

EQUITY IN CONSTRUCTION CONTRACTING:

Some goals achieved despite mismanagement, waste, and gamesmanship

September 2020



P O R T L A N D
C I T Y A U D I T O R

Audit Services



Mary Hull Caballero, City Auditor
Kari Guy, Audit Services Director

Audit Team

Elizabeth Pape, Performance Auditor II
Gordon Friedman, Performance Auditor I

Cover photo: [Bannafarsai_Stock/Shutterstock.com](#)

Equity in Construction Contracting:

Some goals achieved despite mismanagement, waste,
and gamesmanship

Table of Contents

Summary	1
Background	2
Audit Results	4
The City achieved some equity goals	4
Design flaws and false starts hampered workforce and contractor diversity grant programs	6
Prime Contractor Development Program benefited few participants and suffered from mismanagement and waste ...	7
Procurement did not do enough to protect the integrity of programs and prevent gamesmanship	14
Missing reports from Procurement exacerbated community frustration and limited the effectiveness of initiatives	20
Conclusion	24
Summary of All Recommendations	25
Objective, Scope, and Methodology	26
Audit Response	

Equity in Construction Contracting:

Some goals achieved despite mismanagement, waste, and gamesmanship

Summary Portland adopted a suite of initiatives in 2012 to use the impressive purchasing power of City Hall to correct race and gender disparities in construction contracting. The initiatives provide opportunities for owners of state-certified, socially disadvantaged businesses to build projects worth tens of millions of dollars, for women and people of color to learn a trade, and for City government to make Portland a fairer society.

But results speak louder than the promise of opportunity. Evidence shows these initiatives reduced disparities, but they also suffered from design flaws and mismanagement, and were vulnerable to gamesmanship.

Though parts of the City's contracting equity programs work as designed, they are unpopular with many key constituents. This dissatisfaction stems, in part, from mismanaging some programs and failing to communicate successes that did occur. It also comes from legal restrictions that constrain the City's ability to choose contractors because of their race and gender in all but the narrowest circumstances.

What's more, the City officials responsible for administering the contracting equity system report being disempowered, disengaged, and without requisite funding and oversight.

The result is dissatisfaction from top to bottom, inside and outside the government.

Understanding the missteps and the reasons for them is the first act toward their correction. Along with context and evidence, we make 16 recommendations for improving the City's contracting equity strategies. These include suggestions for better program design as well as measures to improve oversight, transparency, and accountability.

Background

Contracting opportunities for private firms are one of Portland's key tools to achieve its goal of ending racial disparities within City government. City Council authorized the use of the City's purchasing power to promote competition, enhance economic opportunity, and promote fairness in hiring among Portlanders.

These values are the foundation for the City's programs to promote equity in contracting.

The City's options for creating programs that combat the effects of past discrimination and increase the participation of women- and minority-owned firms in public contracting are limited. Courts carefully scrutinize

government actions that are based on race or gender. To meet constitutional standards, race- and gender-based government actions must be: (1) based on strong evidence showing the need to remedy discrimination; and (2) designed to combat the discrimination.

To satisfy legal requirements, the City commissioned a disparity study to document whether minority- and women-owned firms received fewer construction contracts than their share of the market in 2011. The study did not find overall disparities because few such companies were available to compete for the work. However, community members objected to report's methods and results, and argued that it undercounted minority-owned and women-owned firms.

Without the evidence needed to justify the creation of enforceable race- and gender-based programs, Portland City Council created contracting equity initiatives in a 2012 resolution that used aspirational goals and focused efforts on state-certified disadvantaged businesses to increase opportunities for minority- and women-owned businesses.

Equity Goal #1

We will end racial disparities within city government, so there is fairness in hiring and promotions, greater opportunities in contracting, and equitable services to all residents.

In 2012, through Resolution No. [36944](#), Council established a contracting equity strategy to increase the use of minority-owned, women-owned and emerging small businesses in City contracting.

The City had five initiatives in place in 2020 that set aspirational goals for enhancing contractor and workforce diversity, created alternatives to low bid contracting, and sought to support business and workforce development through training, technical assistance, and grants. Council directed the City’s Procurement Services division to administer the contracting equity initiatives.

Subcontractor equity	Sets aspirational goal for prime contractors to hire certified subcontractors.
Workforce training and hiring	Sets aspirational goals for contractors to increase workforce participation by women and people of color and hire apprentices.
Workforce and contractor diversity grants	Provides business and workforce development grants funded by 1 percent of a project’s hard construction costs. This became the Community Opportunities and Enhancement Program in 2018.
Alternative bid contracting	Uses a Community Equity and Inclusion Plan or Community Benefits Agreement for public improvement projects more than \$10 million. Contracts provide the best value rather than the lowest bid. Contracts prescribe processes to meet contractor and workforce diversity goals and include input from a community-led, problem-solving committee.
Prime Contractor Development Program	Supports the development of certified contractors through training and technical assistance and by limiting competition on prime construction contracts less than \$1 million to participant firms.

The City used Business Oregon, a state agency, to identify construction companies owned by people from historically disadvantaged groups. Contracting with these companies counted toward City equity goals. In addition to minority-owned and women-owned businesses, Business Oregon also certified veteran-owned and emerging small businesses, which can be owned by white men. In this report, we refer to these firms as “certified.”

Audit Results We analyzed the City’s contracting equity initiatives for effectiveness and found that:

- The City achieved or came close to achieving its equity goals in some areas.
- The workforce and contractor diversity grant initiative were ineffective after two attempts and has been more expensive to operate than anticipated. The program was in jeopardy of falling short of its goals a third time.
- The Prime Contractor Development Program benefitted few participants and suffered from mismanagement and waste. Additionally, white-owned firms won most of the contract dollars awarded via the program. The program’s training and technical assistance programs were generally unsuccessful, disorganized, and wasteful.
- Procurement did not do enough to protect the City’s contracting equity initiatives from actions that undermined their effectiveness. We observed the potential for fraudulent certifications, project bundling to avoid equity requirements, bid-rigging and self-dealing, and contractors receiving unequal access to information about upcoming projects.
- Procurement did not report the City’s progress toward meeting equity goals, which caused Council and community members to perceive the City’s efforts as unsuccessful. The City also missed an opportunity to use results to inform decisions about investing in technical assistance or policy changes.

The City achieved some equity goals The main goals for the City’s contracting equity initiatives were to:

- Increase contracting with certified subcontractors,
- Improve prime contractor diversity, and
- Improve workforce diversity.

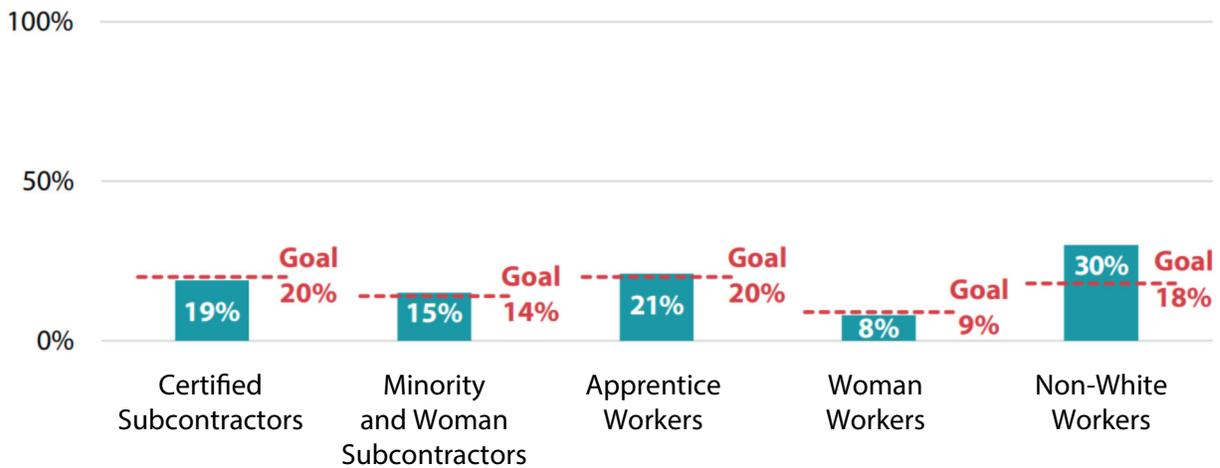
Prime Contractors are responsible for delivering construction projects under contract to the City.

