



Kathy Hanks, Acting Chair

County of Los Angeles  
**CONTRACTOR HEARING BOARD**  
313 N. FIGUEROA STREET, SIX EAST, LOS ANGELES, CALIFORNIA 90012

**Participating Departments:**  
**Chief Executive Office**  
**Department of Health Services**  
**Treasurer & Tax Collector**

January 13, 2015


The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Supervisors:

**ADOPTED**

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

25 January 13, 2015

  
PATRICK OZAWA  
ACTING EXECUTIVE OFFICER

**DEPARTMENT OF DIAMOND CONTRACT SERVICES, INC.,  
STEVE WALTON AND RUSSELL RICHEY  
ALL DISTRICTS  
(3-VOTES)**

**SUBJECT**

Request for Board approval to adopt the proposed findings, decision, and recommendations of the Contractor Hearing Board to debar Diamond Contract Services, Inc., Steve Walton, as an individual, and Russell Richey, as an individual, from bidding on, being awarded, and/or performing work on any contracts for the County of Los Angeles from the date of the Board's approval as a consequence of what the Contractor Hearing Board found to be serious contract violations. With respect to Diamond Contract Services, Inc. and Steve Walton, the Contractor Hearing Board recommends a debarment period of five years. With respect to Russell Richey, the Contractor Hearing Board recommends a debarment period of two years.

**IT IS RECOMMENDED THAT THE BOARD:**

1. Adopt the proposed findings, decision, and recommendations of the Contractor Hearing Board (CHB) to debar Diamond Contract Services, Inc. (Diamond) and Steve Walton for a period of five years from bidding on, being awarded, and/or performing work on any contracts for the County of Los Angeles from the date of the Board's approval of this action.
2. Adopt the proposed findings, decision, and recommendations of the Contractor Hearing Board to debar Russell Richey for a period of two years from bidding on, being awarded, and/or performing work on any contracts for the County of Los Angeles from the date of the Board's approval of this action.

3. Instruct the Director of the Internal Services Department to send notice to Diamond, Steve Walton and Russell Richey, advising of the debarment action taken by the Board.
4. Instruct the Director of ISD to enter this determination to debar Diamond and Steve Walton for a period of five years and Russell Richey for a period of two years into the County's Contract Database.

### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

The purpose of the recommended debarment action against the contractor, Diamond, its Chief Executive Officer, Steve Walton, and its Vice President of Operations, Russell Richey, is to ensure the County contracts only with responsible contractors who comply with the terms and conditions of their County contracts.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The recommended actions are consistent with the County's Vision and Strategic Plan Goal One which supports shared values of accountability, integrity, and professionalism, efficient and effective service delivery, and envisions the County as the premier organization for those working in the public's interest with a pledge to sustain essential County services through proactive and prudent fiscal policies and stewardship.

### **FISCAL IMPACT/FINANCING**

Not applicable.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

#### **The Contractor Non-Responsibility and Debarment Ordinance**

The Contractor Non-Responsibility and Debarment Ordinance, County Code Chapter 2.202, provides the County with the authority to terminate contracts and debar contractors when the County finds, in its discretion, that the contractor has engaged in certain acts, including any of the following:

- Violated a term of a contract with the County or a non-profit corporation created by the County;
- Committed an act or omission which negatively reflects on the contractor's quality, fitness, or capacity to perform a contract with the County, any other public entity, or a non-profit corporation created by the County, or engaged in a pattern or practice which negatively reflects on the same; or

- Committed an act or omission which indicates a lack of business integrity or business honesty.

As provided for in County Code Chapter 2.202, a contractor "...includes a contractor, subcontractor, vendor or any of their respective officers, directors, owners, co-owners, shareholders, partners, managers, employees or other individuals associated with the contractor, subcontractor, or vendor who participated in, knew of, or should reasonably have known of conduct that results in a finding of ...debarment." In considering debarment, the County may consider the seriousness and extent of the contractor's acts, omissions, patterns, or practices and any relevant mitigating factors.

### **Contractor Hearing Board Representatives**

County Code Chapter 2.202, the Contractor Non-Responsibility and Debarment Ordinance, established the CHB to provide an independent review of a contracting department's recommendation to debar a contractor. The regular membership of the CHB is comprised of representatives from ISD, the Chief Executive Office (CEO), and the Department of Public Works (DPW). In addition, the CHB has alternate members that include the departments of Health Services (DHS), Parks and Recreation (Parks), Public Social Services (DPSS), and any other County departments serving as alternate members. In the event the debarment action is initiated by CEO, ISD, DPW, or any alternate member, the CHB member from the department bringing the debarment action will recuse himself/herself from any participation in the hearing.

In this particular debarment proceeding, the CHB was comprised of representatives from CEO, DHS and Treasurer and Tax Collector (TTC). Since ISD was bringing the debarment action on behalf of itself, the Department of the Medical Examiner – Coroner (Coroner), the Department of Beaches and Harbors (Beaches), and the Public Library (Library), ISD did not participate on the CHB. DPW, Parks and DPSS also did not participate on the CHB since they received services from the ISD affected contracts with Diamond. Therefore, the CHB representative from CEO participated in the hearing and deliberations with representatives from the alternate member departments of DHS and TTC. The DHS representative was elected by the participating members to serve as the Acting Chair for the CHB in these proceedings.

### **Background**

In September 2014, ISD requested the CHB be convened to initiate debarment proceedings against Diamond, Steve Walton, and Russell Richey for:

- Violating a term of a contract with the County or a nonprofit corporation created by the County.
- Committing an act or omission which negatively reflects on the contractor's quality, fitness, or capacity to perform a contract with the County, any other

public entity, or a nonprofit corporation created by the County or engaging in a pattern or practice which negatively reflects on same; and

- Committing an act or offense which indicated a lack of business integrity or business honesty.

***October 8, 2014 Debarment Hearing***

On September 15, 2014, ISD sent proper notice via certified mail and email to Diamond, its principal and Chief Executive Officer, Steve Walton, and its Vice President of Operations, Russell Richey, notifying them of ISD's intent to initiate debarment actions against Diamond and these two individuals. ISD informed them that the debarment proceedings would be brought on behalf of ISD, Coroner, Beaches and the Library, with a recommended debarment period of five years for each, at proceedings scheduled for October 8, 2014 at 1:00 p.m. at the Internal Services Department, Room G101 (Attachment I). Included in this correspondence was notice to the parties that they must confirm in writing to ISD by September 22, 2014, of their intent to attend the debarment hearing.

Diamond and Mr. Walton did not confirm their attendance for the October 8, 2014 debarment hearing. They also did not appear at the October 8, 2014 debarment hearing and did not submit any documentation or a list of prospective witnesses to rebut any evidence presented at the debarment hearing. As such, their decision not to respond was construed as a waiver by Diamond and Mr. Walton of all rights to a hearing before the CHB.

Mr. Richey confirmed his attendance for the October 8, 2014 debarment hearing. On September 24, 2014, ISD provided Mr. Richey with a list of prospective witnesses and copies of all documentary evidence it planned on using at the debarment proceedings. Mr. Richey, however, did not provide a similar list of his own prospective witnesses or any copies of documentary evidence that he planned to use.

On October 8, 2014, ISD proceeded in Diamond and Mr. Walton's absence in placing an uncontested debarment recommendation before the CHB. At that same hearing, ISD also presented its recommendation to debar Mr. Richey. Mr. Richey opposed the debarment, and was provided an opportunity to present his case, offer rebuttal evidence and cross-examine witnesses. After the close of the evidentiary portion of the hearing, the CHB voted to recommend a five year debarment of Diamond and Mr. Walton, and a two year debarment of Mr. Richey.

The hearing was publicly noticed, scheduled, and conducted on October 8, 2014 at 1:00 p.m. at the Internal Services Department, Room G101. The proceedings were recorded and the recording is available upon request, as well as all documents entered into the record as exhibits during the hearing.

- Attachment II is a copy of the agenda for the October 3, 2014 hearing and a listing of the exhibits that were entered into the record, and which form a part of the record and this recommendation, as though fully set forth herein.
- Attachment III is a listing of CHB members for this proceeding, ISD representatives, witnesses put on by ISD, and participating lawyers from County Counsel.

### ***December 3, 2014 Debarment Hearing***

On November 6, 2014, the CHB transmitted to ISD, Diamond, Mr. Walton, and Mr. Richey, notice of and a copy of the CHB's Tentative Proposed Decision and Recommendation to debar Diamond and these individuals. Attachment IV is the Notice of the Tentative Proposed Decision and Recommendation. This Notice also set a potential future hearing on December 3, 2014 to hear written objections to the CHB's Tentative Proposed Decision and Recommendation, if any were submitted. Mr. Richey served written objections on November 21, 2014, asserting again that he should not be debarred. Attachment V is a copy of his written objections. No other parties provided written objections.

The December 3, 2014 hearing was publicly noticed, scheduled, and conducted in Conference Room B at the Department of Public Works. Attachment VI is a copy of the agenda for this Hearing.

Mr. Richey, ISD representatives, and lawyers from County Counsel attended the hearing before the CHB. Mr. Richey and ISD agreed to submit the objections to the CHB on the basis of documentary evidence only, and did not present further oral argument in support of their positions. The CHB thereafter considered Mr. Richey's written objections and the evidence previously provided by the parties. The CHB deliberated, found Mr. Richey did not provide anything new for its consideration, and voted to not change its initial recommendation of five years of debarment for Diamond and Mr. Walton, and two years of debarment for Mr. Richey.

A list of CHB members, ISD representatives, Mr. Richey, and participating lawyers from County Counsel who were at the hearing on December 3, 2014, can be found at Attachment VII.

### **SUMMARY OF EVIDENCE AND ARGUMENT**

The County Counsel representative for ISD presented evidence in the form of testimony, correspondence and supporting documentation demonstrating that Diamond, Mr. Walton and Mr. Richey breached the terms of Diamond's agreements with the County, and should be debarred. Diamond breached applicable sections of all of its contracts with the County related to Work, Term of Contract, General Provisions for all Insurance Coverage and Insurance Coverage.

## **Pertinent Facts and Evidence**

### ***County Contracts with Diamond***

Diamond was required to provide custodial services to County departments under ten (10) separate Board of Supervisors' (Board) approved contracts. Diamond had one contract with Coroner, five contracts with Library, one contract with Beaches and three contracts with ISD.

On June 4, 2008, the Board approved Contract #76585 for Custodial/Related Services for Coroner ("Coroner Contract"). Pursuant to the Coroner Contract, Diamond was to provide highly trained custodial staff devoted solely to the autopsy security and laboratory floors to perform daily specialized cleaning and removal of biological and medical waste following the performance of autopsies.

On February 2, 2010, the Board approved Contract #77231 for Custodial Services at 12 libraries located in the Public Library's Custodial Area 3. On February 16, 2010, the Board approved Contract #77242 for Custodial Services at 16 libraries located in the Public Library's Custodial Area 5. Contract #77231 was subsequently amended to add another library facility, to bring the total to 17 facilities under this contract. On March 2, 2010, the Board approved Contract #77250 for Custodial Services at 10 libraries located in the Public Library's Custodial Area 1. Contract #77250 was subsequently amended to add another library facility, to bring the total to 11 facilities under this contract. On November 7, 2012, the Board approved Contract #77862 for Custodial Services at 15 libraries in the Public Library's Custodial Area 6. On January 8, 2013, the Board approved Contract #77906 for Custodial Services at 15 libraries located in the Public Library's Custodial Area 4. All five contracts will hereinafter be collectively referred to as the "Library Contracts." In total, Diamond was providing custodial services for 70 libraries, with scope of works requiring regular cleaning of these facilities, including public restrooms.

On July 6, 2010, the Board approved Contract #77371 for Janitorial Services for Beaches ("Beaches Contract"). Pursuant to the Beaches Contract, Diamond was required to clean the facilities and public restrooms at Chace Park, the Visitor Center in Marina Del Rey, Dockweiler Youth Center, Beach's Administrative Building and the Redondo Beach Warehouse.

On July 3, 2012, the Board approved ISD's Contract #77812 for Custodial Services at the Barry J. Nidorf Juvenile Hall and Court, and Kenyon Juvenile Justice Center Sub-Office. On December 11, 2012, the Board approved ISD's Contract #77892 for Custodial Services at County department facilities located in Region 1 and Contract #77896 for Custodial Services at County department facilities located in Region 6.

