



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://cao.co.la.ca.us>

DAVID E. JANSSEN
Chief Administrative Officer

June 19, 2006

To: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

From: David E. Janssen,
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

DEPARTMENT OF STAR BUILDING MAINTENANCE, INC.

In June 2002, Star Building Maintenance, Inc. (Star) was awarded a three-year restroom cleaning contract with the Department of Beaches and Harbors (DBH). As a result of complaints received from employees of Star in December 2003 regarding Star's failure to pay the Living Wage hourly rate of \$9.46 and other employment complaints, DBH conducted a detailed audit of Star and its employment/payroll practices. The audit, consisting of interviews and review of extensive documentation, was completed in March 2004 and revealed that, among other things, Star had:

- *Entered into an unauthorized subcontracting relationship with United Building Services (UBS) to pay Star's employees for the services provided by those employees pursuant to the cleaning contract;*
- *Failed to pay its employees in compliance with the Living Wage Ordinance;*
- *Failed to pay its employees overtime wages in several instances;*
- *Utilized non-full time employees in violation of the contract; and*
- *Submitted falsified monthly monitoring reports to DBH on several occasions.*

As a result of these actions, DBH initiated debarment proceedings against Star in August 2004 with the intention to debar Star and its principal owner from bidding upon, being awarded, and/or performing any work on projects for the County for a specified period, not to exceed three years, the maximum period of debarment at that time. The initial debarment hearing on this matter before the Contractor Hearing Board (CHB) was held on October 4, 2004, and due to the considerable amount of documentation and the lengthy testimony, the hearing was carried over to October 21, 2004. That hearing was subsequently cancelled at the request of DBH, which indicated to the

CHB that it had entered into negotiations with Star to settle all disputes and claims with respect to the restroom cleaning contract. In December 2004, the County was added as a defendant in an ongoing lawsuit filed by the employees of Star against their employer and its subcontractor, UBS, over unpaid overtime, unlawful deductions, and wrongful termination with respect to the restroom cleaning contract. Thereafter, CHB granted multiple continuances in this matter at the request of DBH, to permit DBH to pursue and reach a global settlement of all disputes arising out of the contract and the lawsuit. On June 20, 2005, the Los Angeles County Claims Board (Claims Board) approved a settlement agreement between DBH, Star, and UBS, that provided, among other things, a repayment in full of lost wages to the affected Star employees, release of liability for the County in this matter and an agreement that Star and UBS would not seek or obtain any work from the County, any department or agency thereof or its Special Districts for a period of three years.

On June 1, 2006, CHB held a hearing to consider DBH's proposal that CHB recommend approval of the provisions of the settlement agreement which provided for withdrawal of DBH's debarment recommendations against Star and UBS. At the hearing, DBH indicated that the action of the Claims Board was final, and that the other provisions of the settlement agreement had been implemented, and the affected Star employees have already been made whole. CHB determined that, under the County's Non-Responsibility and Debarment Ordinance (Title 2, chapter 2.2202 of the County Code), it could only take actions in response to debarment proceedings. CHB also determined that it was within DBH's purview to withdraw its original debarment recommendation. CHB concluded that although it was inappropriate to make any recommendation as to the settlement agreement, CHB may accept the withdrawal of the debarment recommendation and close the hearing. CHB then voted unanimously to do so and to inform your Board of the outcome of these proceedings.

Should your staff have any questions regarding this memorandum, they may contact Vincent Amerson of this Office at (213) 974-1168 or at vamerson@cao.co.la.ca.us.

DEJ:MKZ
VLA:ib

c: Director of Beaches and Harbors
County Counsel
Star Building Maintenance, Inc.
United Building Services
CHB Members