Subcontractors are hired by prime contractors to complete specific types of work on the prime contractors’ projects for the City.

Procurement has satisfied some of these requirements. It exceeded its goal for subcontract dollars going to certified minority- and woman-owned firms and exceeded its goals for construction companies working on City projects that employed apprentices and minority contractors. It nearly met the goal for women working on construction projects.

Exceeding some goals and close to meeting others

Actual v. Goal



Subcontractor certification data includes projects active 1/1/2018-10/31/2019
 Workforce data includes projects active 1/1/2018-2/24/2020

In response to Council’s 2012 contracting equity resolution, Procurement also:

- Established criteria for alternative procurement contracts that provide the best value and not necessarily the lowest price. These contracts prescribe processes to meet subcontractor and workforce diversity goals and include input from a community-led problem-solving committee.
- Reduced barriers associated with prequalification, which is an approval process to bid on high-dollar contracts. Procurement eliminated prequalification for projects less than \$500,000 and administered prequalification on behalf of City bureaus.
- Created a process for post-project reporting that examined the use of certified firms, workforce participation, and construction manager review.

Although Procurement met these goals and program requirements, it fell short in achieving some of the other equity initiatives created by City Council.

Design flaws and false starts hampered workforce and contractor diversity grant programs

The City designed workforce and contractor diversity grant initiatives to set aside 1 percent of a project's construction costs for grants to promote the development of a diverse pool of contractors and construction workers. Organizations eligible for grants included those that provided technical assistance for certified contractors or training to women and people of color for work in the construction industry. These initiatives were less effective and more expensive than anticipated. Three years after Council adopted the Community Opportunities and Enhancements Program, it was not functional.

The City's first attempt at allocating grants was a 2012 pilot project to disburse funds through community benefit agreements associated with specific projects. The projects disbursed some grants, but an evaluation found the method to have high overhead costs, limited effect on project staffing, and susceptibility to conflicts of interest.

The second attempt resulted from the creation of the Community Opportunities and Enhancement Program in 2018. The initiative differed from the 2012 pilot in that it pooled and disbursed money from multiple projects. Organizations prepared and submitted applications for 39 grants, but the City did not award any of the funds. After applications were submitted, the Mayor decided not to award any of the grants and proposed moving administration of the grant program to Prosper Portland.

These unsuccessful attempts damaged the City's reputation with some constituents and were a missed opportunity to increase contractor and workforce diversity. We noted this result in our [audit](#) of the Portland Building Reconstruction project.

Council moved the Community Opportunities and Enhancement Program to Prosper Portland in January 2020, with Procurement providing some support and oversight. The agreement outlining this working relationship provided a mechanism for better oversight, but overly optimistic revenue projections and high administrative costs threatened the program's success.

Budget projections for the program may have been overly rosy. Projected construction spending over four years totaled more than \$500 million, for an average of \$125 million a year, which would result in about \$1.3 million for grants annually. That projection did not consider that construction projects funded by bonds, utility, and gas tax revenues, were restricted by law and may be unavailable or impractical for use with the grants program. The City Budget Office said in February that the actual amount of money available for the program was unknown.

The potential decrease in money available may make the program more expensive to operate. Costs for grantmaking by Prosper Portland and oversight by Procurement are fixed, no matter the amount of grant funds available. The Budget Office estimated these costs would be 25 percent of available grant funds in 2021. That percentage will increase if program funds decrease. Grantees may also spend 15 percent of funds received on their overhead costs, further increasing costs to operate the program. The money available for direct equity work decreases as operating costs rise.

Given the unknown variables and past program failures, it is especially important for Prosper Portland to issue progress reports, as required by the agreement – chiefly those that measure equity outcomes. It is also important that Procurement carefully evaluate and act upon information provided in the reports, if necessary.

**Recommendations
for grant program**

Procurement should improve the grant-making of the Community Opportunities and Enhancement Program by:

- Implementing the oversight steps outlined in the agreement with Prosper Portland, including obtaining all required performance evaluations and progress reports.
- Confirming funding sources and available budget for grant amounts.
- Evaluating the results of grant awards on growth in the construction market, determining whether overhead costs are justifiable, and reporting the information to Council.

**Prime Contractor
Development
Program benefited
few participants
and suffered from
mismanagement
and waste**

The purpose of the Prime Contractor Development Program was to create contracting opportunities for certified firms. The program limits bidding on prime contracts for City construction projects valued at \$1 million or less to a pool of participating firms. Procurement staff and consultants selected and admitted firms to the program based on certification status and an applications process that determined whether firms were capable of performing work. It also provided training and technical assistance to participating firms to enhance their business skills.

The program did not achieve key outcomes

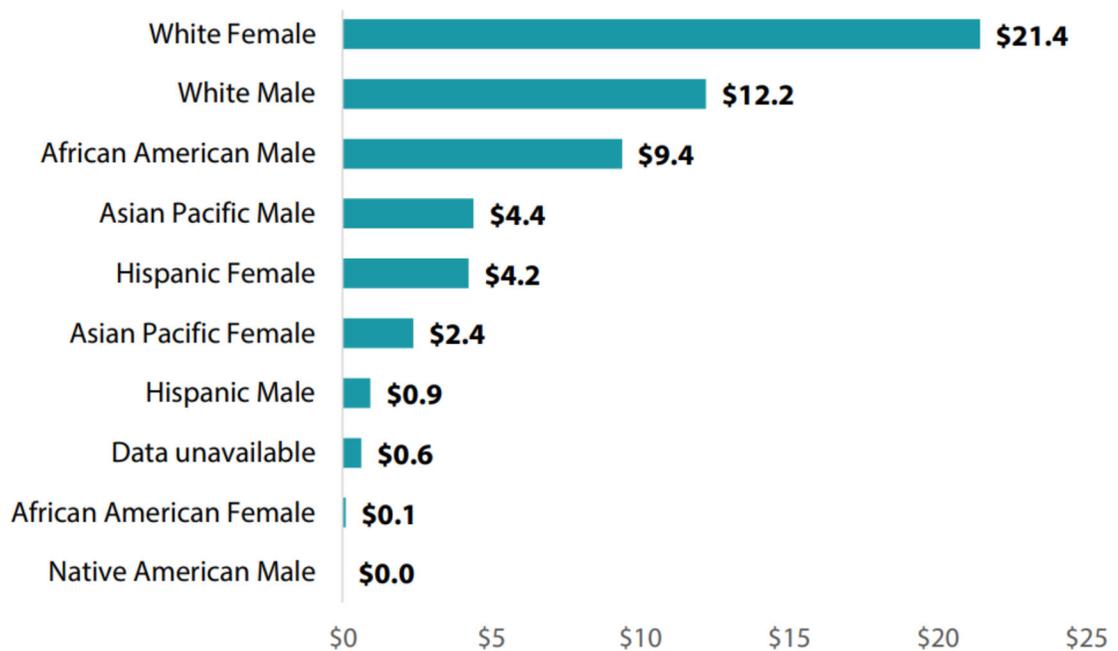
The Prime Contractor Development Program requirement that contracts for \$1 million or less be solicited to certified firms provided concrete opportunities for women- and minority-owned businesses to do more work on City projects. However, the program did not achieve key outcomes such as providing work primarily to minority- and women-owned firms and helping contractors develop the ability to win larger contracts because Procurement did not set goals for these outcomes and report on them.

White-owned firms won most of the contract dollars awarded via the program

Dollars awarded to minority- and women-owned firms through the Prime Contractor Development Program were about equal, at \$21 million for each group. But firms owned by white men, which can be certified as veteran-owned and emerging small businesses, earned a significant amount as well: \$12.2 million. Overall, white-owned firms won most of the contract dollars awarded via the program.

This happened even though Council designed the program to expressly benefit minority- and women-owned businesses. The authorizing ordinance said the program was intended to “remedy” the “evidence of disparities” in the use of women- and minority-owned firms as prime contractors on City construction projects.