### ***Diamond's Breach***

On June 4, 2014, Mr. Walton notified ISD, Beaches and the Library, via email, of Diamond's intent to sell and/or transfer all of its assets, effective June 9, 2014, to a custodial services company that to this day remains unknown to the County. This same notice was provided to the Coroner on June 5, 2014. The County, by way of ISD and Beaches staff, notified Diamond that County approval was required for any assignment and that further information about this new company would be required. Diamond was required to provide information regarding this new company to ISD staff by 9:00 AM on June 5, 2014, so that the County could perform its due diligence review of the company prior to approving any contract assignments. Diamond failed to meet this deadline, and did not identify any company for assignment.

Following Diamond's failure to meet the 9:00 AM deadline on June 5, 2014, ISD staff contacted Mr. Walton at Diamond via telephone at 9:30 AM to discuss the issue. At that time, Mr. Walton disclosed to ISD staff that Diamond would not be able to provide services to the County under any of its ten contracts because it did not have the funds to purchase workers compensation insurance. Diamond's current workers compensation insurance would expire at 12:01 AM on Monday, June 9, 2014. Diamond did tell ISD staff, however, that it would continue to provide services up to and including Sunday, June 8, 2014 at 12:00 PM. Following the conference call, ISD staff sent a confirming email at 12:44 PM capturing the items discussed on the conference call, to which Mr. Walton replied and confirmed the correctness of the email.

It was also on June 5, 2014 that ISD staff received complaints from its County department contract facilities that they had run out of paper supplies that were to be provided by Diamond under its County contracts, and the facilities needed supplies as described in an email, "ASAP". Beaches also experienced similar paper supply shortages. ISD staff contacted Diamond regarding this issue. Mr. Richey responded via email to ISD and Beaches staff at 10:40 AM on June 5, 2014 apologizing for the supply situation at the facilities, and stated "...we have worked extremely hard the entire week to resolve this problem...We have depleted most of our inventory and Diamond does not have the ability to purchase more supplies." Yet, Diamond's contracts required that it have at least two weeks of paper supplies in place.

On June 5, 2014, ISD notified the Board by way of a Board memo of ISD's intent to work with the impacted County departments to transition services to other contractors, and to seek formal termination of the ten contracts. That same day, ISD and the Library advised Diamond of their intent to terminate the ISD Contracts and Library Contracts. ISD and the Library confirmed in their June 5, 2014 letter that Diamond will cease providing custodial services effective June 8, 2014 and that the County will only pay for services rendered by Diamond up to and including June 8, 2014.

On June 6, 2014, the Coroner advised Diamond of its intent to terminate the Coroner Contract. The Coroner also required Diamond to cease providing custodial services

effective June 8, 2014 and that the County will only pay for services rendered by Diamond up to and including June 8, 2014.

On June 8, 2014, Diamond did not provide custodial services to the Coroner as required, and did not provide Coroner with advance notice that no custodial services would be rendered. When Diamond failed to perform, the Coroner required a County employee, a Forensic Technician who was qualified to work with biological hazards, to work overtime to clean the autopsy floor areas.

On June 9, 2014, Beaches advised Diamond of its intent to terminate the Beaches Contract. Beaches advised Diamond that the County will only pay for services rendered by Diamond up to and including June 8, 2014.

ISD thereafter worked with the affected County departments to execute contract amendments to add 70 of the affected facilities (59 ISD contract facilities, one Coroner facility, and ten Beaches facilities) to two existing ISD custodial service contracts with other vendors. The amendments were effective June 9, 2014, allowing for continuity of service at these facilities. ISD incurred staffing costs for overtime on June 6, 7 and 8 to transition these services to other vendors, to conduct site visits, and to otherwise deal with Diamond's breach.

The Library also procured temporary custodial services for the 70 affected library facilities initially via Purchase Orders (PO) from two of its existing custodial service contractors in order to obtain enough time to secure Board approval of amendments to existing contracts to add these facilities. On June 10, 2014, the Board approved amendments to two existing Board approved contracts to add the 70 affected library facilities. The Library incurred staffing costs for overtime worked from June 5, 2014 to June 13, 2014 to schedule the temporary services, transition the services to other vendors and to seek Board approval of the terminations and new contract amendments.

### ***Termination of Diamond's Contracts***

On June 10 2014, the Board approved the Library's recommendation to terminate the five Library Contracts with Diamond. The Library notified Diamond via certified mail and email on June 10, 2014 of the termination.

On July 15, 2014, the Board approved ISD, Coroner and Beaches' recommendation to terminate the three ISD Contracts, the Coroner Contract and the Beaches Contract. ISD notified Diamond via letter on July 15, 2014 of the termination. Beaches sent its termination notice to Diamond on August 14, 2014.

On July 16, 2014, ISD notified Diamond via certified letter and e-mail that they would be placed in the County of Los Angeles Contractors Alert Reporting Database (CARD). The basis for CARD entry was a result of Diamond (1) experiencing financial, administrative, programmatic or legal issues that affect their ability to comply with the County contract



requirements, and (2) the County is imposing contractual remedies against the contractor for non-compliance with the County contract requirements. Diamond did not respond to the notice, and did not submit any information challenging their placement into CARD. On August 4, 2014, Diamond was placed into CARD.

Debarment proceedings were initiated after Diamond's placement into CARD, given Diamond's breach impacted approximately 140 County facilities.

### **Argument**

At the October 8, 2014 debarment hearing, ISD presented testimony and written documentation to support ISD, Coroner, Beaches and the Library's recommendation for debarment. Mr. Richey attended the debarment hearing, and presented oral testimony on his own behalf and cross-examined witnesses put on by ISD. The CHB finds that ISD, on behalf of itself, Coroner, Beaches and the Library, established by a preponderance of the evidence the following issues below, which support debarment:

#### ***Diamond Violated a Number of Terms in its Ten County Contracts***

Diamond breached applicable sections of all of its contracts with the County related to Work, Term of Contract, General Provisions for all Insurance Coverage and Insurance Coverage of its contracts with the County.

Section 3.0 (Work) required Diamond to provide janitorial/custodial services to ISD's contract departments, Beaches, Coroner and the Library. Per Section 3.0, Diamond was required to "fully perform, complete and deliver on time, all tasks, deliverables, services and other work" as required in the contracts. Many of Diamond's contracts also required that Diamond have two weeks of paper supply in stock. Section 4.0 (Term of Contract) of the County contracts with Diamond also contemplated initial terms and option terms, that if exercised in the sole discretion of the County, would have required Diamond to provide services through 2015 to 2018, depending on the contract. Clearly, Diamond breached Section 3.0 and Section 4.0, given it did not fully perform the janitorial/custodial services work it was required to perform for the entire duration of the contracts. Further, testimony was provided during the debarment hearing that Diamond did not provide critical services to Coroner related to clean-up work after autopsies, and that toilet paper supplies ran out at public County facilities.

Diamond's ten contracts with the County also required Diamond, per Section 8.24 (General Provisions for all Insurance Coverage) and Section 8.27 (Insurance Coverage), to purchase workers compensation insurance as a condition of doing business with the County. Without the proper workers compensation insurance in place, Diamond could not perform the required custodial services under its ten contracts for the entire required term. As a result, 140 County facilities were impacted and lost custodial/janitorial services much earlier than the initial and option term years of 2015 to 2018, depending on the contract.

***Diamond, Steve Walton and Russell Richey Committed an Act or Omission Which Negatively Reflected on the Contractor's Quality, Fitness, or Capacity to Perform a Contract with the County***

The lack of sufficient advance notice to the County that Diamond could no longer perform under its contracts with the County, negatively reflected on Diamond, Mr. Walton and Mr. Richey. Within four days of first advising the County on June 4, 2014 that Diamond would be sold to some unknown company, Diamond ceased to perform on ten county contracts involving approximately 140 County facilities.

Diamond and Mr. Walton were also not forthright regarding Diamond's inability to procure workers compensation insurance. Mr. Walton, as the Chief Executive Officer of Diamond, presumably made or had a hand in making the decision to not renew Diamond's workers compensation insurance. Instead of disclosing to the County immediately when that decision was made not to procure the insurance, Diamond and Mr. Walton waited until June 5, 2014 to disclose this fact. Further, none of the parties mentioned the insurance issue on June 4, 2014, when they spoke with County staff regarding this purported assignment of Diamond's assets.

It also appears from Mr. Richey's email sent on June 5, 2014 and testimony presented by Mr. Richey at the debarment hearing, that he had knowledge about Diamond experiencing financial problems which impacted its ability to purchase supplies (like toilet paper). Mr. Richey was the Vice President of Operations and the project manager, and was responsible for the day to day contract activities. Mr. Richey knew that Diamond did not have enough paper supplies to meet its contractual obligations, yet he did not notify the County sufficiently in advance for the County to make contingency plans. Mr. Richey also appears to have some knowledge about a possible bankruptcy impacting Diamond, but never disclosed this to the County (neither did Mr. Walton).

Diamond, Mr. Walton and Mr. Richey's lack of sufficient notice to the affected County departments regarding its impending breach, its attempt to seek approval to assign Diamond's contracts to an unknown new company, and its lack of forthrightness regarding its failure to procure required insurance, demonstrates that Diamond committed multiple acts and omissions which negatively reflected on the contractor's quality, fitness, or capacity to perform a contract with the County. In addition, the actions of Diamond, Mr. Walton and Mr. Richey resulted in ISD, Beaches, Library and the Coroner initiating extraordinary efforts to replace the contracted services within a four day period in order to not create public health hazards at County facilities that not only serve County employees, but members of the public.

***Diamond, Steve Walton and Russell Richey Committed an Act or Offense Which Indicates a Lack of Business Integrity or Business Honesty***

Diamond, Mr. Walton and Mr. Richey's actions and omissions, as well as their lack of forthrightness regarding their inability to meet County contract requirements, indicates that the contractor and its principal and high level executives, were unwilling and/or unable to take responsibility for Diamond's contractual commitments and actions. The County only does business with "responsible contractors" (County Code section 2.202.010). The purpose of the ordinance is to promote integrity in the County's contracting process. A non-responsible contractor is one which has displayed a lack of business ethics and business integrity, as demonstrated by these three parties.

**FINDINGS AND RECOMMENDED DECISION**

After considering the evidence and arguments presented by ISD representatives, the CHB concluded that the following factors assisted them in reaching their decision for the debarment of Diamond and Steve Walton for a period of five years, and Russell Richey for a period of two years:

- *Whether a contractors' wrongdoing was intentional or inadvertent. Whether and to what extent a contractor planned, initiated, or carried out the wrongdoing.*

The CHB concludes that through the actions of Diamond, Mr. Walton and Mr. Richey, Diamond intentionally breached the requirements of its ten contracts with the County. The CHB finds that Diamond was not forthcoming about its inability to pay for workers compensation insurance and did not provide County with sufficient notice of this issue until they failed to provide on June 5, 2014, the name of the company that would purchase Diamond's assets. On June 4, 2014, Diamond notified ISD, Beaches and the Library, via email of its intent to sell and/or transfer all of its assets effective June 9, 2014. Only after Diamond missed the 9:00 AM deadline on June 5, 2014 to turn over information about this new company, did Mr. Walton inform the County that Diamond was unable to buy workers compensation insurance.

Further, during Diamond's call with ISD staff on June 5, 2014, Mr. Walton stated that the costs to procure and maintain worker's compensation insurance were exorbitant, and the company could not pay the premium. Mr. Walton's statements clearly indicate that he knew what the premium costs were, and made the business decision not to purchase the insurance. The insurance is a requirement of Diamond's contracts with the County, and Diamond should have immediately disclosed to the County that it would not be able to meet this requirement. Instead, Diamond waited until four days before its insurance would lapse, to notify the County of this serious deficiency.

Mr. Richey provided testimony at the debarment hearing that he did not know

that Diamond was being sold to another company, and testified that he first learned of it on June 4, 2014 when he participated in a conference call with Mr. Walton and ISD staff. Mr. Richey also testified that he did not know about the workers compensation issue either, and that the operations side of the company was "kept in the dark". Based on this testimony and the answers provided by Mr. Richey when questioned by the CHB members, the CHB notes that this testimony mitigates the recommended five year debarment period requested by ISD for Mr. Richey.

