s):</b></p> <ul style="list-style-type: none"> <li>To fulfill the objectives of the LSBE program to ensure the growth of small business and to alleviate the risk of LSBE firms not receiving accurate and consistent payments from the prime contractors for work performed, the County should implement a reconciliation process of the monthly reports required by both vendors per the effective LSBE ordinance. The reconciliation process would provide further internal control by offering a check and balance system to discover any variances/discrepancies needing immediate resolution.</li> <li>The County should revisit the LSBE ordinance to include a revision requiring, as an oversight control, a reconciliation by County staff of the monthly reports required by the LSBE and prime contractors participating in the LSBE program.</li> </ul> <p><b>Amend LSBE Ordinance to Include Additional Documentation to Verify Prompt Payment by Prime contractor to LSBE Vendor</b></p> <p><b>Criteria:</b></p> <ul style="list-style-type: none"> <li>The current LSBE ordinance requires LSBE and prime contractors to submit to P&amp;C a monthly report of work performed by LSBE firm and payments</li> </ul> | <ul style="list-style-type: none"> <li><b>Standards for Internal Control in the Federal Government (Green Book) by the Comptroller General of the United States, Government Accountability Office, September 2014, Control Activities, Principle 10-Design Control Activities, page 50, Unit 10.10</b></li> <li><b>US GAAP</b><br/><a href="http://www.fasb.org">www.fasb.org</a></li> <li><b>The 2016 LSBE ordinance, Sec.2.208, LSBE Subcontractor</b></li> </ul> |

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made/received along with check copies, invoices, and other relevant documentation to substantiate payment made/received.

**Best Practice(s):**

- The LSBE ordinance should require the prime contractor to include with the required monthly report additional documentation such as a copy of the check or ACH notice received from DeKalb County and a copy of the Prime’s bank advice showing the date of the deposit (redacting personally identifiable information). The additional information will assist the County in verifying, “Prompt payment by Prime to LSBE within 7 days of receipt of payment from DeKalb County to Prime,” as currently required by the County Code.

**Adopt a Performance Scorecard for Third Party Provider Responsible for Conducting LSBE Program Certification and Contract Compliance Services**

**Criteria:**

- The GAO states that Management retains responsibility for the performance of processes assigned to service organizations [external parties].
- The current County Purchasing Policy provides for the establishment of a performance rating system for use in eliminating those suppliers who fail to perform or who perform unsatisfactorily. The rating systems may include evaluation and award purposes.

**Best Practice(s):**

- Establish a consistent oversight control, such as a performance scorecard, for third party provider(s), contracted to operate specific areas of the LSBE program to ensure satisfactory coverage of the terms of the contract and compliance with the requirements of the applicable LSBE ordinance.

**Establish Set-Aside Contracts for LSBE Vendors Only**

**Criteria:**

- Small Business Administration - To help provide a level playing field for small businesses, the

**Responsibility, (Item b) & Sec. 2.209, Contract Compliance, (i)**

- **Standards for Internal Control in the Federal Government (Green Book) by the Comptroller General of the United States, Government Accountability Office, September 2014, Section 4-Additional Considerations, page 17, OV4.01**
- **DeKalb County Purchasing Policy, page 27, “Vendor Performance Rating”**



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government limits competition of contracts to small businesses. These contracts are called “small business set-asides,” and they help small businesses compete for and win federal contracts.

**Best Practice(s):**

- To encourage increased program participation by all LSBE firms, the County should consider establishing “set-aside” contracts (within a certain dollar range) restricted to bidding only by unexpired, certified LSBE firms.