White people won most of the contract dollars awarded via the program (millions)



Most participants did not get contracts

The Prime Contractor Development Program did not help most participants become prime contractors, and a few participants dominated successful bidding. Of the 67 participating firms we identified, only 28 firms, or 42 percent, bid successfully on a program-eligible prime contract.

42% of participants successfully bid on a program-eligible prime contract

58% of participants did not successfully bid on a program-eligible prime contract

A few well-equipped firms dominated successful bidding on Prime Contractor Development Program-eligible projects. For example, the top five performers won \$22.3 million in program-eligible contracts, or 44 percent of all contract dollars awarded via the program. These firms won an additional \$72.6 million in City contracts outside the program – on the open market, where there is more competition – during the same period.

Bidding on program-eligible contracts by these dominant firms was not prohibited. Although the program required firms to leave the program after 10 years of enrollment, the program is less than 10 years old. The success of the dominant firms may have crowded out smaller or startup firms that were less able to submit competitive bids.

Procurement did not set goals, effectively monitor, or report on participant performance

Council directed Procurement to set performance targets for women- and minority-owned contractor participation in the Prime Contractor Development Program and to establish metrics for the program’s performance, but Procurement never did. This made it impossible for the public, Procurement, and Council to assess whether program results were adequate. Without goals to define progress, the program may reinforce disparities.

Procurement’s monitoring of the program also missed important elements, some of which Council required. Procurement did not have a complete list of participants, did not have a formal approach to tracking participants’ performance over time, and generally did not follow Council’s directive to make progress reports.

City awarded \$33.6 million in program-eligible contracts outside the program

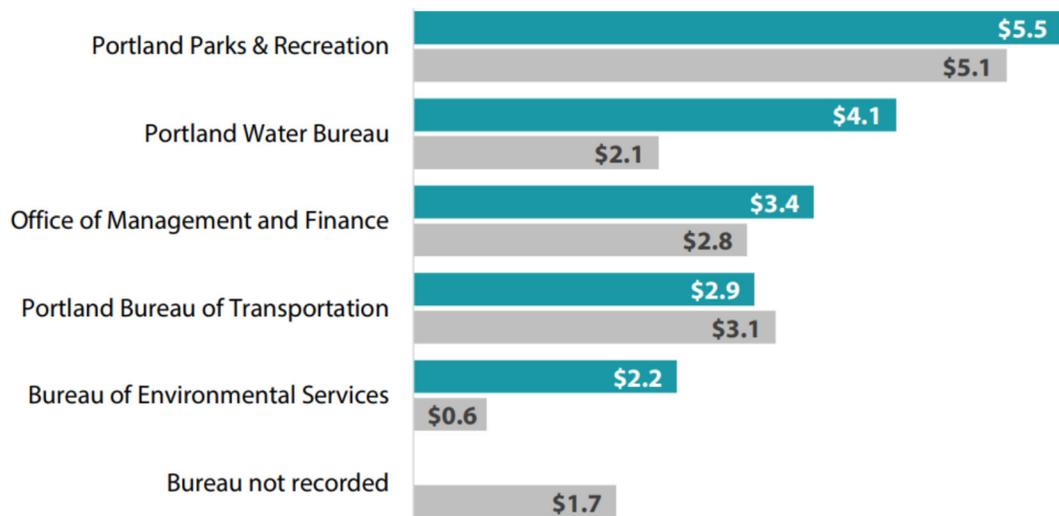
The Prime Contractor Development Program required all City construction contracts valued at \$1 million or less to be offered to the participant pool for bidding, unless the contract was exempted by the Chief Procurement Officer. The conditions for an exemption were narrow. City bureaus needed a good reason for soliciting the contract on the open market – outside of the program – and bureau directors had to approve exemption requests.

Our review of contracting data shows participants were awarded 133 program-eligible projects worth \$56 million, but bureaus awarded an additional \$33.6 million in program-eligible contracts to firms outside the program, on the open market. Of these, bureaus awarded program-eligible contracts worth at least \$18.2 million to open market contractors without an exemption from the Chief Procurement Officer. This violated City rules. It also potentially withheld opportunities for wealth generation from program participants.

The Chief Procurement Officer approved exemptions for about half of the contracts awarded outside the program, totaling \$15.4 million, even though nearly all the requests did not include the signature of a bureau director as required. Justifications for the exemptions were often nondescript, not recorded, or prepared by Procurement instead of the requesting bureau. Procurement did not track the approval or denial of exemptions.

The following chart shows program-eligible contracts awarded on the open market. Contracts are shown by bureau and the dollar amounts that were not approved for an exemption.

Contracts were awarded on the open market without approval (millions)



Technical assistance was disorganized, wasteful, and conflicted with Procurement's role

Procurement hired consultants to screen participants for entry to the Prime Contractor Development Program and to provide technical assistance but did not adequately track the cost of technical assistance consultants. In the absence of a complete list, we identified 25 contracts with consultants, trade associations, and educational institutions to provide these services, valued at \$2.1 million. There may be others that were not captured by our search criteria.

Procurement spent money on consultants in ways that violated procurement rules and likely public expectations:

- Consulting contracts were awarded without competition, and the work performed was subject to little oversight. Some consultants did not perform all required work.
- The program's former manager retired, moved to Wisconsin, and created a company that received a \$50,000 Prime Contractor Development Program consulting contract. The contract paid the former manager's travel and lodging expenses to return periodically to Portland.
- Procurement awarded a \$100,000 direct award contract to a certified consultant, as allowed by City rules that authorize non-competitive contracts below a certain threshold to certified contractors. It awarded the contract, however, despite documented concerns that the consultancy was not a legitimate women-owned business. Procurement also allowed the consultant to participate in the Prime Contractor Development Program, which led to a potential conflict of interest because the company was both a participant in and consultant to the program.
- Procurement awarded a \$500,000 contract to a technical assistance consultant in violation of competitive purchasing rules. At the time this contract was awarded, the consultant already had two other ongoing contracts with the program worth \$150,000. This consultant also billed the City \$2,000 for another program consultant to assist with his taxes, which is an ineligible expense.

Procurement contracted with consultants and local educational institutions to provide group training opportunities, but the partnerships were short-lived, and some programming did not fit the needs of construction companies. Procurement also purchased a training program for \$230,000 and marketed it to participants as providing a graduate degree when it did not.

Technical assistance spending was illogical. Available data indicated money for these services was not divvied among participants based on need; some firms appeared to receive help worth tens of thousands of dollars while others got none. Procurement also spent at least \$22,600 providing aid to companies that were ineligible for assistance because they were not participants in the program.

Prosper Portland, the City's economic development agency, is already assigned business development functions, including providing technical assistance for disadvantaged firms. The City also transferred the technical assistance functions associated with the Community Opportunities and Enhancement Program to Prosper Portland as described in the previous finding. Prosper Portland may be better suited for the Prime Contractor Development Program technical assistance functions as well.

In addition to providing technical assistance, some consultants also reviewed applications for the Prime Contractor Development Program. Admittance to the program was a three-step process:

1. The contractor had to apply to the State for certification;
2. Consultants hired by Procurement perform a more in-depth review of the contractor's business; operations including a review of finances.
3. The contractor had to pass a review by the City prequalification board.

It is not clear that the consultants added value when reviewing applications. We found two cases where Procurement disregarded consultant findings and admitted firms anyway. Additionally, it is not clear how this review of contractors contributed to the goals of the program. If the goal of the program was to develop contractors who may have trouble getting work into stronger candidates, then the standard certification and prequalification processes should have been sufficient.

Providing training and technical support to individual businesses also conflicted with Procurement's mission. A prior [audit](#) from our office of the Prime Contractor Development Program's precursor found that program presented conflicting goals for Procurement. We found that the conflict still existed. On one hand, Procurement staff oversaw an impartial, highly regulated contract awards process. On the other, they were gatekeepers charged with handpicking which disadvantaged businesses participated in the program and had access to contracting and training and technical assistance opportunities.

An outside study commissioned by Procurement in 2007 also identified this conflict. The study recommended that Procurement eliminate the team that runs its programs for promoting disadvantaged businesses because those functions jeopardized the office's ability to oversee a fair and competitive contract awards process.