Mr. Richey did, however, have prior knowledge that Diamond was low on janitorial supplies it was required to provide at certain County facilities, and that Diamond no longer had the funds to purchase the needed supplies. Mr. Richey failed to notify County staff sufficiently in advance of this so the County could prepare accordingly. Only when ISD and Beaches staff contacted Diamond, did he reveal in an email on June 5, 2014, that "We have worked extremely hard the entire week to resolve this problem...We have depleted most of our inventory and Diamond does not have the ability to purchase more supplies." Mr. Richey also provided testimony at the debarment hearing that he was aware that Diamond was having financial issues and as a result, suppliers were no longer selling products to Diamond. Mr. Richey also provided testimony about an apparent bankruptcy that Diamond had filed. In any event, Mr. Richey knew for at least a week, if not longer, that it was short on supplies, that Diamond was moving supplies between facilities and that Diamond could not purchase more supplies. Yet, this was only disclosed to the County when the County inquired about the janitorial supply shortages, after receiving complaints from County facilities. Diamond's contracts required it to have at least two weeks of paper supplies in place.

- *Whether a contractor's principals or other individuals associated with the contract participated in, knew of, or tolerated the offense.*

The CHB finds that Mr. Walton, a principal of Diamond who also served as the Chief Executive Officer, participated in, knew of, and tolerated the actions and inactions that resulted in Diamond breaching ten contracts involving approximately 140 County facilities. The CHB also finds that Mr. Richey also knew of Diamond's inability to perform, as evidenced by its failure to have adequate supplies on hand, but failed to adequately notify the County.

- *The positions held by the individuals involved in the wrongdoing.*

The CHB finds that the acts leading to Diamond's breach were committed by individuals at the highest levels in the company. Mr. Walton is the Chief Executive Officer of Diamond and Mr. Richey is the Vice President of Operations. All of the contracts, except for the Coroner Contract, named Mr. Richey as Diamond's Project Manager. Amendments executed with ISD on Contract

#77812, #77892 and #77896 identify Mr. Walton as the CEO and Mr. Richey as the Vice President of Operations. Mr. Richey continued to be identified as Diamond's project manager on those contracts. Per Section 7.0 (Administration of Contract – Contractor), the Project Manager "shall be responsible for the Contractor's day-to-day activities" as related to the contracts.

- *Actual or potential harm or impact that results or may result from the wrongdoing.*

The CHB finds that the harm and impact to the County as a result of Diamond's breach was severe. As a result of Diamond's failure to meet its contract requirements to procure workers compensation insurance, and its unreasonably short notice that it could no longer perform due to lack of insurance, ISD and the impacted departments scrambled to transition the services to other custodial contractors over a three day period.

ISD incurred staffing overtime costs for June 6, 7, and 8<sup>th</sup> to transition 59 ISD contract facilities, one Coroner contract facility and 10 Beaches facilities over to two existing ISD custodial contracts. Beaches staff testified that Diamond's breach resulted in "chaos", given the facilities that were impacted were very heavily visited by the public and the June time period marked the start of summer beach attendance. ISD staff provided testimony at the hearing that it incurred an estimated 500 hours of overtime and overtime costs in excess of \$20,000 to address Diamond's breach and to transition those services. In addition, given that Beaches and Coroner had to transition their custodial needs to ISD for handling, these two departments will collectively incur a combined \$150,000 annually for ISD custodial contract service management. Beaches and Coroner would not have incurred these costs, except for the actions of Diamond, Mr. Walton and Mr. Richey.

Similarly, the Library scrambled to transition the custodial services for its 70 impacted libraries to two other Library custodial vendors. County Library staff testified during the debarment hearing that Diamond's breach had a "catastrophic" impact, with 80% of County library facilities being impacted. As a result the Library incurred staffing costs for overtime worked from June 5, 2014 through June 13, 2014 to schedule intermittent services, negotiate the additional services, file the Board letter and prepare and execute the contract amendments to transition the services.

The Coroner was also severely impacted by Diamond's failure to show up on June 8, 2014 to clean the Coroner autopsy floors in its facility. Coroner received no notice from Diamond regarding its inability to perform. When Diamond failed to perform, the Coroner required a County employee, a Forensic Technician who was qualified to work with biological hazards, to work overtime to perform the cleanings. These are highly specialized services that Diamond was required to provide. Instead, the Coroner was left to require a Forensic Technician with the

proper technical background but outside his scope of duties, to perform the work. Coroner staff testified during the debarment hearing that there would have been serious potential health and safety issues if the cleaning services couldn't be performed.

- *Whether a contractor has accepted responsibility for the wrongdoing, recognizes the seriousness of the misconduct that led to the cause for debarment, and has taken corrective action to cure the wrongdoing, including taking appropriate disciplinary actions against those responsible.*

There is nothing in the record of this debarment hearing to suggest that Diamond and Mr. Walton had taken any responsibility for their actions and their wrongdoing. As for Mr. Richey, when asked by a CHB board member regarding whether he took any responsibility for his actions, he accepted little to no responsibility, because he claimed he did not know. However, Mr. Richey knew, at minimum, about the paper supply shortage since he was serving as the Vice President of Operations. He was also the Contractor's Project Manager on the County contracts and as such, was responsible for the day to day operations of these contracts.

- *Whether a contractor had effective standards of conduct and internal control systems in place at the time the questioned conduct occurred.*

Diamond, Mr. Walton and Mr. Richey (as the Project Manager), had no internal controls in place, including a back-up plan to support the County departments with continued services. According to testimony presented by Mr. Richey, Diamond had financial resource issues that affected its ability to buy supplies, there were inadequate supplies in inventory as required by the contracts, and as such, there was no other means or recourse to secure the necessary supplies to meet the requirements of Diamond's contracts with the County. If there had been another event that had occurred during this June time period (instead of lack of insurance), Diamond still would not have been able to meet the requirements of the contracts because they had no "Plan B" in place.

Therefore, by unanimous vote, the CHB recommends to your Board that Diamond, Steve Walton and Russell Richey be debarred.

By another separate unanimous vote, the CHB recommends debarment for a period of five years for Diamond and Steve Walton. With respect to Russell Richey, the CHB recommends a two year debarment. The CHB did spend some time deliberating a one or two year debarment for Mr. Richey, and did not accept ISD's recommendation of five years. The CHB weighed the fact that Mr. Richey had prior knowledge of Diamond's inability to procure adequate supplies, against the fact that Mr. Richey claimed that he had no control over Diamond's financial operations, and that certain County witnesses during the debarment hearing had acknowledged Mr. Richey's attempts to provide good

customer service during the performance of some of the contracts. As a result, the CHB voted unanimously to debar Mr. Richey for only two years.

**CONTRACTOR'S RIGHT TO OBJECT TO THE CHB FINDINGS AND RECOMMENDATIONS**

As noted above, on November 6, 2014, Diamond, Mr. Walton and Mr. Richey were sent via certified mail and email, a letter with a copy of the draft report with the proposed findings, decision, and recommendation of the CHB. As indicated in the letter, the draft report was provided to allow ISD and Mr. Richey an opportunity to prepare and provide the County with any written objections to the proposed decision of the CHB for consideration.

Subsequently, Mr. Richey submitted an objection via e-mail on November 21, 2014. His objections were heard and considered by the CHB on December 3, 2014, and found unpersuasive, as noted above.

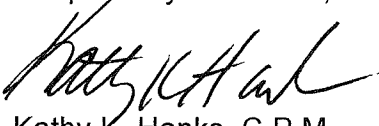
**IMPACT ON CURRENT PROJECTS**

Not applicable.

**CONCLUSION**

Due to the foregoing, and to ensure that the County contracts only with responsible contractors who comply with all relevant laws, as well as the terms and conditions of their contracts, the CHB respectfully requests that your Board adopt the proposed findings, decision and recommendations relating to Diamond Contract Services, Inc., Steve Walton and Russell Richey.

Respectfully submitted,



Kathy K. Hanks, C.P.M.  
Director, Department of Health Services Contracts and Grants  
Acting Chair, Contractor Hearing Board

KH:kh

Attachments (7)

c: Santos H. Kreimann, Deputy Chief Executive Officer  
Sandra Pina-Barbee, Administrative Deputy for Treasurer & Tax Collector  
Jim Jones, Director of Internal Services Department

Honorable Board of Supervisors  
January 13, 2015  
Page 16

Yolanda Young, Division Manager for ISD  
Truc L. Moore, Senior Deputy County Counsel  
Behnaz Tashakorian, Deputy County Counsel



# ATTACHMENT I



JIM JONES  
Director

County of Los Angeles  
**INTERNAL SERVICES DEPARTMENT**

1100 North Eastern Avenue  
Los Angeles, California 90063

Telephone: (323) 267-2101  
FAX: (323) 415-8664

*"To enrich lives through effective and caring service"*

September 15, 2014

**CERTIFIED MAIL  
RETURN RECEIPT REQUESTED**

Mr. Steve Walton  
Mr. Russell Richey  
Diamond Contract Services, Inc.  
3636 Nobel Drive, #401  
San Diego, CA 92122

Mr. Steve Walton  
Mr. Russell Richey  
Diamond Contract Services, Inc.  
2249 North Hollywood Way  
Burbank, CA 91505

Dear Mr. Steve Walton and Mr. Russell Richey:

**DEBARMENT PROCEEDINGS**

The County of Los Angeles' Internal Services Department (ISD), Department of the Medical Examiner - Coroner, Department of Beaches and Harbors, and the Public Library intend to initiate debarment proceedings against each of you, as individuals, and against Diamond Contract Services, Inc. A recommended debarment of five years will be made pursuant to Los Angeles County Code Chapter 2.202, Determination of Contractor Non-Responsibility and Contractor Debarment.

You are hereby notified that the debarment hearing with the Contractor Hearing Board will be held on:

Date: Wednesday, October 8, 2014  
Time: 1:00 p.m.  
Place: Internal Services Department, Room G101  
1100 North Eastern Avenue  
Los Angeles, CA 90063

This notice specifies the basis for the debarment recommendation, the proposed period of debarment and a summary of evidence to support the recommendation, in Attachment A, incorporated herein by reference.

At the Contractor Hearing Board, you are entitled to appear and/or be represented by an attorney or other representative to present evidence against a finding of debarment. At the

Mr. Steve Walton  
Mr. Russell Richey  
September 15, 2014  
Page 2 of 2

hearing, you or your representative may offer documentary evidence, present witnesses, and offer rebuttal evidence as authorized by the County code.

After the debarment hearing, the Contractor Hearing Board will prepare a proposed decision to the County Board of Supervisors (Board). This decision will include a recommendation on whether or not to debar any or all of the parties cited above, and, if so, the appropriate length of time for debarment. The Board may, in its discretion, limit any further hearing to the presentation of evidence not previously heard. The Board has the right to modify, deny, or adopt the Contractor Hearing Board's proposed decision and recommendation. Any debarment finding shall become final upon the approval by the Board.

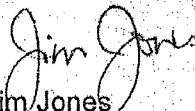
Each of you and/or Diamond must submit a written confirmation to ISD indicating whether you and/or attorney or other representative will be present at the debarment hearing. This confirmation must be sent to Ms. Yolanda Young, Contracting Division, 1100 N. Eastern Avenue, Los Angeles, CA 90063, or emailed to [yyoung@isd.lacounty.gov](mailto:yyoung@isd.lacounty.gov), and must be received by ISD no later than 5:00 p.m. on Monday, September 22, 2014. Failure to confirm the hearing date or otherwise respond may result in waiving of all rights to a hearing before the Contractor Hearing Board.

If Diamond, or either or both of you, as individuals, confirm attendance at the Contractor Hearing Board, by the deadline identified above, ISD will provide you with a list of prospective witnesses and copies of all documentary evidence at least ten (10) days prior to the scheduled hearing.

If Diamond, or either or both of you intend to present evidence against the proposed debarment, you must provide ISD with a list of prospective witnesses and five (5) copies of all documentary evidence at least five (5) days prior to the scheduled hearing. The deadline to submit these documents is 12:00 p.m. on Wednesday, October 1, 2014.

If you have any questions, please contact Yolanda Young, Contracting Division Manager, at (323) 267-3101.

Very truly yours,

  
Jim Jones  
Director

c: County Counsel  
Contractor Hearing Board Members

**ATTACHMENT A**  
**BASIS FOR PROPOSED DEBARMENT RECOMMENDATION AND**  
**SUMMARY OF EVIDENCE TO SUPPORT THE RECOMMENDATION**

The basis for the proposed debarment recommendation is that Diamond Contract Services, Inc. (Diamond) by and through its principal, Steve Walton, and its Vice President of Operations, Russell Richey: (1) violated a term of a contract with the County or a nonprofit corporation created by the County; (2) committed an act or omission which negatively reflects on the contractor's quality, fitness, or capacity to perform a contract with the County, any other public entity, or a nonprofit corporation created by the County, or engaged in a pattern or practice which negatively reflects on same; and (3) committed an act or omission which indicates a lack of business integrity or business honesty.