- U.S. Small Business Administration  
<https://www.sba.gov/federal-contracting/contracting-guide/types-contracts>

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**Appendix V – 2006 and 2016 LSBE Program Certification Requirements**

| <b>2006 AND 2016 LOCAL SMALL BUSINESS ENTERPRISE PROGRAM<br/>CERTIFICATION REQUIREMENTS<br/>CHAPTER 2 (ADMINISTRATION, ARTICLE VII, SEC. 2.201 &amp; 2.203)<br/>EXHIBIT 2</b> |   |  |  |  |
|---|---|--|--|--|
| <b>CATEGORY</b>   | <b>2006 ORDINANCE-<br/>SEC. 2.201<br/>(Items 1-6)</b>                       | <b>2006 CHECKLIST -<br/>REQUIRED<br/>DOCUMENTATION</b> | <b>2016 ORDINANCE-<br/>SEC. 2.203<br/>(Items 1-7)</b>                        | <b>2016 CHECKLIST -<br/>REQUIRED<br/>DOCUMENTATION</b> |
| <b>Residency</b>  | DeKalb Business or Metro Atlanta County Business                            | Copy of Current Business License                       | DeKalb Business or Metro Atlanta County Business                             | Copy of Current Business License                       |
| <b>Citizenship</b>  | U.S. Citizen or Lawful Permanent Resident                                   | US Photo ID- Example- Driver's License/Passport        | U.S. Citizen or Lawful Permanent Resident                                    | US Photo ID- Example- Driver's License/Passport        |
| <b>Ownership</b>  | 51% or More   | Prior Year Business License                            | 51% or More  | Prior Year Business License                            |
| <b>Ownership Existence</b>  | At least 1 year prior to application  | Prior Year Business License                            | At least 1 year prior to application   | Copy of Prior Year Business License                    |
| <b>Net Worth</b>  | Less than \$1M  | Personal Financial Statement                           | Not Applicable   | Not Applicable   |
| <b>Avg. 3-Yr Gross Receipts Limits-Not exceed</b>   | Construction \$3M<br>Professional Services \$2M<br>Commodity Suppliers \$1M | Recent Tax Returns 3 years prior to application        | Construction \$25M<br>Professional Services \$5M<br>Commodity Suppliers \$3M | Recent Tax Returns 3 years prior to application        |
| <b>Qualifications</b>   | Not Specified   | Not Applicable   | Resume, References, Relevant Licenses & Certifications                       |  |

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**Appendix VI – 2006 and 2016 LSBE Program Recertification Requirements**

| <b>2006 AND 2016 LOCAL SMALL BUSINESS ENTERPRISE PROGRAM<br/>RECERTIFICATION REQUIREMENTS<br/>CHAPTER 2 (ADMINISTRATION, ARTICLE VII, SEC. 2.202 &amp; 2.211)<br/>EXHIBIT 3</b> |   |   |   |   |
|---|---|---|---|---|
| <b>CATEGORY</b>   | <b>2006 ORDINANCE-<br/>SEC.2.202<br/>(Items a-c)</b>        | <b>2006 CHECKLIST-<br/>REQUIRED<br/>DOCUMENTATION</b>                               | <b>2016 ORDINANCE-<br/>SEC. 2.211<br/>(Items a-c)</b>       | <b>2016 CHECKLIST -<br/>REQUIRED<br/>DOCUMENTATION</b>                              |
| <b>Certification Expiration Term</b>  | 2 years from the date of certification                      | Most recent LSBE Certification Letter <sup>1</sup>                                  | 3 Years from date of certification                          | Most recent LSBE Certification Letter <sup>1</sup>                                  |
| <b>90-Day Recertification Notice</b>  | Written notice of certification expiration from P&C         | Evidence of written notice <sup>1</sup>   | Not Applicable  | Not Applicable  |
| <b>Recertification Application</b>  | Recertification application <sup>2</sup>                    | Recertification application <sup>2</sup>  | Recertification application <sup>2</sup>                    | Recertification application <sup>2</sup>  |
| <b>Recertification Application Due Date</b>   | Within 90 days of the current certification expiration date | Most recent Certification Letter & Current Recertification Application <sup>1</sup> | Within 90 days of the current certification expiration date | Most recent Certification Letter & Current Recertification Application <sup>1</sup> |

<sup>1</sup> Auditor's request for testing

<sup>2</sup> Same requirements for initial certification (See Exhibit 2)