Program deficiencies were deeply rooted and long-standing

Many of the problems with the Prime Contractor Development Program were longstanding and our office identified them 10 years ago in an [audit](#) of the program's precursor. Uncorrected problems included:

- Weaknesses in program management systems, processes, and oversight that left many participants ill-prepared to compete in the local construction industry;
- The absence of a systematic approach to training and technical support;
- The absence of information on program activities and performance; and
- Problems reporting contractor progress.

These problems persisted a decade later, and this audit found that new ones had emerged. Unresolved shortcomings undermined the Council's goal to award construction contracts to certified disadvantaged firms.

Recommendations for Prime Contractor Development Program

To fix problems associated with the Prime Contractor Development Program, Procurement should:

- Work with interested parties, such as the City's Fair Contracting Forum, to set a goal for the use of certified prime contractors on City construction projects; track and regularly report progress toward the target to Council and the public.
- Follow existing rules for documenting and approving exemptions from program bidding requirements. Procurement should report on the number of exemptions and frequent reasons for exemptions.
- Eliminate barriers by awarding construction contracts valued at \$1 million or less to certified firms, without requiring participation in the Prime Contractor Development Program.
- Eliminate technical assistance offerings that do not add value to certified firms or help the City achieve its equity goals.

Procurement did not do enough to protect the integrity of programs and prevent gamesmanship

Procurement did not do enough to protect the City's contracting equity initiatives from actions that undermined effectiveness. It did not investigate complaints about questionable certifications, create criteria to prevent project bundling, monitor for bid-rigging, or ensure communication about upcoming projects did not favor individual contractors.

Procurement did not act on questionable certifications or dedicate resources to compliance

We found that Procurement allowed firms to participate in the City's contracting equity programs without resolving questions about problematic certifications and self-dealing.

City staff described observing questionable activities with certifications such as:

- Women-owned firms where the woman owner was never present, or a man, usually the certified owner's husband, managed the company.
- White-male contractors who would create second companies, get them certified as emerging small businesses, and subcontract with themselves because it was cheaper than subcontracting with outside companies.
- Indications that a certified firm was not actually performing City work, such as the presence of equipment at job sites that belonged to another contractor.

One project manager said, incorrectly, that the City had to live with the situation.

Concerns about questionably certified firms are longstanding, and the City has been aware of them for years. In a 2012 letter to then-Mayor Sam Adams, the National Association of Minority Contractors noted concerns that at least five firms were certified yet ineligible.

Through the course of our audit work, we identified examples of firms using questionable certifications to qualify for equity initiatives.

Example 1

A company that was a certified emerging small business and member of the Prime Contractor Development Program graduated from emerging-business status in January 2018. Six months later, the company's owners started a company with a new name that became certified as an emerging small business.

Consultants who reviewed the new company's application for the Prime Contractor Development Program found all employees still worked for old company, that the new company owned no equipment, and that the new company was sharing resources with the old company. The consultants said the new company did "not appear to be operating independently" and that it "was set up only to secure jobs extended to emerging small business certified firms."

Procurement allowed the new company into the Prime Contractor Development Program anyway. One of the consultants who reviewed the application said problems such as these occurred regularly and believed, incorrectly, that they were allowed by law.

Example 2

A mother and daughter owned a company that was certified as a woman-owned business. It had close ties to a group of related non-certified companies, which were owned by the pair's husband and father. The daughter had been employed by her father until she purchased one of his companies. The mother was still an officer of one of the father's companies, and the companies shared an address.

The state had initially declined to certify the mother-daughter firm in 2017 because it was not sufficiently independent. Certification was granted later that year, but a state compliance review found the company had violated a law prohibiting certification fraud. The state did not decertify the firm.

Also in 2017, a former Chief Procurement Officer received a letter alleging the daughter and mother's company was not independent from the father's company. It's unclear if the Chief Procurement Office followed up on the allegations.

Example 2 (continued)

The company later applied for and was accepted to the City's Prime Contractor Development Program. In emails, City staff questioned whether it was independent from the father's company, describing the father's company as a "parent company." Staff's view in the emails was that the company existed primarily to "capture the opportunities" of woman-owned certification and to subcontract with the father's company to meet equity goals.

The daughter said her company did not primarily subcontract with her father's firm. The companies, however, did substantial business together. The City awarded the father's company a \$4 million contract for sewer work in March 2020, of which the father subcontracted nearly \$2 million to his wife's and daughter's company. This brought the project well above the City's 20 percent subcontractor equity goal.

Example 3

The white owner of a non-certified construction firm who works on City projects also owned a certified emerging small business. In bid documents, the owner of the non-certified firm proposed subcontracting to his own certified firm – in essence, himself – to meet equity goals. The City Attorney's Office concluded this practice was lawful. While it may have met legal requirements, it was not consistent with the spirit of equity programs.

Procurement staff did not act on its authority to investigate certification complaints. The City has the authority to investigate complaints alleging fraudulently obtained certifications and issue sanctions for violations, including civil penalties up to \$5,000 and disqualification for future opportunities to bid.

Procurement staff was aware of questionable certifications, but some said there were not the resources and – incorrectly – the authority, to investigate. Other staff recognized that they had the authority to sanction firms for violations but did not know how to. The Chief Procurement Officer said Portland did not have enough Procurement staff to be present at job sites to inspect and enforce requirements. He said Seattle had a dedicated procurement staff position that could investigate cases like these.

Procurement did not help eliminate project bundling

Bundling is the process of tying separate but related small projects together to achieve cost savings through economies of scale. Bundling can have negative effects on minority- and woman-owned firms if it is used to group projects to total more than the \$1 million threshold that may have qualified them individually for the Prime Contractor Development Program.

City staff expressed different opinions during interviews for this audit about whether bundling occurred. Procurement staff said bureaus bundled projects to avoid the Prime Contractor Development Program. In contrast, the director of a trade organization praised the Transportation Bureau for de-bundling projects so they would fall within the program. Staff from various bureaus said that when they bundled projects, they did so only to improve efficiency.

Council identified bundling as a barrier to equity and required Procurement to create criteria to eliminate the practice in the 2012 resolution. Procurement did not create the criteria as required. The Chief Procurement Officer said bureaus sometimes insisted on bundling projects. For example, he said, that when the Transportation Bureau hired contractors for local improvement districts, there was pressure to minimize costs because the projects were privately funded by property owners in the districts.

The Chief Procurement Officer also said Procurement staff did not have the expertise to say whether a project could or should be unbundled, and that Procurement relied on bureau staff to eliminate bundling.

Procurement did not monitor bids for collusion

It is illegal for two or more contractors to coordinate their bids to influence who wins a public contract. Such collusion, also known as bid-rigging, makes the process appear competitive and fair when it is not. Bid-rigging is a risk in government procurement, particularly when equity programs limit the eligible pool of potential contractors.

Procurement did not collect data to enable it to monitor bids for signs of collusion. To detect collusion, Procurement needed data from all bidders for individual line items included in a project's specifications. Procurement only began recording the names of all prime contractors who submitted proposals in 2017, and subcontractors for successful proposals in 2018. It did not record bid prices in a format that allowed it to check losing proposals for collusion or check bids against specifications.

Procurement also did not enforce in one case the limited rules it put in place to prevent collusion. Procurement required firms to certify that they made bids “without fraud, collusion, or connection of any kind with any other Bidder of the same Invitation for Bids.” We found bids for a 2020 sewer project from two companies that were owned by in-laws, which may be a violation of the rule that prohibits “connection of any kind” between bidders.

**There is a perception
the City favors
certain contractors**

Fairness and transparency are cornerstones of Procurement’s mission. That mission is set back by ad hoc communications that appear to favor certain contractors or trade associations.

City staff provided information about upcoming projects to organizations, such as the National Association of Minority Contractors and the Oregon Association of Minority Entrepreneurs. This outreach may help achieve contracting equity goals but organizations that did not receive advanced information perceived it as putting their members at a disadvantage.

Bureau and Procurement staff did not have a consistent approach to communicate with contractors about upcoming projects. Some said they shared information, others said they did not. This inconsistent approach may have left contractors wondering whether they were supposed to get advanced information. Procurement’s Supplier Diversity Officer said she introduced some contractors to project managers so that they could share information. Project managers, however, said they were reluctant to personally share information other than the standard instructions to sign-up for electronic project announcements.