The Internal Services Department (ISD), Department of the Medical Examiner - Coroner (Coroner), Department of Beaches and Harbors (DBH), and Public Library (Library) will recommend a five year debarment for Diamond and its principal, Steve Walton, and its Vice President of Operations, Russell Richey.

A summary of the evidence to support the debarment recommendation is set forth below:

1. Diamond was contracted to provide custodial services under ten separate Board-approved contracts with the following departments: ISD (three contracts), Coroner (one contract), DBH (one contract), and Library (five contracts).

On June 4, 2014, Diamond notified ISD, DBH, and the Library of its intent to sell/transfer substantially all of its assets, and requested approval to assign its contracts to an unnamed custodial services contractor effective June 9, 2014. Diamond sent the identical notification to the Coroner on June 5, 2014. The County requested information to conduct a due diligence process of the assignment requested by Diamond. Due to the short notice, the information and documents were due to the County by 9:00am on June 5, 2014. Diamond was not able to identify a viable company by that date and time.

On June 5, 2014, the County contacted Diamond and Diamond notified the County that they did not have the funds to procure the contractually required workers' compensation insurance premium. As a result, Diamond was unable to provide the required custodial services for any of the County departments after June 8, 2014, affecting a total of 140 County facilities, and approximately 309 contract workers.

Diamond was also contracted to provide custodial services to the Community Development Commission/Housing Authority whose Board of Commissioners also sit as the Board of Supervisors.

Diamond did not provide the County with advance notice that it would not be able to procure the contractually required insurance premium.

**ATTACHMENT A**  
**BASIS FOR PROPOSED DEPARTMENT RECOMMENDATION AND**  
**SUMMARY OF EVIDENCE TO SUPPORT THE RECOMMENDATION**

On June 5, 2014, ISD was made aware that several facilities were not provided with adequate supplies, as contractually required. ISD contacted Diamond to resolve the issue. Russell Richey, Diamond's VP of Operations, responded with an email notification to ISD and Library indicating that, effective immediately, Diamond would no longer be able to provide supplies for its contracted facilities.

The County is prepared to produce evidence of Diamond's: (i) short notice to the County of its intent to assign its County contracts, (ii) inability to provide the necessary documents/information to assign its contracts, (iii) unreasonably short notice to the County that it would not be able to procure the contractually required workers' compensation insurance premium, (iv) inability to identify a viable custodial company that could provide the contracted services, and (v) inability to provide supplies for its contracted facilities effective June 5, 2014.

2. On June 5, 2014, ISD sent a memorandum to the County of Los Angeles Board of Supervisors (Board) informing the Board of ISD's intent to work with the impacted departments to: (i) transition services to other custodial contractors; and (ii) seek the formal termination of ten custodial services contracts with Diamond, due to their inability to maintain workers' compensation insurance.

The County is prepared to produce documentary evidence of its notification to the Board.

3. The County sent written notification to Diamond of its intent to formally terminate Diamond's custodial services contracts for default; the notification letters were sent on the following dates:

- June 5, 2014 - ISD and Library
- June 6, 2014 - Coroner
- June 9, 2014 - DBH

The County is prepared to produce documentary evidence of its notifications to Diamond of its intent to terminate Diamond's contracts for default.

4. On June 8, 2014, Diamond failed to provide custodial services for the Coroner, and did not notify Coroner that services would not be provided on that date. Due to the highly specialized nature of the custodial services, Coroner moved quickly to have in-house staff (a Forensic Technician) with the necessary knowledge and expertise, including knowledge of biological hazards, work overtime to clean the service floor areas. Additionally, Diamond failed to provide services for other County departments.

**ATTACHMENT A**  
**BASIS FOR PROPOSED DEPARTMENT RECOMMENDATION AND**  
**SUMMARY OF EVIDENCE TO SUPPORT THE RECOMMENDATION**

The County is prepared to produce documentary evidence of Diamond's failure to provide services to the Coroner and other County departments.

5. To avoid a gap or disruption in critical services, ISD worked with the impacted departments, and within three calendar days, executed contract amendments to add seventy of the affected facilities (59 ISD contract facilities, one Coroner contract facility, and ten DBH contract facilities) to two existing ISD custodial contracts, effective June 9, 2014. ISD successfully negotiated the same contract costs, terms, and conditions for the additional services. The custodial services for Coroner and DBH are now managed by ISD and the departments will incur a combined annual total of \$150,000 for ISD custodial contract service management.

ISD incurred staffing costs for overtime worked on June 6, 7, and 8 (Friday, Saturday, and Sunday—outside of regularly scheduled working days) to conduct site visits, negotiate the additional services to existing contracts, identify accurate contract costs, and develop and execute contract amendments prior to Monday, June 9, 2014.

On June 9, 2014, to avoid a disruption in custodial services and minimize impact to Library patrons, the Library procured temporary emergency custodial services for the affected facilities with two of its existing custodial services vendors.

On June 10, 2014, the Library requested and obtained approval from the Board to execute contract amendments to add the seventy affected library facilities to two of its existing custodial services contracts. The Library was able to negotiate the same contract costs, terms, and conditions for the additional services. The contract amendments were executed on June 13, 2014.

The Library incurred staffing costs for overtime worked from June 5, 2014 to June 13, 2014 to schedule intermittent services, negotiate the additional services, file the Board letter, and draft and execute the contract amendments.

The County is prepared to produce documentary evidence of (i) its actions taken to acquire replacement services in a short period of time, (ii) the resultant increase in costs that DBH and Coroner will incur for the provision of custodial services, and (iii) the number of overtime hours worked by ISD and Library staff to transition services ensuring the continuity of critical services past June 8, 2014.

6. On June 10, 2014, the Board approved the Library's recommendation to formally terminate its contracts with Diamond, in whole, for default, pursuant to the termination for default provision within each contract, for violating contract provisions including but not limited to (i) Work, (ii) Term of Contract, (iii) General

**ATTACHMENT A**  
**BASIS FOR PROPOSED DEBARMENT RECOMMENDATION AND**  
**SUMMARY OF EVIDENCE TO SUPPORT THE RECOMMENDATION**

Provisions for all Insurance Coverage, and (iv) Insurance Coverage. The terminations were effective upon Board approval.

On July 15, 2014, the Board approved the joint recommendation by ISD, Coroner, and DBH to formally terminate its contracts with Diamond, in whole, for default pursuant to the termination for default provision within each contract, for violating contract provisions including but not limited to (i) Work, (ii) Term of Contract, (iii) General Provisions for all Insurance Coverage, and (iv) Insurance Coverage. The terminations were effective July 16, 2014.

The County is prepared to produce documentary evidence of the Board's termination of the custodial services contracts with Diamond.

7. The County sent written notification to Diamond informing Diamond that pursuant to the Board's approval on June 10, 2014, and July 15, 2014, its contracts with the County have been formally terminated, in whole, for default—the notification letters were sent on the following dates:
  - June 10, 2014 - Library
  - July 15, 2014 - ISD
  - August 14, 2014 - DBH

The County is prepared to produce documentary evidence of its notifications to Diamond relating to the formal termination of Diamond's contracts.

8. On July 16, 2014, ISD notified Diamond that they would be placed in the County of Los Angeles' Contractor Alert Reporting Database (CARD) as a result of: 1) experiencing financial, administrative, programmatic or legal issues that affect their ability to comply with the County contract requirements; and 2) the County imposing contractual remedies against the contractor for non-compliance with the County contract requirements. The notice provided Diamond with ten business days (until July 30, 2014) to respond with information demonstrating that it should not be placed in CARD. Diamond did not respond to the notice and was subsequently placed in CARD on August 4, 2014.

The County is prepared to produce documentary evidence of the correspondence relating to Diamond's placement in CARD.

9. On July 30, 2014, and August 4, 2014, ISD received notice that the CARD notification letters sent to Diamond, which were sent electronically and via Certified U.S. Mail to two separate addresses on file (2249 N. Hollywood Way, Burbank, CA 91505 and 11432 Vanowen Street, North Hollywood, CA 91605), were forwarded and delivered to 3636 Nobel #401, SD, CA 92122.

**ATTACHMENT A**  
**BASIS FOR PROPOSED DEBARMENT RECOMMENDATION AND**  
**SUMMARY OF EVIDENCE TO SUPPORT THE RECOMMENDATION**

The County is prepared to produce documentary evidence of Diamond's forwarding address - 3636 Nobel Dr #401, SD, CA 92122.

10. ISD executed amendments to replace Exhibit F, Contractor's Administration, of Diamond's custodial services contracts with ISD (Contract Numbers 77812, 77892, and 77896). These amendments identify Steve Walton, CEO, as Diamond's Authorized Official, and Russell Richey, VP of Operations, as Diamond's Project Manager.

The County is prepared to produce documentary evidence that ISD executed amendments to replace Exhibit F, Contractor's Administration.

11. As of August 6, 2014, a search on Diamond's website (<http://diamondcontract.com>) identifies the following:

- Russell Richey - Vice President of Operations
- Steve Walton - Chief Executive Officer

The County is prepared to produce documentary evidence of the record.

12. A Dun and Bradstreet (D&B) business information report for Diamond obtained on August 7, 2014, identifies the following:

- Principals: Morgan Miller, Secretary; Steve Walton, President; Laura Contreras, Treasurer
- Headquarters: 3636 Nobel Dr. Ste 401, San Diego, CA 92122

The County is prepared to produce documentary evidence of the record.



# ATTACHMENT II

County of Los Angeles  
**CONTRACTOR HEARING BOARD**

313 N. FIGUEROA STREET, SIX EAST, LOS ANGELES, CALIFORNIA 90012



Kathy Hanks, Acting Chair

**NOTICE OF REGULAR MEETING**

October 8, 2014, 1:00 p.m.  
Internal Services Department, Room G101  
1100 N. Eastern Ave  
Los Angeles, CA 90063

**AGENDA**

- I. Call to Order
- II. Debarment Proceedings against Diamond Contract Services, Inc., Steve Walton and Russell Richey, as initiated by the Internal Services Department, Department of the Medical Examiner – Coroner, Department of Beaches and Harbors, and Public Library
- III. Consideration of other items not on the posted Agenda
- IV. Public Comment
- V. Adjournment

For additional information, contact Kathy Hanks, Department of Health Services, at (213) 240-7819 or by email, [khanks@dhs.lacounty.gov](mailto:khanks@dhs.lacounty.gov).

DEPARTMENT DOCUMENTARY EVIDENCE

DIAMOND CONTRACT SERVICES, INC.

OCTOBER 8, 2014

TAB	DOCUMENTS
1	June 4, 2008 - Board Letter - Request for approval and award of the Custodial Services Contract with Diamond to provide custodial services for the Department of Medical Examiner - Coroner (Coroner).
2	February 2, 2010 - Board Letter - Request for approval and award of the Custodial Services Contract with Diamond to provide custodial services for Public Library (Library) Area 3.
3	February 16, 2010 - Board Letter - Request for approval and award of the Custodial Services Contract with Diamond to provide custodial services for Library Area 5.
4	March 2, 2010 - Board Letter - Request for approval and award of the Custodial Services Contract with Diamond to provide custodial services for Library Area 1.
5	July 6, 2010 - Board Letter - Request for approval and award of the Custodial Services Contract with Diamond to provide custodial services for the Department of Beaches and Harbors (DBH).
6	July 3, 2012 - Board Letter - Request for approval and award of the Custodial Services Contract with Diamond and ISD to provide custodial services at Barry J. Nidorf Juvenile Hall and Court, and Kenyon Juvenile Justice Center Sub-Office (Probation).
7	November 7, 2012 - Board Letter - Request for approval and award of the Custodial Services Contract with Diamond to provide custodial services for Library Area 6.
8	December 11, 2012 - Board Letter - Request for approval and award of two Custodial Services Contracts with Diamond to provide custodial services for ISD Regions 1 and 6.
9	January 8, 2013 - Board Letter - Request for approval and award of the Custodial Services Contract with Diamond to provide custodial services for Library Area 4.
10	June 4, 2008 - Custodial Services Contract with Diamond to provide custodial services for Coroner (Contract 76585).
11	February 2, 2010 - Custodial Services Contract with Diamond to provide custodial services for Library Area 3 (Contract 77231).
12	February 16, 2010 - Custodial Services Contract with Diamond to provide custodial services for Library Area 5 (Contract 77242).
13	March 2, 2010 - Custodial Services Contract with Diamond to provide custodial services for Library Area 1 (Contract 77250).
14	July 6, 2010 - Custodial Services Contract with Diamond to provide custodial services for DBH (Contract 77371).
15	July 3, 2012 - Custodial Services Contract with Diamond and ISD to provide custodial services at Barry J. Nidorf Juvenile Hall and Court, and Kenyon Juvenile Justice Center Sub-Office (Contract 77812 - Probation Facilities).
16	November 7, 2012 - Custodial Services Contract with Diamond to provide custodial services for Library Area 6 (Contract 77862).
17	December 11, 2012 - Custodial Services Contract with Diamond to provide custodial services for ISD Region 1 (Contract 77892).
18	December 11, 2012 - Custodial Services Contract with Diamond to provide custodial services for ISD Region 6 (Contract 77896).
19	January 8, 2013 - Custodial Services Contract with Diamond to provide custodial services for Library Area 4 (Contract 77906).