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**Appendix VII – 2006 and 2016 LSBE Program Compliance Requirements**

| <b>2006 AND 2016 LOCAL SMALL BUSINESS ENTERPRISE PROGRAM<br/>COMPLIANCE REQUIREMENTS<br/>CHAPTER 2 (ADMINISTRATION, ARTICLE VII, SEC. 2.204, 2.207, 2.208, 2.209, &amp; 2.210)<br/>EXHIBIT 4</b> |  |   |  |   |
|--|--|---|--|---|
| <b>CATEGORY</b>  | <b>2006 ORDINANCE-<br/>SEC. 2.204 &amp; SEC.<br/>2.208</b>                                 | <b>2006 REQUIRED<br/>DOCUMENTATION<br/>FOR AUDIT</b>          | <b>2016 ORDINANCE-<br/>SEC.2. 207-2.210</b>  | <b>2016 REQUIRED<br/>DOCUMENTATION<br/>FOR AUDIT</b>          |
| <b>Subcontract Existence</b>   | P&C verifies subcontract existence & required terms  | Subcontract-LSBE & prime contractor                           | Director shall verify subcontract existence & required terms                                     | Copy of Subcontract-LSBE & prime contractor                   |
| <b>Required contract terms</b>   | 1.Benchmark/compensation<br>2.Promise to pay LSBE within 7 days of payment from the County | Copy of Subcontract-LSBE & prime contractor                   | 1.Benchmark/compensation<br>2.Promise to pay LSBE within 7 days of Prime payment from the County | Copy of Subcontract- LSBE & prime contractor                  |
| <b>Prime Contract</b>  | Notarized LSBE Participation Schedule  | Notarized LSBE Participation Schedule                         | Finalized Work Schedule  | Finalized Work Schedule                                       |
| <b>Proof of Prime Payment to LSBE</b>  | Monthly report & support documentation from Prime & LSBE firm                              | Monthly report & support documentation from Prime & LSBE firm | Monthly report & support documentation from Prime & LSBE firm                                    | Monthly report & support documentation from Prime & LSBE firm |
| <b>Prime contractor's Request for Payment</b>  | List of all LSBEs/ subcontractors to be used on the contract                               | List of all LSBEs/ subcontractors to be used on the contract  | List of all LSBEs/ subcontractors to be used on the contract                                     | List of all LSBEs/ subcontractors to be used on the contract  |
| <b>Site Visits</b>   | P&C shall monitor LSBE participation throughout the contract                               | Written documentation of site visit                           | Director shall monitor LSBE participation throughout the contract                                | Written documentation of site visit                           |

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**PROJECT TEAM**

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This report was submitted by:

Not Available for Signature

\_\_\_\_\_  
Gloria Evans, CPA, CIA  
Internal Auditor  
Office of Independent Internal Audit


\_\_\_\_\_  
Date

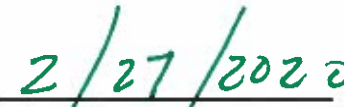
This report was reviewed by:

  
\_\_\_\_\_  
Cornelia Louis-Gifford  
Internal Audit Manager  
Office of Independent Internal Audit

  
\_\_\_\_\_  
Date

The report was approved by:

  
\_\_\_\_\_  
John Greene, CIA, CIG, CGAP, CGFM  
Chief Audit Executive  
Office of Independent Internal Audit

  
\_\_\_\_\_  
Date

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**STATEMENT OF ACCORDANCE**

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**Statement of Accordance**

*The mission of DeKalb County is to make the priorities of the citizens of DeKalb County; the priorities of County government - by achieving a safer DeKalb, building stronger neighborhoods, creating a fiscally accountable and more efficient county government and uniting the citizens of DeKalb County.*

*The mission of the Office of Independent Internal Audit is to provide independent, objective, insightful, nonpartisan assessment of the stewardship or performance of policies, programs and operations in promoting efficiency, effectiveness and integrity in DeKalb County.*

*This performance audit was prepared pursuant to DeKalb County, Georgia – Code Ordinances/Organizational Act Section 10A- Independent Internal Audit. 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.*

*This report is intended for the use of the agency to which it was disseminated and may contain information that is exempt from disclosure under applicable law. Do not release without prior coordination with the Office of Independent Internal Audit.*

*Please address inquiries regarding this report to the Office of Independent Internal Audit at 404-371-2765.*