The lack of a uniform approach to information-sharing frustrated some contractors. A board member of a trade organization said he had to pressure City employees to get them to talk about upcoming projects. The executive director of another organization said that communications with City employees about upcoming projects was not above board, not fair, not equitable, and that contractors were not positioned to thrive.

We found evidence that Procurement staff assigned to improve contracting equity gave preferential treatment to individual contractors, instead of sharing information across the board with all certified contractors. One employee provided three contractors access to high-level bureau staff to solicit work. The employee also used City email to solicit personal work from contractors, which is a violation of City ethics rules. Another employee provided bureaus with the names of specific companies to solicit for projects. These actions, even if isolated, created the perception that Procurement was playing favorites.

Contacts with contractors were not well documented or supervised. The Supplier Diversity Officer kept informal records of her contacts but said many were not documented. Without a record of contacts, Procurement supervisors could not review them to ensure fairness or use them to inform a consistent outreach strategy.

Procurement recognized the potential for favoritism and began taking steps to formalize its communications with contractors about projects. This new approach was undermined, however, because the Supplier Diversity Officer was moved out of the Procurement Office to the Grants Office. The employee continued to perform procurement outreach but no longer worked at the direction of the Chief Procurement Officer. The employee's job responsibilities did not change, so this new organizational structure increased the risk of continued inconsistent communication and perceptions of favoritism.

Procurement also tried to mitigate the perception that some contractors had privileged access to information about upcoming projects by creating an online list of upcoming projects, but the list was not updated for more than a year. Bureaus listed some projects on their own websites, but the information did not provide the details contractors needed for planning. Procurement staff agreed more transparent project planning would make contracting fairer.

**Recommendations
for improving
integrity of the
process**

To protect the integrity of the contracting equity process, Procurement should:

- Create criteria to prevent bundling, and when bundling is necessary for project efficiency, require bureaus to document why.
- Collect data on prices submitted for bid items to allow for monitoring for collusion.
- Appoint a procurement inspector assigned to monitor, investigate, report, and make recommendations to the proper authorities about (a) the sufficiency of procurement regulations, (b) project-specific or citywide compliance with procurement regulations, (c) bid collusion, (d) questionable certifications, or (e) other procurement matters as appropriate, based on self-initiation or complaint.
- Centralize outreach and create formal outreach procedures that ensure fairness to all participating contractors. All staff performing outreach to certified firms should report to the Chief Procurement Officer.
- Formalize tracking of project communications from staff. Regularly assess whether communication is fair and transparent.
- Ensure bureaus post upcoming projects on Procurement’s website.

**Missing reports
from Procurement
exacerbated
community
frustration and
limited the
effectiveness of
initiatives**

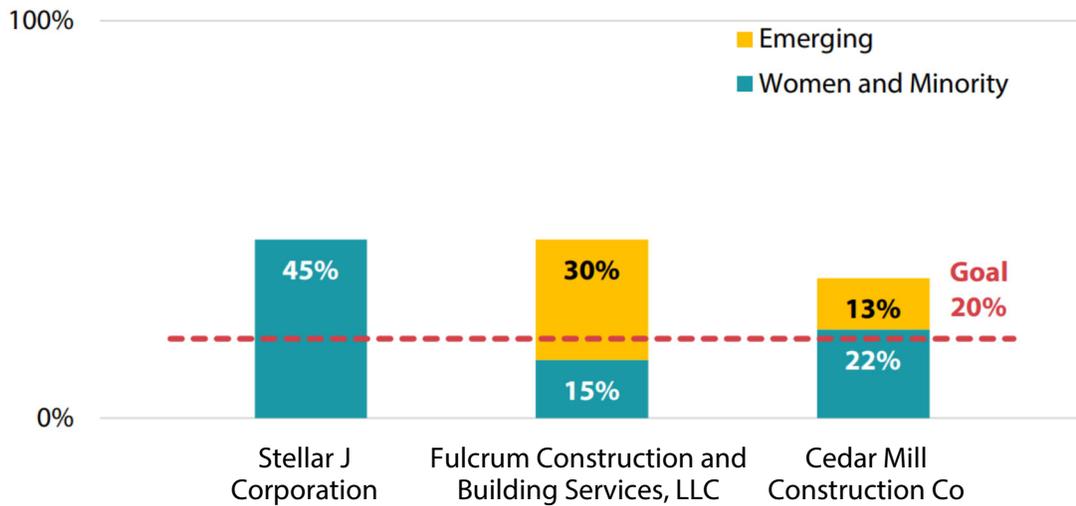
Improved reporting from Procurement would show the City’s progress toward equity goals and identify where barriers to success exist for contractors, bureaus, and certain kinds of projects. A perception existed among City staff, elected officials, and community members that the City was not successfully implementing its programs to improve equitable participation in construction projects. In fact, the City was meeting many goals established in response to the 2012 resolution and close to meeting others.

**Procurement
did not report results**

Procurement has not reported on the City’s contracting equity results since 2017, and reports were inconsistent in the years prior. Procurement’s approach to analysis changed from year-to-year, making it difficult to track progress over time. Procurement attributed its reporting challenges to turnover and data management issues. Procurement staff said new communication tools and progress reports would be rolled out in 2020.

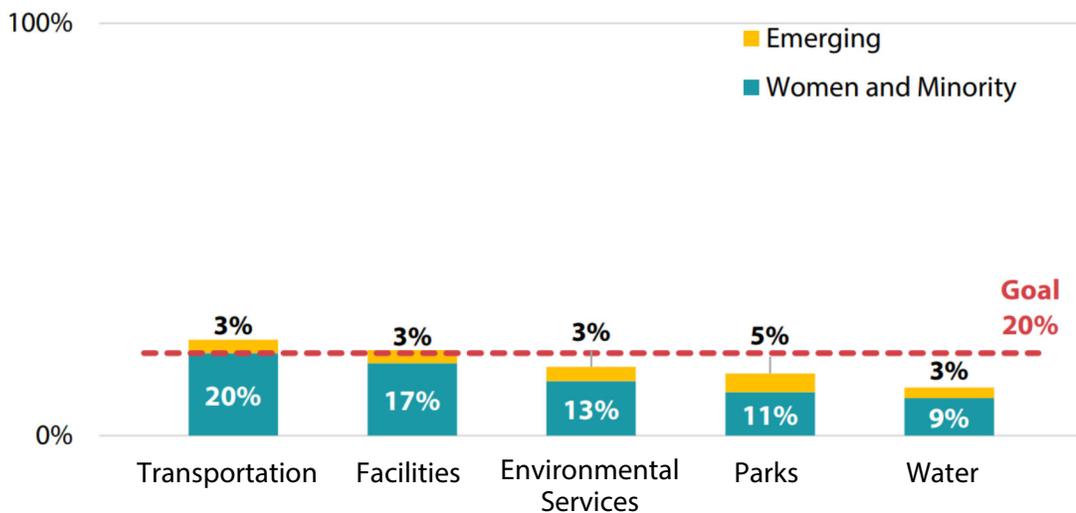
There also was no recognition of contractors who outperformed others in promoting contracting equity, though Council’s 2012 resolution required Procurement to develop a contractor recognition program. Nineteen contractors exceeded the City’s subcontractor equity goals. The top three are shown in the next chart.

Subcontractor equity percentage for top three contractors



There also was no recognition for bureaus. Transportation and Facilities achieved the subcontractor equity goal and could be a resource for bureaus that did not.

Transportation and Facilities achieve the subcontractor equity goal



Auditors developed an interactive report to show details about contractor and bureau performance toward equity goals. The report is available [online](#). The report also includes details about contractor and bureau performance in the Prime Contractor development Program.

Barriers identified in past projects were not used to improve equity programs

Though the City met some contracting equity goals, staff and contracting stakeholders identified barriers:

- Certain types of projects had few certified contractors to compete for the work, including paving, park trail work in sensitive areas, cured-in-place pipe, and fiber optic cable.
- Some trades had only union apprentice programs, which made it difficult for non-union contractors to meet apprentice requirements. One contractor reported being unable to hire apprentices for iron work because there was no state-approved apprentice program available to non-union contractors.