DEBARMENT DOCUMENTARY EVIDENCE

DIAMOND CONTRACT SERVICES, INC.

OCTOBER 8, 2014

TAB	DOCUMENTS
20	April 1, 2013 - Amendment replacing Exhibit F, Contractor's Administration (ISD Contract 77892) - identifies Russell Richey as Diamond's VP of Operations and Steve Walton, CEO, as Diamond's Authorized Official.
21	April 1, 2013 - Amendment replacing Exhibit F, Contractor's Administration (ISD Contract 77896) - identifies Russell Richey as Diamond's VP of Operations and Steve Walton, CEO, as Diamond's Authorized Official.
22	April 3, 2013 - Amendment replacing Exhibit F, Contractor's Administration (ISD's Probation Contract 77812) - identifies Russell Richey as Diamond's VP of Operations and Steve Walton, CEO, as Diamond's Authorized Official.
23	June 4, 2014 - Email correspondence from Diamond to ISD requesting approval to assign its contracts effective June 9, 2014 and ISD's response to Diamond.
24	June 4, 2014 - Email correspondence from Diamond to DBH requesting approval to assign its contracts effective June 9, 2014 and DBH's response to Diamond.
25	June 4, 2014 - Email correspondence from Diamond to Library requesting approval to assign its contracts effective June 9, 2014.
26	June 5, 2014 - Email correspondence from Diamond to Coroner requesting approval to assign its contracts effective June 9, 2014.
27	June 5, 2014 - Email correspondence confirming Diamond's inability to: (i) procure the required workers' compensation insurance premium, and (ii) provide the contracted services for any of the County departments after June 8, 2014.
28	June 5, 2014 - Email correspondence from Russell Richey indicating that, effective immediately, Diamond would no longer be able to provide supplies for its contracted facilities.
29	June 5, 2014 - Memorandum from ISD to the County of Los Angeles Board of Supervisors (Board) notifying the Board of ISD's intent to work with the impacted departments to: (i) transition services to other custodial contractors; and (ii) seek the formal termination of ten custodial services contracts with Diamond, due to their inability to maintain workers' compensation insurance.
30	June 5, 2014 - ISD's written notification to Diamond of its intent to terminate Diamond's custodial services contracts for default.
31	June 5, 2014 - Library's written notification to Diamond of its intent to terminate Diamond's custodial services contracts for default.
32	June 6, 2014 - Coroner's written notification to Diamond of its intent to terminate Diamond's custodial services contracts for default.
33	June 9, 2014 - DBH's written notification to Diamond of its intent to terminate Diamond's custodial services contracts for default.
34	Amendment adding thirty-three affected facilities (twenty ISD Region 1 facilities, one Coroner facility, ten Beaches and Harbors facilities, and two Probation facilities) to ISD Contract Number 77893 effective June 9, 2014.
35	Amendment adding thirty-seven affected facilities (ISD Region 6 facilities) to ISD Contract Number 77895 effective June 9, 2014.
36	June 9, 2014 - Purchase Orders - Procurement of temporary emergency custodial services at the affected Library facilities with two existing custodial services contractors.
37	OT hours worked by ISD employees.
38	OT hours worked by Coroner employee (Forensic Technician) on June 8, 2014.
39	OT hours worked by Library employees from June 5, 2014 through June 13, 2014.

**DEBARMENT DOCUMENTARY EVIDENCE  
DIAMOND CONTRACT SERVICES, INC.**

**OCTOBER 8, 2014**

TAB	DOCUMENTS
40	Listing of contract workers affected by Diamond termination - ISD, Coroner, DBH, and Library.
41	Costs DBH and Coroner will incur for ISD custodial contract service management.
42	June 10, 2014 - Board letter - Terminating five custodial services contracts (Library contracts) with Diamond, in whole, for default; and, requesting Board approval to execute amendments to add the affected facilities (seventy in total) to two existing Library contracts.
43	June 10, 2014 - Library sent written notification to Diamond informing Diamond that, pursuant to the Board's approval on June 10, 2014, Contract Numbers 77250, 77231, 77906, 77242, and 77862 have been formally terminated, in whole, for default, effective June 10, 2014.
44	Amendment adding 38 affected Library facilities to Library Contract Number 77683 effective June 13, 2014.
45	Amendment adding 32 affected Library facilities to Library Contract Number 77682 effective June 13, 2014.
46	June 19, 2014 - Email correspondence confirming Diamond did not provide services to Coroner on June 8, 2014.
47	July 15, 2014 - Board letter - Terminating five custodial services contracts (three ISD contracts, one Coroner contract, and one DBH contract) with Diamond, in whole, for default; and, informing the Board of actions taken to transition services by June 9, 2014.
48	July 15, 2014 - ISD sent written notification to Diamond informing Diamond that, pursuant to the Board's approval on July 15, 2014, ISD Contract Numbers 77892, 77896, and 77812 will be formally terminated, in whole, for default, effective July 16, 2014.
49	August 6, 2014 - Diamond's webpage (diamondcontract.com) identifying Russell Richey as Diamond's Vice President of Operations and Steve Walton as Diamond's CEO.
50	July 16, 2014 - CARD Placement Notification Letter sent to Diamond via Electronic and Certified U.S. Mail.
51	July 30, 2014 - USPS Certified Mail Return Receipt showing CARD notice was forwarded and delivered to 3636 Nobel #401, SD, CA 92122--received by Jennifer K. White.
52	August 4, 2014 - USPS Certified Mail Return Receipt showing CARD notice was forwarded and delivered to 3636 Nobel #401, SD, CA 92122--received by Nicolas Lopez.
53	August 7, 2014 - Dun and Bradstreet Business Information Report for Diamond.
54	August 14, 2014 - DBH sent written notification to Diamond informing Diamond that, pursuant to the Board's approval on July 15, 2014, Contract Number 77371 was formally terminated, in whole, for default.
55	September 15, 2014 - Debarment Proceedings letter from ISD to Diamond.

# ATTACHMENT III

**CONTRACTOR HEARING BOARD MEMBERS FOR THIS PROCEEDING**

- Kathy K. Hanks, Acting Chair of Contractor Hearing Board, Director of Health Services Contracts and Grants, Department of Health Services
- Santos H. Kreimann, Deputy Chief Executive Officer, Chief Executive Office
- Sandra Pina-Barbee, Administrative Deputy, Office of the Treasurer and Tax Collector
- Truc L. Moore, County Counsel for Contractor Hearing Board

**ISD REPRESENTATIVES AT PROCEEDING**

- Behnaz "Nazie" Tashakorian, County Counsel for Internal Services Department
- Yolanda Young, Internal Services Department
- Jim Allen, Internal Services Department

**WITNESSES PUT ON BY ISD**

- Yolanda Young, Internal Services Department
- Jim Allen, Internal Services Department
- Elsa Munoz, Public Library
- Silvia Gonzalez, Department of the Medical Examiner- Coroner
- Nicolette Taylor, Department of Beaches and Harbors

**WITNESSES PUT ON BY MR. RUSSELL RICHEY**

- Mr. Russell Richey

# ATTACHMENT III



**CONTRACTOR HEARING BOARD MEMBERS FOR  
OCTOBER 8, 2014 PROCEEDING**

- Kathy K. Hanks, Acting Chair of Contractor Hearing Board, Director of Health Services Contracts and Grants, Department of Health Services
- Santos H. Kreimann, Deputy Chief Executive Officer, Chief Executive Office
- Sandra Pina-Barbee, Administrative Deputy, Office of the Treasurer and Tax Collector
- Truc L. Moore, County Counsel for Contractor Hearing Board

**ISD REPRESENTATIVES AT PROCEEDING**

- Behnaz "Nazie" Tashakorian, County Counsel for Internal Services Department
- Yolanda Young, Internal Services Department
- Jim Allen, Internal Services Department

**WITNESSES PUT ON BY ISD**

- Yolanda Young, Internal Services Department
- Jim Allen, Internal Services Department
- Elsa Munoz, Public Library
- Silvia Gonzalez, Department of the Medical Examiner- Coroner
- Nicolette Taylor, Department of Beaches and Harbors

**WITNESSES PUT ON BY MR. RUSSELL RICHEY**

- Mr. Russell Richey

# ATTACHMENT IV



County of Los Angeles  
**CONTRACTOR HEARING BOARD**  
313 NORTH FIGUEROA STREET, 6 EAST • LOS ANGELES, CALIFORNIA 90012

Kathy Hanks, Acting Chair

Participating Departments:  
Chief Executive Office  
Department of Health Services  
Treasurer & Tax Collector

November 6, 2014

VIA EMAIL & U.S. MAIL

Jim Jones, Director  
Internal Services Department  
1100 North Eastern Avenue  
Los Angeles, California 90063

Steve Walton  
Russell Richey  
Diamond Contract Services, Inc.  
3636 Nobel Drive, #401  
San Diego, CA 92122

Steve Walton  
Russell Richey  
Diamond Contract Services, Inc.  
2249 North Hollywood Way  
Burbank, CA 91505

Russell Richey  
3913 Chapman Court  
Altadena, CA 91001

Dear Mr. Jones, Mr. Walton and Mr. Richey:

**NOTICE OF TENTATIVE PROPOSED DECISION AND RECOMMENDATION OF THE CONTRACTOR HEARING BOARD**

Attached is the Contractor Hearing Board's (CHB) Tentative Proposed Decision and Recommendation to debar Diamond Contract Services, Inc. (Diamond) and Steve Walton for five years, and Russell Richey, for two years.

The parties may review the Tentative Proposed Decision and Recommendation and notify the CHB of any written objections. The deadline for written objections to the Tentative Proposed Decision and Recommendation is **Friday, November 21, 2014**. Per the Implementation of Procedures for Determinations of Contractor Non-Responsibility and Contractor Debarment ("Implementation Procedures") adopted in September 2014, only Mr. Richey and ISD may submit written objections. Diamond and Mr. Walton cannot submit written objections because they did not submit written responses to ISD's allegations and did not attend the proceedings on October 8, 2014 to present objections to ISD's allegations.

As required by the Implementation Procedures, any objections submitted must specify the objectionable portion(s) of the Tentative Proposed Decision and Recommendation,

November 6, 2014  
Page 2

and the basis for the objections. These objections shall be based on the evidence in the record.

If no objections are received by the objection filing deadline, no further hearings will be scheduled. If written objections are timely served and received by the CHB, the CHB will schedule a subsequent hearing on Wednesday, December 3, 2014 at 1:00 PM to allow ISD or Mr. Richey to present their objections and/or rebuttals based on the evidence in the record of the first hearing, and limited to issues raised in the written objections. During this subsequent hearing, either party may agree to submit the matter to the CHB on the basis of documentary evidence only.

