

**PUBLIC BUILDING COMMISSION OF CHICAGO
MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON
JUNE 6, 2012**

The Audit Committee Meeting of the Public Building Commission of Chicago was held in the Board Room on the 2nd Floor, Richard J. Daley Center on June 6, 2012 at 1:30 p.m.

The following Commissioners attended

Commissioner Byron T. Brazier
Commissioner Juan Rangel
Commissioner Toni Preckwinkle

Also attending:

Erin Lavin Cabonargi
Lori Lypson
Paul Spieles
Mary Pat Witry
Daryl McNabb
Tanya Foucher-Weekley
Eileen Ryan
Lisa Giderof
Stetson Marshall
Chuck Kelly
Malisa Torres
Don Dupree
Jesus Rodriguez
Rene Quinones
Terri Haymaker
Jim McConnell
Ray Giderof
Kesner Bienvenu, Cook County
Langdon Neal, Neal & Leroy
David Winters, Neal & Leroy
Anne Fredd, Neal and Leroy

The reading of the minutes of the May 16, 2012 meeting, which had previously been distributed, was dispensed with and upon motion duly made and seconded the minutes of said meeting were unanimously adopted.

All PBC Compliance and Diversity staff attended the meeting and were introduced to the Commissioners attending the meeting.

The Executive Director provided a summary of PBC's Economic Sustainability Programs including;

- Bid incentives for the employment of apprentices
- Bid incentives for the employment of minority and female workers
- Contract provisions that require at least 50% of the labor force be local residents.
- Contract provisions with regard for community hiring, helping to employ those closest to the work at hand
- Contract provisions that require minority- and women-owned business participation
- Contract provisions that require local General Contractors awarded PBC projects to subcontract at least 25% of the contract worth to local subcontractors. Non-local General Contractors must award at least 35% of the work to local subcontractors.

The Executive Director described process improvements implemented by PBC in the last five years including: innovation and technology improvements; payment improvements; compliance hotline; and Inspector General (IG) policies and procedures. Her report also included a detailed description of compliance processes by PBC staff for initial and ongoing M/WBE and EEO contract requirements throughout the life of a project from bid issuance, contract award, plan reviews, pre-construction meetings, training, systems tracking, GC payments, site and milestone meetings, project audits of M/WBE and EEO compliance.

The Commissioners expressed concern regarding published reports of alleged abuses in implementing the legitimate goals and objectives of PBC's M/WBE program. It was acknowledged that concern is not specific to PBC, but industry-wide. However, allegations specific to PBC oversight will continue to be investigated and interviews conducted to determine if there is any merit in the claims of misuse or fraud in the M/WBE program and to recommend any new controls that should be adopted in order to address potential abuse. The Executive Director's presentation outlined point by point the numerous inaccuracies contained in the published report.

Commissioner Preckwinkle had specific questions that she asked be addressed at the next meeting;

- Have the contractors, subcontractors and assist agencies been contacted directly and interviewed? Please provide the results of the interviews.
- What is the time line to complete these interviews
- What new controls are being implemented?
- How is the PBC compliance staff organized? Please explain "who does what" and provide an organization chart.

Dr. Brazier noted that PBC, having leadership represented from various agencies within the City at the board level, is well suited to play a lead role in developing new guidelines and improvements on an industry-wide basis.

Members of PBC's executive and compliance staff and legal counsel participated in an extensive discussion with the Audit Committee regarding the PBC's monitoring procedures and the complexities of the construction industry. PBC's payment application process was described including the requirements that the general contractor and each of its subcontractors must provide certified payrolls, under penalty of perjury, of payments received on PBC contracts. Bid prices on PBC construction projects have trended lower as a result of the economic recession, resulting in cost pressures on general contractors as well as all subcontractors regardless of M/WBE status. Delivery methods for providing supplies to construction projects are evolving as it becomes less feasible for companies to maintain large warehouses with an aging inventory. The logistics industry evolution and specifically the role of suppliers in construction was discussed in detail. It was noted that suppliers represent less than 6% of the total contract value in aggregate on projects where M/WBE credit has been granted.

Legal Counsel pledged to take a fresh look at the M/WBE Program and make recommendations that would garner greater compliance from general contractors. There was extensive discussion about the use of incentives and sanctions, such as debarment of general contractors in case of fraud, misuse or abuse of the M/WBE Program. Other potential program improvements discussed included an "ombudsman" or small business representative to advocate on behalf of minority and small subcontractors, additional training of PBC staff and use of the PBC IG to detect and investigate fraud or abuse.

Legal Counsel recommended the adoption of two (2) immediate revisions to PBC's M/WBE special conditions, namely: (1) limiting the number of agencies certifying M/WBE firms for PBC projects to the City of Chicago and Cook County; and (2) additional requirements for the use of suppliers.

The reports were accepted.

The next item was an approval to convene an Executive Session under the Open Meetings Act to discuss employment matters under 2(c) 1 of the Open Meetings Act.

The proposed engagement of a person or firm to perform PBC's IG function was discussed during the Executive Session. Considerations in determining IG selection included the size and workload of PBC and the

need to address allegations of fraud, waste or abuse on PBC contracts. Legal Counsel was tasked with developing a list of skill sets necessary to fulfill the IG function.

The Pursuant to Section 2.06(g) of the Open Meetings Act, a public comment period was held. No comments or statements were presented by any persons.

The meeting was adjourned.