An **apprentice** works under the supervision of an experienced tradesperson to learn skills through on-the-job training.

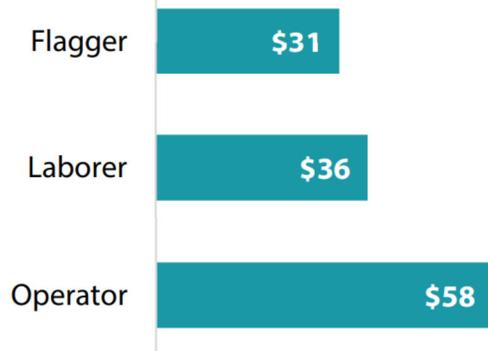
According to data published by Procurement, disparities for certain groups persisted despite meeting goals overall. Apprentices were disproportionately African American and women, which may indicate they were not progressing from the apprentice stage.

Percentage by race and gender
Apprentice v. Non-Apprentice



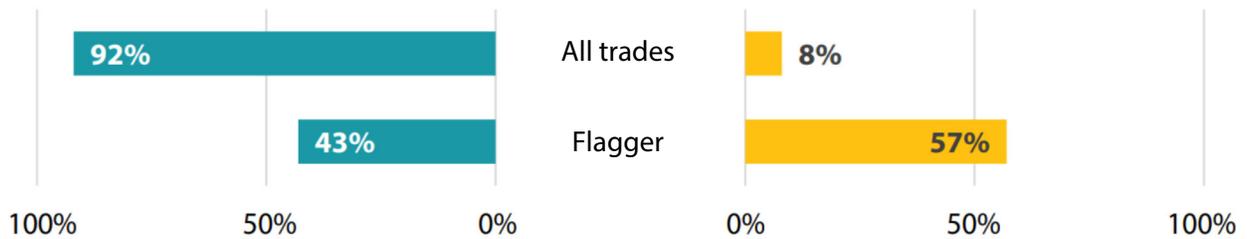
Female and non-white workers were also over-represented in lower paying trades: women were over-represented in flagging, and people of color were over-represented as laborers and under-represented as equipment operators, who were paid more.

Hourly wages for various trades

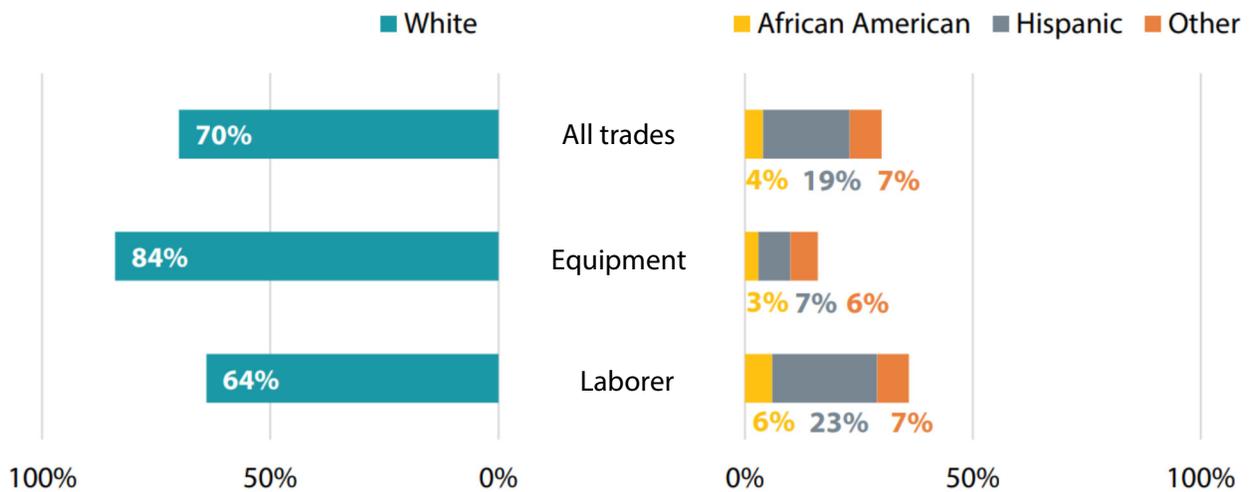


Percentage for all trades and flaggers

Male v. Female



Percentage of race by trade



In some cases, subcontractor equity goals were a barrier to certified firms working as prime contractors, because they could not count their own work on projects toward the City's equity goals. For example, a certified woman-owned firm was the low bidder on a sewer project. The firm wanted to perform the work itself, without requesting bids from certified subcontractors, as required by equity rules. The City determined that firm's bid, therefore, was not responsive and awarded the contract to the next highest bidder: a white male-owned emerging small business. This new company met equity goals by subcontracting with the woman-owned firm with the lowest bid. This pass-through increased costs for the City, and the woman-owned firm missed the opportunity to gain experience as a prime contractor.

About a year ago, Procurement and bureau staff began to complete post-project reviews to share contractor performance information with Council. The forms used, however, did not include the reasons why equity goals were not met. Procurement used the contractor performance information when deciding whether contractors were qualified to bid on projects but not to inform policy decisions.

Without project reports about performance on equity goals and barriers, Procurement could not document barriers to participation by women- and minority-owned construction firms. The City also could not use the analysis to target workforce and technical assistance grant spending and communicate progress to the community.

Recommendations for reporting

To improve reporting and more effectively identify and eliminate barriers to contracting equity, Procurement should:

- Produce public reports on the City's progress toward contracting equity goals, including the use of disaggregated data when it helps explain barriers for subgroups.
- Use overall progress and post-project reports to identify trends and lessons learned that can be used to inform technical assistance and workforce grant awards or to develop new policies.
- Recognize firms and bureaus that are successful at meeting goals.

Conclusion Some progress has been made in the nearly 10 years since Council adopted its contracting equity initiatives, but there was substantial room for improvement.

The City met or came close to meeting most of its contracting equity goals, but Procurement didn't set some of the goals it was required to. Procurement also did not create all of the programs and systems it was directed to, didn't use its powers to investigate complaints about questionable certifications or monitor for bid-rigging, and was not transparent enough with the public and policymakers.

Procurement especially struggled with programs intended to help minority- and women-owned contractors grow and bid successfully on City projects. These training and technical assistance programs were ill-conceived and not monitored closely enough. The result was wasteful spending and missed opportunities for disadvantaged businesses.

The City can and did improve equity through procurement policy, but programs must be well-designed and managed. Procurement also must maintain neutrality, engage in effective monitoring, and communicate clearly, regularly, and publicly about its work.

Summary of all recommendations We made 16 recommendations to Procurement throughout this report to improve initiatives to increase contractor and workforce diversity. We list them all together here.

Procurement should improve the Community Opportunities and Enhancement Program by:

1. Implementing the oversight steps outlined in the agreement with Prosper Portland, including obtaining all required performance evaluations and progress reports.
2. Confirming funding sources and available budget for grant amounts.
3. Evaluating the results of grant awards on growth in the construction market, determining whether overhead costs are justifiable, and reporting the information to Council.

Summary of all recommendations
(continued)

To fix problems associated with the Prime Contractor Development Program, Procurement should:

4. Work with interested parties, such as the City's Fair Contracting Forum, to set a goal for the use of certified prime contractors on City construction projects; track and regularly report progress toward the target to Council and the public.
5. Follow existing rules for documenting and approving exemptions from program bidding requirements. Procurement should report on the number of exemptions and frequent reasons for exemptions.
6. Eliminate barriers by awarding construction contracts valued at \$1 million or less to certified firms, without requiring participation in the Prime Contractor Development Program.
7. Eliminate technical assistance offerings that do not add value to certified firms or help the City achieve its equity goals.

To protect the integrity of the purchasing process, Procurement should:

8. Create criteria to prevent bundling, and when bundling is necessary for project efficiency, document why.
9. Collect data on prices submitted for bid items to allow for monitoring for collusion.
10. Appoint a procurement inspector assigned to monitor, investigate, report on, and make recommendations to the proper authorities about (a) the sufficiency of procurement regulations, (b) project-specific or citywide compliance with procurement regulations, (c) bid collusion, (d) questionable certifications, or (e) other procurement matters as appropriate, based on self-initiation or complaint.
11. Centralize outreach and create formal outreach procedures that ensure fairness to all participating contractors. All staff performing outreach to vendors should report to the Chief Procurement Officer.
12. Formalize tracking of project communications from staff. Regularly assess whether communication is fair and transparent.
13. Ensure bureaus post upcoming projects on Procurement's website.