If you have any questions, please contact me at 213-240-7819 or at [khanks@dhs.lacounty.gov](mailto:khanks@dhs.lacounty.gov)

Sincerely,



KATHY K. HANKS, C.P.M., ACTING CHAIR  
Contractor Hearing Board  
Director, Contracts and Grants Division, Department of Health Services

KH:kh

Attachments

c: Santos H. Kreimann  
Sandra Pina-Barbee  
Frank Cheng  
Yolanda Young  
Truc L. Moore  
Behnaz Tashakorian



County of Los Angeles  
**CONTRACTOR HEARING BOARD**

313 N. FIGUEROA STREET, SIX EAST, LOS ANGELES, CALIFORNIA 90012

Kathy Hanks, Acting Chair

***Participating Departments:***  
***Chief Executive Office***  
***Department of Health Services***  
***Treasurer & Tax Collector***

November XX, 2013

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Supervisors:

**DEBARMENT OF DIAMOND CONTRACT SERVICES, INC.,  
STEVE WALTON AND RUSSELL RICHEY  
ALL DISTRICTS  
(3-VOTES)**

**SUBJECT**

Request for Board approval to adopt the proposed findings, decision, and recommendations of the Contractor Hearing Board to debar Diamond Contract Services, Inc., Steve Walton, as an individual, and Russell Richey, as an individual, from bidding on, being awarded, and/or performing work on any contracts for the County of Los Angeles from the date of the Board's approval as a consequence of what the Contractor Hearing Board found to be serious contract violations. With respect to Diamond Contract Services, Inc. and Steve Walton, the Contractor Hearing Board recommends a debarment period of five years. With respect to Russell Richey, the Contractor Hearing Board recommends a debarment period of two years.

**IT IS RECOMMENDED THAT THE BOARD:**

1. Adopt the proposed findings, decision, and recommendations of the Contractor Hearing Board (CHB) to debar Diamond Contract Services, Inc. (Diamond) and Steve Walton for a period of five years from bidding on, being awarded, and/or performing work on any contracts for the County of Los Angeles from the date of the Board's approval of this action.
2. Adopt the proposed findings, decision, and recommendations of the Contractor Hearing Board to debar Russell Richey for a period of two years from bidding on, being awarded, and/or performing work on any contracts for the County of Los Angeles from the date of the Board's approval of this action.

3. Instruct the Director of the Internal Services Department to send notice to Diamond, Steve Walton and Russell Richey, advising of the debarment action taken by the Board.
4. Instruct the Director of ISD to enter this determination to debar Diamond and Steve Walton for a period of five years and Russell Richey for a period of two years into the County's Contract Database.

#### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

The purpose of the recommended debarment action against the contractor, Diamond, its Chief Executive Officer, Steve Walton, and its Vice President of Operations, Russell Richey, is to ensure the County contracts only with responsible contractors who comply with the terms and conditions of their County contracts.

#### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The recommended actions are consistent with the County's Vision and Strategic Plan Goal One which supports shared values of accountability, integrity, and professionalism, efficient and effective service delivery, and envisions the County as the premier organization for those working in the public's interest with a pledge to sustain essential County services through proactive and prudent fiscal policies and stewardship.

#### **FISCAL IMPACT/FINANCING**

Not applicable.

#### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

##### **The Contractor Non-Responsibility and Debarment Ordinance**

The Contractor Non-Responsibility and Debarment Ordinance, County Code Chapter 2.202, provides the County with the authority to terminate contracts and debar contractors when the County finds, in its discretion, that the contractor has engaged in certain acts, including any of the following:

- Violated a term of a contract with the County or a non-profit corporation created by the County;
- Committed an act or omission which negatively reflects on the contractor's quality, fitness, or capacity to perform a contract with the County, any other public entity, or a non-profit corporation created by the County, or engaged in a pattern or practice which negatively reflects on the same; or

- Committed an act or omission which indicates a lack of business integrity or business honesty.

As provided for in County Code Chapter 2.202, a contractor "...includes a contractor, subcontractor, vendor or any of their respective officers, directors, owners, co-owners, shareholders, partners, managers, employees or other individuals associated with the contractor, subcontractor, or vendor who participated in, knew of, or should reasonably have known of conduct that results in a finding of ...debarment." In considering debarment, the County may consider the seriousness and extent of the contractor's acts, omissions, patterns, or practices and any relevant mitigating factors.

### **Contractor Hearing Board Representatives**

County Code Chapter 2.202, the Contractor Non-Responsibility and Debarment Ordinance, established the CHB to provide an independent review of a contracting department's recommendation to debar a contractor. The regular membership of the CHB is comprised of representatives from ISD, the Chief Executive Office (CEO), and the Department of Public Works (DPW). In addition, the CHB has alternate members that include the departments of Health Services (DHS), Parks and Recreation (Parks), Public Social Services (DPSS), and any other County departments serving as alternate members. In the event the debarment action is initiated by CEO, ISD, DPW, or any alternate member, the CHB member from the department bringing the debarment action will recuse himself/herself from any participation in the hearing.

In this particular debarment proceeding, the CHB was comprised of representatives from CEO, DHS and Treasurer and Tax Collector (TTC). Since ISD was bringing the debarment action on behalf of itself, the Department of the Medical Examiner – Coroner (Coroner), the Department of Beaches and Harbors (Beaches), and the Public Library (Library), ISD did not participate on the CHB. DPW, Parks and DPSS also did not participate on the CHB since they received services from the ISD affected contracts with Diamond. Therefore, the CHB representative from CEO participated in the hearing and deliberations with representatives from the alternate member departments of DHS and TTC. The DHS representative was elected by the participating members to serve as the Acting Chair for the CHB in these proceedings.

### **Background**

In September 2014, ISD requested the CHB be convened to initiate debarment proceedings against Diamond, Steve Walton, and Russell Richey for:

- Violating a term of a contract with the County or a nonprofit corporation created by the County.
- Committing an act or omission which negatively reflects on the contractor's quality, fitness, or capacity to perform a contract with the County, any other

public entity, or a nonprofit corporation created by the County or engaging in a pattern or practice which negatively reflects on same; and

- Committing an act or offense which indicated a lack of business integrity or business honesty.

On September 15, 2014, ISD sent proper notice via certified mail and email to Diamond, its principal and Chief Executive Officer, Steve Walton, and its Vice President of Operations, Russell Richey, notifying them of ISD's intent to initiate debarment actions against Diamond and these two individuals. ISD informed them that the debarment proceedings would be brought on behalf of ISD, Coroner, Beaches and the Library, with a recommended debarment period of five years for each, at proceedings scheduled for October 8, 2014 at 1:00 p.m. at the Internal Services Department, Room G101 (Attachment I). Included in this correspondence was notice to the parties that they must confirm in writing to ISD by September 22, 2014, of their intent to attend the debarment hearing.

Diamond and Mr. Walton did not confirm their attendance for the October 8, 2014 debarment hearing. They also did not appear at the October 8, 2014 debarment hearing and did not submit any documentation or a list of prospective witnesses to rebut any evidence presented at the debarment hearing. As such, their decision not to respond was construed as a waiver by Diamond and Mr. Walton of all rights to a hearing before the CHB.

Mr. Richey confirmed his attendance for the October 8, 2014 debarment hearing. On September 24, 2014, ISD provided Mr. Richey with a list of prospective witnesses and copies of all documentary evidence it planned on using at the debarment proceedings. Mr. Richey, however, did not provide a similar list of his own prospective witnesses or any copies of documentary evidence that he planned to use.

On October 8, 2014, ISD proceeded in Diamond and Mr. Walton's absence in placing an uncontested debarment recommendation before the CHB. At that same hearing, ISD also presented its recommendation to debar Mr. Richey. Mr. Richey opposed the debarment, and was provided an opportunity to present his case, offer rebuttal evidence and cross-examine witnesses. After the close of the evidentiary portion of the hearing, the CHB voted to recommend a five year debarment of Diamond and Mr. Walton, and a two year debarment of Mr. Richey.

The hearing was publicly noticed, scheduled, and conducted on October 8, 2014 at 1:00 p.m. at the Internal Services Department, Room G101. The proceedings were recorded and the recording is available upon request, as well as all documents entered into the record as exhibits during the hearing.

- Attachment II is a listing of the exhibits that were entered into the record, and which form a part of the record and this recommendation, as though fully set forth herein.



- Attachment III is a listing of CHB members for this proceeding, ISD representatives, witnesses put on by ISD, and participating lawyers from County Counsel.

### **SUMMARY OF EVIDENCE AND ARGUMENT**

The County Counsel representative for ISD presented evidence in the form of testimony, correspondence and supporting documentation demonstrating that Diamond, Mr. Walton and Mr. Richey breached the terms of Diamond's agreements with the County, and should be debarred. Diamond breached applicable sections of all of its contracts with the County related to Work, Term of Contract, General Provisions for all Insurance Coverage and Insurance Coverage.

#### **Pertinent Facts and Evidence**

##### ***County Contracts with Diamond***

Diamond was required to provide custodial services to County departments under ten (10) separate Board of Supervisors' (Board) approved contracts. Diamond had one contract with Coroner, five contracts with Library, one contract with Beaches and three contracts with ISD.

On June 4, 2008, the Board approved Contract #76585 for Custodial/Related Services for Coroner ("Coroner Contract"). Pursuant to the Coroner Contract, Diamond was to provide highly trained custodial staff devoted solely to the autopsy security and laboratory floors to perform daily specialized cleaning and removal of biological and medical waste following the performance of autopsies.

On February 2, 2010, the Board approved Contract #77231 for Custodial Services at 12 libraries located in the Public Library's Custodial Area 3. On February 16, 2010, the Board approved Contract #77242 for Custodial Services at 16 libraries located in the Public Library's Custodial Area 5. Contract #77231 was subsequently amended to add another library facility, to bring the total to 17 facilities under this contract. On March 2, 2010, the Board approved Contract #77250 for Custodial Services at 10 libraries located in the Public Library's Custodial Area 1. Contract #77250 was subsequently amended to add another library facility, to bring the total to 11 facilities under this contract. On November 7, 2012, the Board approved Contract #77862 for Custodial Services at 15 libraries in the Public Library's Custodial Area 6. On January 8, 2013, the Board approved Contract #77906 for Custodial Services at 15 libraries located in the Public Library's Custodial Area 4. All five contracts will hereinafter be collectively referred to as the "Library Contracts." In total, Diamond was providing custodial services for 70 libraries, with scope of works requiring regular cleaning of these facilities, including public restrooms.

On July 6, 2010, the Board approved Contract #77371 for Janitorial Services for Beaches ("Beaches Contract"). Pursuant to the Beaches Contract, Diamond was required to clean the facilities and public restrooms at Chace Park, the Visitor Center in Marina Del Rey, Dockweiler Youth Center, Beach's Administrative Building and the Redondo Beach Warehouse.

On July 3, 2012, the Board approved ISD's Contract #77812 for Custodial Services at the Barry J. Nidorf Juvenile Hall and Court, and Kenyon Juvenile Justice Center Sub-Office. On December 11, 2012, the Board approved ISD's Contract #77892 for Custodial Services at County department facilities located in Region 1 and Contract #77896 for Custodial Services at County department facilities located in Region 6.

### ***Diamond's Breach***

On June 4, 2014, Mr. Walton notified ISD, Beaches and the Library, via email, of Diamond's intent to sell and/or transfer all of its assets, effective June 9, 2014, to a custodial services company that to this day remains unknown to the County. This same notice was provided to the Coroner on June 5, 2014. The County, by way of ISD and Beaches staff, notified Diamond that County approval was required for any assignment and that further information about this new company would be required. Diamond was required to provide information regarding this new company to ISD staff by 9:00 AM on June 5, 2014, so that the County could perform its due diligence review of the company prior to approving any contract assignments. Diamond failed to meet this deadline, and did not identify any company for assignment.

Following Diamond's failure to meet the 9:00 AM deadline on June 5, 2014, ISD staff contacted Mr. Walton at Diamond via telephone at 9:30 AM to discuss the issue. At that time, Mr. Walton disclosed to ISD staff that Diamond would not be able to provide services to the County under any of its ten contracts because it did not have the funds to purchase workers compensation insurance. Diamond's current workers compensation insurance would expire at 12:01 AM on Monday, June 9, 2014. Diamond did tell ISD staff, however, that it would continue to provide services up to and including Sunday, June 8, 2014 at 12:00 PM. Following the conference call, ISD staff sent a confirming email at 12:44 PM capturing the items discussed on the conference call, to which Mr. Walton replied and confirmed the correctness of the email.

It was also on June 5, 2014 that ISD staff received complaints from its County department contract facilities that they had run out of paper supplies that were to be provided by Diamond under its County contracts, and the facilities needed supplies as described in an email, "ASAP". The Library also experienced similar paper supply shortages. ISD staff contacted Diamond regarding this issue. Mr. Richey responded via email to ISD and Library staff at 10:40 AM on June 5, 2014 apologizing for the supply situation at the facilities, and stated "...we have worked extremely hard the entire week to resolve this problem...We have depleted most of our inventory and Diamond

does not have the ability to purchase more supplies." Yet, Diamond's contracts required that it have at least two weeks of paper supplies in place.

