City of Milwaukee

Department of Administration
Office of Equity and Inclusion

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Director of Administration

Bernadette Karanja
Chief Equity Officer

July 13, 2023

Aycha Sawa
City Comptroller
City Comptroller's Office
200 East Wells, Room 404
Milwaukee, WI. 53202

Dear Ms. Sawa,

RE: Response to The Residents Preference Program (RPP) Internal Audit

I am writing to thank the Comptroller's Office for working in the past two months with The Office of Equity and Inclusion (OEI) to report on the internal audit of the Residents Preference Program (RPP), and to acknowledge receipt of the draft observations dated June 12th, 2023.

Detailed responses to each finding are provided below. Each response includes customized acceptance of individual findings, accompanied by an existing remediation and or planned actionable goal.

Finding 1: Control Design. The process is not designed to track and monitor Apprenticeship and On-The-Job Training (OJT) requirements, in accordance with MCO 355-9 and MCO 355-11. In addition, there is no process to monitor the first source employment program, such as maintaining a database of and communicating opportunities to city residents.

Recommendation 1: A process to monitor compliance with MCO 355 provisions including Apprenticeship and First-Source Employment, should be implemented.

OEI accepts to implement processes that not only track Developer compliance on apprenticeship and OJT guidelines, but also maintains a system that communicates opportunities to city eligible city residents. In this respect, OEI will establish four remediations as follows:

> **Remediation 1a:** OEI has replaced LCP Tracker with LCR which is a city developed software program with the ability to design and re-design tracking and verifications system needs in a readily customizable, and more efficient manner. LCR will be designed to track developer utilization of apprenticeship and first source provisions.

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A need to switch from LCP Tracker to LCR was necessitated by a request from my predecessor Nikki Purvis, and her Contract Compliance Officer designee at the time Ms. Celeste Jantz.

This was a prudent change which facilitated the ability to have an internal application built to customize adequate vendor support, and meet specific MCO 355 RPP requirements, and other city needs, with timely efficiency and fiscal prudency.

In speaking with the city's Chief Information Officer David Henke, I learned that LCR is a lot more robust, and smarter in terms of tracking and monitoring compliance for comparably larger data sets related to labor regulations on government contracts, including contractor compliance with Minimum Wage Ordinance, Service Contract Wage Requirements, Prevailing Wage Ordinance, EBEP Participation, Residency Preference Program (RPP), First Source Employment Program and Apprentice Participation Ratios.

To date, 181 companies have accounts on the new LCR, and these companies have submitted over 4,300 payrolls through the tool. Feedback has mostly been around learning curves on how to use the tool, and how to get a login for new companies. As is expected of a new software system, there have been reports on payroll data entry glitches which are remediated with individual RPP liaisons and Developers in a more efficient and customizable manner.

Remediation 1b: OEI will promote and expand the utilization of the smart platform DirectConnectMKE (DCMKE) by city residents, and maintain a database of opportunities from its network of 54 Employment Service Agencies by communicating their placement and job training prospects to city residents with outcome reporting by Q3 2024.

Remediation 1c: In addition to utilizing the well-known first source agency, WRTP | BIG STEP, OEI will expand the use of Employment Service Agencies with EMI-approved American Job Center and One Stop Status in Milwaukee, as First Source employment programs. These autonomously managed organizations are required by their funding sources to track employment service provision to city residents including OJT and Apprenticeship services. OEI will refer, and coordinate the Developers' connections to Employment Service Agency activities, and report outcomes by Q4 2024 as an integral compliance function for workforce inclusion goals.

Remediation 1d: OEI will enter into secured RPP Data sharing agreements with Building and Contractors Unions to ensure continuity of a workforce pipeline for a laborer's career journey from pre-apprenticeship, apprenticeship and to journeyman placement.

Finding 2: The minimum **Apprenticeship and On The Job Training** requirements were not established in two randomly sampled projects

Recommendation 2: A policy establishing a minimum amount of Apprenticeship and On The Job Training needs to be implemented prior to the commencement of a project.

> **Remediation 2:** OEI will accept the audit's recommendation and create a policy by Q3 2024 reporting, establishing a minimum measurable amount of apprenticeships and on the job trainings prior to the respective project commencement. The minimum will be calculated in accordance to MCO 355-9 guidelines.

Finding 3: **Annual RPP Reports.** MCO 355 requires OEI to submit annually, a report on Developer compliance with RPP activities. OEI did not compile any annual reports on the RPP during the 2019-2021 audit report.

Recommendation 3: OEI should compile RPP annual reports

> **Remediation 3**: OEI already requires Developers to submit quarterly compliance reports on RPP Workforce Inclusion, and SBE Business Inclusion. In addition, OEI will work with ITMD to explore the design of a reporting system on LCR that will support the compilation of annual RPP reports, with the first report submitted in October of 2024.

Finding 4: **Compliance Tracking.** Nineteen of the 46 workers sampled as having Special Impact Area (SIA) designation had addresses in payroll records that were outside of SIA. There was a lack of reliable information in the system to accurately monitor program milestones and successful completion of project requirements.

> MCO 355 requires a centralized tracking system be utilized for RPP compliance for development agreements. OEI along with developers, contractors and subcontractors utilize LCP Tracker as the centralized tracking system for RPP compliance for development agreements.

Recommendation 4: OEI should enhance processes in place to test the quality of the data being entered into LCP Tracker

> **Remediation 4:** Given the transiency of RPP eligible participants it is no surprise that a proportion of those sampled at the time, had payroll records outside of the Special Impact Areas (SIA). This could be attributed to a number of factors including: (1) Workers may have started their RPP enrollment and placement while residing in the SIA area (2) Workers may have moved out of SIA after RPP placement benefited them a consistent income.

(3) MCO 355 RPP eligibility requirements will accept individuals living outside of SIA who otherwise have worked for less than 1200 hours in the preceding 12 months or have not worked in the preceding 15 days, or regardless of employment status, have household incomes at or below the federal poverty guidelines.

Nevertheless, OEI accepts the Comptrollers recommendation and

> (1) Stopped the use of LCP Tracker on December 31st 2022.
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> (2) Exported all data from LCP Tracker to LCR, and
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> (3) Had LCR go live at the start of the new year - 2023.

OEI is working to not only design LCR in a manner that tracks a change in address for workers during their tenure on the project, but also create a policy that reminds Developers to request address updates from all their RPP workers on an annual basis. Collated evidence of this new tracking on LCR is anticipated by Q3 2024.

Finding 5: **Timeliness of Developer, Contractor and Subcontracting Reporting**. Internal Audit selected a random sample of two projects completed during the audit period of January 1st, 2019 to December 31st 2021. For the 511 Project, three employers submitted construction time reports late for 10 employees. For the Seven04 Project, six employers submitted construction time reports late for ten employees. *(Reporting Time period stipulated in MCO 355 is at least once every 3 months during course of their work and within 10 days following completion of their work).*

Recommendation 5: OEI should monitor timelines of LCP Tracker entries and intervene as needed.

> **Remediation 5:** LCP Tracker is no longer in use for the reasons earlier mentioned. OEI will work with ITMD to explore LCR, modifications that could possibly develop a software design, which creates timeline alerts for Developers entering payroll data. In addition, OEI will have the Contract Compliance Officer manage information in a manner that creates email lead-time alerts for Developers to complete their payroll reporting.

Sincerely,

Bernadette Karanja
Chief Equity Officer