To improve reporting Procurement should:

14. Produce public reports on the City's progress toward contracting equity goals, including the use of disaggregated data when it helps explain barriers for subgroups.
15. Use overall progress and post-project reports to identify trends and lessons learned that can be used to inform technical assistance and workforce grant awards or to develop new policies.
16. Recognize firms and bureaus that are successful at meeting goals.

**Objective,
Scope,
and
Methodology**

Our audit objectives were to determine whether the City's initiatives to promote equity through construction contracting constituted a coherent system and perform a more in-depth review of the Prime Contractor Development Program and the Subcontractor Equity Program.

- Programs included in the overall review were the Workforce Training and Hiring Program, alternative bid programs, including Community Benefit Agreements and the Community Equity and Inclusion Plan; and, the Community Opportunity and Enhancement Program.
- We reviewed the Prime Contractor Development program, which began in 2013.
- We reviewed the Subcontractor Equity Program as of 2018 when Procurement began tracking subcontractor participation in a new information system.

To accomplish our audit objectives, we

- Reviewed City Code and administrative rules.
- Reviewed Procurement reports, including annual reports from 2010 through 2017, which was the last year data was published; the 2011 disparity study; and an evaluation of alternative-bid contracting.
- Interviewed Procurement staff and consultants, staff from other bureaus involved in construction, construction contractors, members of professional organizations, and procurement staff from peer organizations, including the City of Seattle, Oregon Department of Transportation, and Multnomah County.
- Observed public meetings hosted by Procurement, including meeting of the Fair Contracting Forum and the Community Equity and Inclusion Committee.

**Objective,
Scope,
and
Methodology**
(continued)

- Reviewed Prime Contractor Development Program annual reports; consultant contracts, invoices and reports; strategic planning documents; participant manual; program applications and reviews; bureau waivers; program manager communications; and financial information in SAP.
- Reviewed a sample of Subcontractor Equity Program good faith effort documents.
- Reviewed documents of the State’s certification Office for Business Inclusion and Diversity, also known as COBID; business registration documents, circuit court filings, bid documents, including first-tier subcontractor disclosure forms; and, staff communications.

We also analyzed data from a variety of information systems:

- For the analysis of the Prime Contractor Development Program, we determined participant contract winnings and total program-eligible contracts by comparing contracting data from SAP with a list of participants we assembled. We looked for inappropriate open market contract awards by comparing Procurement exemptions to program-eligible contracts not awarded to participants. We determined demographic results by matching participant company data with race and gender data from the State’s certification office. We identified consultant contracts with Procurement reports, SAP internal order financial data assigned to the program, and by searching City archives with relevant keywords. We discussed limitations on record-keeping in the report.
- For analysis of the Subcontractor Equity Program, we verified the completeness and accuracy of information in B2G, the City’s subcontractor monitoring and reporting system, by comparing its data to information from the system used by the state to track contractor certifications; the City’s financial information system, SAP; and Procurement’s solicitation software, BuySpeed. We did not find material discrepancies or inaccuracies in the data.
- We reviewed BuySpeed to determine whether Procurement had enough information to monitor bids for collusion. We verified completeness and accuracy by comparing BuySpeed data to the City’s financial information system, SAP. We did not find material discrepancies in the data.

- We report workforce data from City workforce data monitoring system LCP Tracker. We did not verify the completeness or accuracy of workforce data, because it was not within of the scope of our audit and we did not rely on it for audit conclusions or recommendations.

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.

RESPONSE TO THE AUDIT



Tom Rinehart
Chief Administrative
Officer

Ted Wheeler
Mayor

CITY OF PORTLAND
**Office of Management
and Finance**
1120 SW 5th Avenue
Portland, OR 97204

P: (503) 823-1182
F: (503) 823-5384
TTY: (503) 823-6868
portlandoregon.gov/omf

TO: Mary Hull Caballero, City Auditor

FROM: Tom Rinehart, Chief Administrative Officer

DATE: August 17, 2020

RE: Performance audit response – Equity in Construction Contracting

I first want to thank the Auditor's Office for their work on this audit. The City of Portland created the social equity contracting program in 2012 because we recognized the need to increase support for minority owned contractors and improve workforce and prime contractor diversity. We have been making slow but steady progress, and we appreciate your recognition that we have achieved many of the City's goals. As mentioned in the Audit Report, Procurement Services exceeded the goal set for subcontracting with State certified minority-owned and woman-owned contractors on City construction projects. It also exceeded the goal set for apprenticeship and workforce diversity on City construction projects. The goal for minority-owned and woman-owned subcontracting was 14% of overall eligible projects and we achieved 15%. The goal for apprenticeship was 20% and we achieved 21% and the goal for minority workers on projects was 18% and we achieved 30%. And while a few of the goals were not met, staff believe that their efforts since 2012 have contributed to positive change in the industry and more equitable outcomes on City contracts. This audit, along with the nation's current demand for racial equity, demonstrates the importance of recommitting to meaningful change.

We began the process of evaluating and refining the City's social equity in contracting programs in the fall of 2019, and we are grateful to have these audit recommendations to help shape future improvements. We plan to engage City Council and community partners over the next six months and bring recommended reforms back to City Council by no later than spring 2021.

The current racial justice movement underscores the importance of maximizing these programs, and this audit gives us a framework to start having necessary conversations. For the past three months the national Black Lives Matter movement has motivated us to revisit many of our policies and practices and reexamine ways of conducting business to ensure racial equity is prioritized. We want to acknowledge this moment in our country's history and utilize this audit as an opportunity for increased transparency and accountability. Our goal is to ensure that staffing, policies and practices are designed to maximize both results and relationships in the City's equity in contracting programs.

Rebuilding public systems to prioritize equity is difficult and complex work; however, it is work that we are committed to performing. On June 17, 2020 Portland City Council unanimously adopted a



An Equal Opportunity Employer

To help ensure equal access to programs, services and activities, the Office of Management & Finance will reasonably modify policies/procedures and provide auxiliary aids/services to persons with disabilities upon request.

new City Values Resolution to help fight racism and commit to investing in communities of color. The Bureau of Revenue and Financial Services' Procurement Services Division is proud to serve a key role in these efforts.

The following responses include context about findings and recommendations where we thought it would be helpful. We have also included information about efforts that are currently underway that address some of the audit's recommendations.

Audit Recommendations - Procurement should improve the Community Opportunities and Enhancement Program by:

1) Implementing the oversight steps outlined in the agreement with Prosper Portland, including obtaining all required performance evaluations and progress reports.

During FY 2019-2020, Procurement Services worked with Prosper Portland to obtain City Council approval for the intergovernmental agreement with Prosper to disburse the Community Opportunities and Enhancement Program pilot funds. Procurement Services was planning to present City Code and Administrative Rules to City Council in April of 2020, but the COVID-19 pandemic occurred which caused a delay. Procurement Services staff are now mobilizing to present City Code and Administrative Rules to Council to adopt in conjunction with the 2020 Fall Budget Monitoring Process, which will create FY 20-21 revenue from the infrastructure bureaus. We agree with the recommendation and intend to carry out the oversight provisions stipulated in the agreement with Prosper.

2) Confirming funding sources and available budget for grant amounts.

It is important to note that funding sources and available budgets for grant programs has been in flux for some time. During the FY19-20 budget development, the City Budget Office recommended, and Council agreed, that general fund contributions to Prime Contractor Development Program and staff would be eliminated and funding would be replaced by COEP revenue, once established.

We agree with the recommendation, and will confirm funding sources for FY 20-21 through the process of finalizing the Code and Administrative Rules, as discussed in the previous recommendation.

3) Evaluating the results of grant awards on growth in the construction market, determining whether overhead costs are justifiable, and reporting the information to Council.

We agree with the recommendation, and look forward to evaluating the results of the grant awards with the Community Equity and Inclusion Committee and reporting to Council.