On June 5, 2014, ISD notified the Board by way of a Board memo of ISD's intent to work with the impacted County departments to transition services to other contractors, and to seek formal termination of the ten contracts. That same day, ISD and the Library advised Diamond of their intent to terminate the ISD Contracts and Library Contracts. ISD and the Library confirmed in their June 5, 2014 letter that Diamond will cease providing custodial services effective June 8, 2014 and that the County will only pay for services rendered by Diamond up to and including June 8, 2014.

On June 6, 2014, the Coroner advised Diamond of its intent to terminate the Coroner Contract. The Coroner also required Diamond to cease providing custodial services effective June 8, 2014 and that the County will only pay for services rendered by Diamond up to and including June 8, 2014.

On June 8, 2014, Diamond did not provide custodial services to the Coroner as required, and did not provide Coroner with advance notice that no custodial services would be rendered. When Diamond failed to perform, the Coroner required a County employee, a Forensic Technician who was qualified to work with biological hazards, to work overtime to clean the autopsy floor areas.

On June 9, 2014, Beaches advised Diamond of its intent to terminate the Beaches Contract. Beaches advised Diamond that the County will only pay for services rendered by Diamond up to and including June 8, 2014.

ISD thereafter worked with the affected County departments to execute contract amendments to add 70 of the affected facilities (59 ISD contract facilities, one Coroner facility, and ten Beaches facilities) to two existing ISD custodial service contracts with other vendors. The amendments were effective June 9, 2014, allowing for continuity of service at these facilities. ISD incurred staffing costs for overtime on June 6, 7 and 8 to transition these services to other vendors, to conduct site visits, and to otherwise deal with Diamond's breach.

The Library also procured temporary custodial services for the 70 affected library facilities initially via Purchase Orders (PO) from two of its existing custodial service contractors in order to obtain enough time to secure Board approval of amendments to existing contracts to add these facilities. On June 10, 2014, the Board approved amendments to two existing Board approved contracts to add the 70 affected library facilities. The Library incurred staffing costs for overtime worked from June 5, 2014 to June 13, 2014 to schedule the temporary services, transition the services to other vendors and to seek Board approval of the terminations and new contract amendments.

### ***Termination of Diamond's Contracts***

On June 10 2014, the Board approved the Library's recommendation to terminate the five Library Contracts with Diamond. The Library notified Diamond via certified mail and email on June 10, 2014 of the termination.

On July 15, 2014, the Board approved ISD, Coroner and Beaches' recommendation to terminate the three ISD Contracts, the Coroner Contract and the Beaches Contract. ISD notified Diamond via letter on July 15, 2014 of the termination. Beaches sent its termination notice to Diamond on August 14, 2014.

On July 16, 2014, ISD notified Diamond via certified letter and e-mail that they would be placed in the County of Los Angeles Contractors Alert Reporting Database (CARD). The basis for CARD entry was a result of Diamond (1) experiencing financial, administrative, programmatic or legal issues that affect their ability to comply with the County contract requirements, and (2) the County is imposing contractual remedies against the contractor for non-compliance with the County contract requirements. Diamond did not respond to the notice, and did not submit any information challenging their placement into CARD. On August 4, 2014, Diamond was placed into CARD.

Debarment proceedings were initiated after Diamond's placement into CARD, given Diamond's breach impacted approximately 140 County facilities.

### **Argument**

At the October 8, 2014 debarment hearing, ISD presented testimony and written documentation to support ISD, Coroner, Beaches and the Library's recommendation for debarment. Mr. Richey attended the debarment hearing, and presented oral testimony on his own behalf and cross-examined witnesses put on by ISD. The CHB finds that ISD, on behalf of itself, Coroner, Beaches and the Library, established by a preponderance of the evidence the following issues below, which support debarment:

#### ***Diamond Violated a Number of Terms in its Ten County Contracts***

Diamond breached applicable sections of all of its contracts with the County related to Work, Term of Contract, General Provisions for all Insurance Coverage and Insurance Coverage of its contracts with the County.

Section 3.0 (Work) required Diamond to provide janitorial/custodial services to ISD's contract departments, Beaches, Coroner and the Library. Per Section 3.0, Diamond was required to "fully perform, complete and deliver on time, all tasks, deliverables, services and other work" as required in the contracts. Many of Diamond's contracts also required that Diamond have two weeks of paper supply in stock. Section 4.0 (Term of Contract) of the County contracts with Diamond also contemplated initial terms and option terms, that if exercised in the sole discretion of the County, would have required Diamond to provide services through 2015 to 2018, depending on the contract. Clearly, Diamond breached Section 3.0 and Section 4.0, given it did not fully perform the

janitorial/custodial services work it was required to perform for the entire duration of the contracts. Further, testimony was provided during the debarment hearing that Diamond did not provide critical services to Coroner related to clean-up work after autopsies, and that toilet paper supplies ran out at public County facilities.

Diamond's ten contracts with the County also required Diamond, per Section 8.24 (General Provisions for all Insurance Coverage) and Section 8.27 (Insurance Coverage), to purchase workers compensation insurance as a condition of doing business with the County. Without the proper workers compensation insurance in place, Diamond could not perform the required custodial services under its ten contracts for the entire required term. As a result, 140 County facilities were impacted and lost custodial/janitorial services much earlier than the initial and option term years of 2015 to 2018, depending on the contract.

***Diamond, Steve Walton and Russell Richey Committed an Act or Omission Which Negatively Reflected on the Contractor's Quality, Fitness, or Capacity to Perform a Contract with the County***

The lack of sufficient advance notice to the County that Diamond could no longer perform under its contracts with the County, negatively reflected on Diamond, Mr. Walton and Mr. Richey. Within four days of first advising the County on June 4, 2014 that Diamond would be sold to some unknown company, Diamond ceased to perform on ten county contracts involving approximately 140 County facilities.

Diamond and Mr. Walton were also not forthright regarding Diamond's inability to procure workers compensation insurance. Mr. Walton, as the Chief Executive Officer of Diamond, presumably made or had a hand in making the decision to not renew Diamond's workers compensation insurance. Instead of disclosing to the County immediately when that decision was made not to procure the insurance, Diamond and Mr. Walton waited until June 5, 2014 to disclose this fact. Further, none of the parties mentioned the insurance issue on June 4, 2014, when they spoke with County staff regarding this purported assignment of Diamond's assets.

It also appears from Mr. Richey's email sent on June 5, 2014 and testimony presented by Mr. Richey at the debarment hearing, that he had knowledge about Diamond experiencing financial problems which impacted its ability to purchase supplies (like toilet paper). Mr. Richey knew that Diamond did not have enough paper supplies to meet its contractual obligations, yet he did not notify the County sufficiently in advance for the County to make contingency plans. Mr. Richey also appears to have some knowledge about a possible bankruptcy impacting Diamond, but never disclosed this to the County (neither did Mr. Walton). Yet, Mr. Richey was the Vice President of Operations and the project manager, and was responsible for the day to day contract activities.

Diamond, Mr. Walton and Mr. Richey's lack of sufficient notice to the affected County departments regarding its impending breach, its attempt to seek approval to assign Diamond's contracts to an unknown new company, and its lack of forthrightness regarding its failure to procure required insurance, demonstrates that Diamond committed multiple acts and omissions which negatively reflected on the contractor's quality, fitness, or capacity to perform a contract with the County. In addition, the actions of Diamond, Mr. Walton and Mr. Richey resulted in ISD, Beaches, Library and the Coroner initiating extraordinary efforts to replace the contracted services within a four day period in order to not create public health hazards at County facilities that not only serve County employees, but members of the public.

***Diamond, Steve Walton and Russell Richey Committed an Act or Offense Which Indicates a Lack of Business Integrity or Business Honesty***

Diamond, Mr. Walton and Mr. Richey's actions and omissions, as well as their lack of forthrightness regarding their inability to meet County contract requirements, indicates that the contractor and its principal and high level executives, were unwilling and/or unable to take responsibility for Diamond's contractual commitments and actions. The County only does business with "responsible contractors" (County Code section 2.202.010). The purpose of the ordinance is to promote integrity in the County's contracting process. A non-responsible contractor is one which has displayed a lack of business ethics and business integrity, as demonstrated by these three parties.

**FINDINGS AND RECOMMENDED DECISION**

After considering the evidence and arguments presented by ISD representatives, the CHB concluded that the following factors assisted them in reaching their decision for the debarment of Diamond and Steve Walton for a period of five years, and Russell Richey for a period of two years:

- *Whether a contractors' wrongdoing was intentional or inadvertent. Whether and to what extent a contractor planned, initiated, or carried out the wrongdoing.*

The CHB concludes that through the actions of Diamond, Mr. Walton and Mr. Richey, Diamond intentionally breached the requirements of its ten contracts with the County. The CHB finds that Diamond was not forthcoming about its inability to pay for workers compensation insurance and did not provide County with sufficient notice of this issue until they failed to provide on June 5, 2014, the name of the company that would purchase Diamond's assets. On June 4, 2014, Diamond notified ISD, Beaches and the Library, via email of its intent to sell and/or transfer all of its assets effective June 9, 2014. Only after Diamond missed the 9:00 AM deadline on June 5, 2014 to turn over information about this new company, did Mr. Walton inform the County that Diamond was unable to buy workers compensation insurance.

Further, during Diamond's call with ISD staff on June 5, 2014, Mr. Walton stated that the costs to procure and maintain worker's compensation insurance were exorbitant, and the company could not pay the premium. Mr. Walton's statements clearly indicate that he knew what the premium costs were, and made the business decision not to purchase the insurance. The insurance is a requirement of Diamond's contracts with the County, and Diamond should have immediately disclosed to the County that it would not be able to meet this requirement. Instead, Diamond waited until four days before its insurance would lapse, to notify the County of this serious deficiency.

Mr. Richey provided testimony at the debarment hearing that he did not know that Diamond was being sold to another company, and testified that he first learned of it on June 4, 2014 when he participated in a conference call with Mr. Walton and ISD staff. Mr. Richey also testified that he did not know about the workers compensation issue either, and that the operations side of the company was "kept in the dark". Based on this testimony and the answers provided by Mr. Richey when questioned by the CHB members, the CHB notes that this testimony mitigates the recommended five year debarment period requested by ISD for Mr. Richey.

Mr. Richey did, however, have prior knowledge that Diamond was low on paper supplies it was required to provide at certain County facilities, and that Diamond no longer had the funds to purchase the needed supplies. Mr. Richey failed to notify County staff sufficiently in advance of this so the County could prepare accordingly. Only when ISD and Beaches staff contacted Diamond, did he reveal in an email on June 5, 2014, that "We have worked extremely hard the entire week to resolve this problem...We have depleted most of our inventory and Diamond does not have the ability to purchase more supplies." Mr. Richey also provided testimony at the debarment hearing that he was aware that Diamond was having financial issues and as a result, suppliers were no longer selling products to Diamond. Mr. Richey also provided testimony about an apparent bankruptcy that Diamond had filed. In any event, Mr. Richey knew for at least a week, if not longer, that it was short on supplies, that Diamond was moving supplies between facilities and that Diamond could not purchase more supplies. Yet, this was only disclosed to the County when the County inquired about the paper supply shortages, after receiving complaints from County facilities. Diamond's contracts required that it to have at least two weeks of paper supplies in place.

- *Whether a contractor's principals or other individuals associated with the contract participated in, knew of, or tolerated the offense.*

The CHB finds that Mr. Walton, a principal of Diamond who also served as the Chief Executive Officer, participated in, knew of, and tolerated the actions and inactions that resulted in Diamond breaching ten contracts involving

approximately 140 County facilities. The CHB also finds that Mr. Richey also knew of Diamond's inability to perform, as evidenced by its failure to have adequate supplies on hand, but failed to adequately notify the County.

➤ *The positions held by the individuals involved in the wrongdoing.*

The CHB finds that the acts leading to Diamond's breach were committed by individuals at the highest levels in the company. Mr. Walton is the Chief Executive Officer of Diamond and Mr. Richey is the Vice President of Operations. All of the contracts, except for the Coroner Contract, named Mr. Richey as Diamond's Project Manager. Amendments executed with ISD on Contract #77812, #77892 and #77896 identify Mr. Walton as the CEO and Mr. Richey as the Vice President of Operations. Mr. Richey continued to be identified as Diamond's project manager on those contracts. Per Section 7.0 (Administration of Contract – Contractor), the Project Manager "shall be responsible for the Contractor's day-to-day activities" as related to the contracts.