Audit Recommendations - To fix problems associated with the Prime Contractor Development Program, Procurement should:

4) Work with interested parties, such as the City's Fair Contracting Forum, to set a goal for the use of certified prime contractors on City construction projects; track and regularly report progress toward the target to Council and the public.

The recommendation seems to be referring to a disparity study, which can be expensive and upwards of \$1.5-\$2M. We agree there is an opportunity to work with stakeholders to conduct an informal disparity study, and we look forward to discussing this with Council and other stakeholders. In order to establish a goal, staff believe the City would need to assess its forecasted construction work and conduct a market analysis on capacity and saturation of certified prime contractors who can successfully bid and perform on those projects. Due to the complexity and specificity of this work, we believe this would require a consultant, but do not have an estimate for the scope of work.

5) Follow existing rules for documenting and approving exemptions from program bidding requirements. Procurement should report on the number of exemptions and frequent reasons for exemptions.

Procurement Services will follow the existing rules for documenting and approving exemptions from PCDP bidding requirements.

6) Eliminate barriers by awarding construction contracts valued at \$1 million or less to certified firms, without requiring participation in the Prime Contractor Development Program.

Compliance with this recommendation would require change to City Code. The City's prequalification threshold is set at \$500,000, meaning contractors need to be prequalified by the City to respond to any construction project estimated to cost over that amount with the exception of contractors enrolled in the PCDP, who are eligible to bid on projects up to \$1 million. A Code change would be required to eliminate the exemption for PCDP contractors, which we believe would be problematic. With the exemption process in place today with the PCDP, staff have the ability to assess the known pool of PCDP contractors to determine if there is capacity and ability to successfully respond to and deliver the project. We have concerns about not being able to assess the potential pool of contractors for those projects that would be solicited to all certified firms that are prequalified by the City between \$500,000 and \$1 million. Those concerns are two-fold: 1) obtaining competition for some projects; and 2) setting some contractors up for failure. We agree to consider this change to the PCDP program and discuss with Council at the appropriate time. This recommendation also seems to infer that being enrolled in the Prime Contractor Development Program is a barrier for those contractors. Procurement Services staff do not believe contractors enrolled in the program feel that way. We will begin surveying contractors to find out whether or not they feel the program is a barrier.

7) Eliminate technical assistance offerings that do not add value to certified firms or help the City achieve its equity goals.

We agree that technical assistance needs improvement and have already begun making these changes. We have partnerships with LatinoBuilt, NAMC-Oregon, and the Professional Business Development Group to offer classes to PCDP contractors. We want to support these organizations and the important work they are performing. These organizations are recipients of some of Prosper Portland's pilot grant money. Staff have had discussions with these organizations about having them provide technical assistance or mentorship to certified prime contractors when they are awarded a City project. We believe this is a partial solution, but we are committed to finding more ways to improve technical assistance.

Audit Recommendations - To protect the integrity of the purchasing process, Procurement should:

8) Create criteria to prevent bundling, and when bundling is necessary for project efficiency, document why.

While we agree with the recommendation, we offer the following important clarification: Procurement Services receives projects from all the infrastructure bureaus. Other bureaus' projects are designed and engineered before Procurement Services knows about them. Criteria to prevent project bundling would need to occur during the design process and would therefore be something the infrastructure bureaus would need to implement. Procurement Services will facilitate a group conversation with the infrastructure bureaus to determine how this recommendation can be implemented throughout the City.

9) Collect data on prices submitted for bid items to allow for monitoring for collusion.

We are unaware of any other local, state or federal agency that actively monitors prices for collusion and request assistance in developing the capability to mine data and understand what to look for so we can identify collusion. We would like to discuss the recommendation further and explore cost-effective alternatives that might help achieve our goals.

10) Appoint a procurement inspector assigned to monitor, investigate, report on, and make recommendations to the proper authorities about (a) the sufficiency of procurement regulations, (b) project-specific or citywide compliance with procurement regulations, (c) bid collusion, (d) questionable certifications, or (e) other procurement matters as appropriate, based on self-initiation or complaint.

We would like to discuss this recommendation further and complete a cost analysis for filling this position and whether that would be the best use of City resources.

11) Centralize outreach and create formal outreach procedures that ensure fairness to all participating contractors. All staff performing outreach to vendors should report to the Chief Procurement Officer.

We agree with the recommendation and staff in Procurement Services are leveraging the City's new website platform to proactively post information about existing solicitations as well as forecasted ones.

12) Formalize tracking of project communications from staff. Regularly assess whether communication is fair and transparent.

We agree with this recommendation and staff in Procurement Services have formalized communication to community and contractor advocacy groups.

13) Ensure bureaus post upcoming projects on Procurement's website.

We agree with this recommendation, and have taken steps to increase transparency and outreach about upcoming opportunities. We plan on utilizing the City's new website to increase visibility and will work with the Office of Management and Finance's communications team to develop a social media plan to support these efforts.

To improve reporting Procurement should:

14) Produce public reports on the City's progress toward contracting equity goals, including the use of disaggregated data when it helps explain barriers for subgroups.

We agree with this recommendation and efforts are currently underway. Staff have worked with the Fair Contracting Forum to produce a dashboard showing the City's Workforce Training and Hiring Program data. Procurement implemented two new software applications in 2017 – LCP Tracker and B2GNow. These two systems have many positive aspects compared to previous programs, most notably, reporting. After the Workforce Training and Hiring Dashboard was produced, Procurement Services began creating a dashboard for the City's prime and subcontracting performance. Efforts are underway to build a dashboard using data from several disparate systems. Once developed and tested for quality control, Procurement will publish the dashboard online along with the Workforce Training and Hiring dashboard.

15) Use overall progress and post-project reports to identify trends and lessons learned that can be used to inform technical assistance and workforce grant awards or to develop new policies.

Procurement Services agrees with this recommendation, and has already created and implemented a post-project evaluation form to incorporate contractor past performance in the prequalification process. We will also leverage the information obtained from those reports to inform technical assistance and workforce grants, which will strengthen existing policies and hold contractors accountable for their performance on City projects. We are discussing utilizing the Fair Contracting Forum, the Community Equity and Inclusion Committee, or both, to review and comment on observations.

16) Recognize firms and bureaus that are successful at meeting goals.

We agree with this recommendation and have started working on a contractor scorecard that shows past performance in both workforce training and hiring as well as certified subcontractor utilization. We have also discussed the idea of putting this information on the City's website to make the information public. Staff look forward to having a conversation with Council about ways to recognize contractors for aligning their actions with the City's values and achieving our goals. Regarding bureau recognition, we believe the forthcoming dashboard will convey individual bureau performance as well as citywide performance. With this capability, we can track those bureaus that are partnering with Procurement Service and community based organizations and achieving the most successful outcomes.



P O R T L A N D
CITY AUDITOR
Audit Services



Equity in Construction Contracting:
Some goals achieved, but system
vulnerable to mismanagement, waste,
and gamesmanship

Report #530, September 2020

Audit Team: Elizabeth Pape, Gordon
Friedman

Other related audit reports

Portland Building Follow-up:

Greater public transparency needed about
project costs, trade-offs, and missed equity
requirement (June 2019)

City Procurement:

Contracting process needs Council
intervention (June 2015)



View audit reports
[www.portlandoregon.gov/
auditservices](http://www.portlandoregon.gov/auditservices)



Subscribe to receive future reports
auditservices@portlandoregon.gov



Suggest an audit topic
[www.portlandoregon.gov/
auditservices/topic](http://www.portlandoregon.gov/auditservices/topic)



Follow us on Twitter
[@PortlandAudits](https://twitter.com/PortlandAudits)

1221 SW 4th Avenue, Room 310, Portland, OR 97204

Audit Services

We audit to promote effective, efficient, equitable, and fully accountable City government for the public benefit. We assess the performance and management of City operations and recommend changes to the City Council and City management to improve services. We follow Government Auditing Standards and have strict internal quality control procedures to ensure accuracy. We also operate the Auditor's Fraud Hotline and coordinate the City's external financial audit.

Mission of the City Auditor

The mission of the Auditor's Office is to promote open and accountable government by providing independent and impartial reviews, access to public information, and services for City government and the public.