➤ *Actual or potential harm or impact that results or may result from the wrongdoing.*

The CHB finds that the harm and impact to the County as a result of Diamond's breach was severe. As a result of Diamond's failure to meet its contract requirements to procure workers compensation insurance, and its unreasonably short notice that it could no longer perform due to lack of insurance, ISD and the impacted departments scrambled to transition the services to other custodial contractors over a three day period.

ISD incurred staffing overtime costs for June 6, 7, and 8<sup>th</sup> to transition 59 ISD contract facilities, one Coroner contract facility and 10 Beaches facilities over to two existing ISD custodial contracts. Beaches staff testified that Diamond's breach resulted in "chaos", given the facilities that were impacted were very heavily visited by the public and the June time period marked the start of summer beach attendance. ISD staff provided testimony at the hearing that it incurred an estimated 500 hours of overtime and overtime costs in excess of \$20,000 to address Diamond's breach and to transition those services. In addition, given that Beaches and Coroner had to transition their custodial needs to ISD for handling, these two departments will collectively incur a combined \$150,000 annually for ISD custodial contract service management. Beaches and Coroner would not have incurred these costs, except for the actions of Diamond, Mr. Walton and Mr. Richey.

Similarly, the Library scrambled to transition the custodial services for its 70 impacted libraries to two other Library custodial vendors. County Library staff testified during the debarment hearing that Diamond's breach had a "catastrophic" impact, with 80% of County library facilities being impacted. As a result the Library incurred staffing costs for overtime worked from June 5, 2014



through June 13, 2014 to schedule intermittent services, negotiate the additional services, file the Board letter and prepare and execute the contract amendments to transition the services.

The Coroner was also severely impacted by Diamond's failure to show up on June 8, 2014 to clean the Coroner autopsy floors in its facility. Coroner received no notice from Diamond regarding its inability to perform. When Diamond failed to perform, the Coroner required a County employee, a Forensic Technician who was qualified to work with biological hazards, to work overtime to perform the cleanings. These are highly specialized services that Diamond was required to provide. Instead, the Coroner was left to require a Forensic Technician with the proper technical background, to perform the work. Coroner staff testified during the debarment hearing that there would have been serious potential health and safety issues if the cleaning services couldn't be performed.

- *Whether a contractor has accepted responsibility for the wrongdoing, recognizes the seriousness of the misconduct that led to the cause for debarment, and has taken corrective action to cure the wrongdoing, including taking appropriate disciplinary actions against those responsible.*

There is nothing in the record of this debarment hearing to suggest that Diamond and Mr. Walton had taken any responsibility for their actions and their wrongdoing. As for Mr. Richey, when asked by a CHB board member regarding whether he took any responsibility for his actions, he accepted little to no responsibility, because he claimed he did not know. However, Mr. Richey knew, at minimum, about the paper supply shortage since he was serving as the Vice President of Operations. He was also the Contractor's Project Manager on the County contracts and as such, was responsible for the day to day operations of these contracts.

- *Whether a contractor had effective standards of conduct and internal control systems in place at the time the questioned conduct occurred.*

Diamond, Mr. Walton and Mr. Richey (as the Project Manager), had no internal controls in place, including a back-up plan to support the County departments with continued services. According to testimony presented by Mr. Richey, Diamond had financial resource issues that affected its ability to buy supplies, there were inadequate supplies in inventory as required by the contracts, and as such, there was no other means or recourse to secure the necessary supplies to meet the requirements of Diamond's contracts with the County. If there had been another event that had occurred during this June time period (instead of lack of insurance), Diamond still would not have been able to meet the requirements of the contracts because they had no "Plan B" in place.

Therefore, by unanimous vote, the CHB recommends to your Board that Diamond, Steve Walton and Russell Richey be debarred.

By another separate unanimous vote, the CHB recommends debarment for a period of five years for Diamond and Steve Walton. With respect to Russell Richey, the CHB recommends a two year debarment. The CHB did spend some time deliberating a one or two year debarment for Mr. Richey, and did not accept ISD's recommendation of five years. The CHB weighed the fact that Mr. Richey had prior knowledge of Diamond's inability to procure adequate supplies, against the fact that Mr. Richey claimed that he had no control over Diamond's financial operations, and that certain County witnesses during the debarment hearing had acknowledged Mr. Richey's attempts to provide good customer service during the performance of some of the contracts. As a result, the CHB voted unanimously to debar Mr. Richey for only two years.

**IMPACT ON CURRENT PROJECTS**

Not applicable.

**CONCLUSION**

Due to the foregoing, and to ensure that the County contracts only with responsible contractors who comply with all relevant laws, as well as the terms and conditions of their contracts, the CHB respectfully requests that your Board adopt the proposed findings, decision and recommendations relating to Diamond Contract Services, Inc., Steve Walton and Russell Richey.

Respectfully submitted,

Kathy K. Hanks, C.P.M.  
Director, Department of Health Services Contracts and Grants  
Acting Chair, Contractor Hearing Board

KH:kh

Attachments (3)

c: XXXXXX

# ATTACHMENT I



JIM JONES  
Director

County of Los Angeles  
**INTERNAL SERVICES DEPARTMENT**

1100 North Eastern Avenue  
Los Angeles, California 90063

Telephone: (323) 267-2101  
FAX: (323) 415-8664

*"To enrich lives through effective and caring service"*

September 15, 2014

**CERTIFIED MAIL  
RETURN RECEIPT REQUESTED**

Mr. Steve Walton  
Mr. Russell Richey  
Diamond Contract Services, Inc.  
3636 Nobel Drive, #401  
San Diego, CA 92122

Mr. Steve Walton  
Mr. Russell Richey  
Diamond Contract Services, Inc.  
2249 North Hollywood Way  
Burbank, CA 91505

Dear Mr. Steve Walton and Mr. Russell Richey:

**DEBARMENT PROCEEDINGS**

The County of Los Angeles' Internal Services Department (ISD), Department of the Medical Examiner - Coroner, Department of Beaches and Harbors, and the Public Library intend to initiate debarment proceedings against each of you, as individuals, and against Diamond Contract Services, Inc. A recommended debarment of five years will be made pursuant to Los Angeles County Code Chapter 2.202, Determination of Contractor Non-Responsibility and Contractor Debarment.

You are hereby notified that the debarment hearing with the Contractor Hearing Board will be held on:

Date: Wednesday, October 8, 2014  
Time: 1:00 p.m.  
Place: Internal Services Department, Room G101  
1100 North Eastern Avenue  
Los Angeles, CA 90063

This notice specifies the basis for the debarment recommendation, the proposed period of debarment and a summary of evidence to support the recommendation, in Attachment A, incorporated herein by reference.

At the Contractor Hearing Board, you are entitled to appear and/or be represented by an attorney or other representative to present evidence against a finding of debarment. At the

Mr. Steve Walton  
Mr. Russell Richey  
September 15, 2014  
Page 2 of 2

hearing, you or your representative may offer documentary evidence, present witnesses, and offer rebuttal evidence as authorized by the County code.

After the debarment hearing, the Contractor Hearing Board will prepare a proposed decision to the County Board of Supervisors (Board). This decision will include a recommendation on whether or not to debar any or all of the parties cited above, and, if so, the appropriate length of time for debarment. The Board may, in its discretion, limit any further hearing to the presentation of evidence not previously heard. The Board has the right to modify, deny, or adopt the Contractor Hearing Board's proposed decision and recommendation. Any debarment finding shall become final upon the approval by the Board.

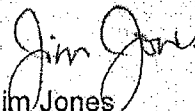
Each of you and/or Diamond must submit a written confirmation to ISD indicating whether you and/or attorney or other representative will be present at the debarment hearing. This confirmation must be sent to Ms. Yolanda Young, Contracting Division, 1100 N. Eastern Avenue, Los Angeles, CA 90063, or emailed to [yyoung@isd.lacounty.gov](mailto:yyoung@isd.lacounty.gov), and must be received by ISD no later than 5:00 p.m. on Monday, September 22, 2014. Failure to confirm the hearing date or otherwise respond may result in waiving of all rights to a hearing before the Contractor Hearing Board.

If Diamond, or either or both of you, as individuals, confirm attendance at the Contractor Hearing Board, by the deadline identified above, ISD will provide you with a list of prospective witnesses and copies of all documentary evidence at least ten (10) days prior to the scheduled hearing.

If Diamond, or either or both of you intend to present evidence against the proposed debarment, you must provide ISD with a list of prospective witnesses and five (5) copies of all documentary evidence at least five (5) days prior to the scheduled hearing. The deadline to submit these documents is 12:00 p.m. on Wednesday, October 1, 2014.

If you have any questions, please contact Yolanda Young, Contracting Division Manager, at (323) 267-3101.

Very truly yours,

  
Jim Jones  
Director

c: County Counsel  
Contractor Hearing Board Members

**ATTACHMENT A**  
**BASIS FOR PROPOSED DEBARMENT RECOMMENDATION AND**  
**SUMMARY OF EVIDENCE TO SUPPORT THE RECOMMENDATION**

The basis for the proposed debarment recommendation is that Diamond Contract Services, Inc. (Diamond) by and through its principal, Steve Walton, and its Vice President of Operations, Russell Richey: (1) violated a term of a contract with the County or a nonprofit corporation created by the County; (2) committed an act or omission which negatively reflects on the contractor's quality, fitness, or capacity to perform a contract with the County, any other public entity, or a nonprofit corporation created by the County, or engaged in a pattern or practice which negatively reflects on same; and (3) committed an act or omission which indicates a lack of business integrity or business honesty.

The Internal Services Department (ISD), Department of the Medical Examiner - Coroner (Coroner), Department of Beaches and Harbors (DBH), and Public Library (Library) will recommend a five year debarment for Diamond and its principal, Steve Walton, and its Vice President of Operations, Russell Richey.

A summary of the evidence to support the debarment recommendation is set forth below:

1. Diamond was contracted to provide custodial services under ten separate Board-approved contracts with the following departments: ISD (three contracts), Coroner (one contract), DBH (one contract), and Library (five contracts).

On June 4, 2014, Diamond notified ISD, DBH, and the Library of its intent to sell/transfer substantially all of its assets, and requested approval to assign its contracts to an unnamed custodial services contractor effective June 9, 2014. Diamond sent the identical notification to the Coroner on June 5, 2014. The County requested information to conduct a due diligence process of the assignment requested by Diamond. Due to the short notice, the information and documents were due to the County by 9:00am on June 5, 2014. Diamond was not able to identify a viable company by that date and time.

On June 5, 2014, the County contacted Diamond and Diamond notified the County that they did not have the funds to procure the contractually required workers' compensation insurance premium. As a result, Diamond was unable to provide the required custodial services for any of the County departments after June 8, 2014, affecting a total of 140 County facilities, and approximately 309 contract workers.

Diamond was also contracted to provide custodial services to the Community Development Commission/Housing Authority whose Board of Commissioners also sit as the Board of Supervisors.

Diamond did not provide the County with advance notice that it would not be able to procure the contractually required insurance premium.

**ATTACHMENT A**  
**BASIS FOR PROPOSED DEPARTMENT RECOMMENDATION AND**  
**SUMMARY OF EVIDENCE TO SUPPORT THE RECOMMENDATION**

On June 5, 2014, ISD was made aware that several facilities were not provided with adequate supplies, as contractually required. ISD contacted Diamond to resolve the issue. Russell Richey, Diamond's VP of Operations, responded with an email notification to ISD and Library indicating that, effective immediately, Diamond would no longer be able to provide supplies for its contracted facilities.

The County is prepared to produce evidence of Diamond's: (i) short notice to the County of its intent to assign its County contracts, (ii) inability to provide the necessary documents/information to assign its contracts, (iii) unreasonably short notice to the County that it would not be able to procure the contractually required workers' compensation insurance premium, (iv) inability to identify a viable custodial company that could provide the contracted services, and (v) inability to provide supplies for its contracted facilities effective June 5, 2014.

2. On June 5, 2014, ISD sent a memorandum to the County of Los Angeles Board of Supervisors (Board) informing the Board of ISD's intent to work with the impacted departments to: (i) transition services to other custodial contractors; and (ii) seek the formal termination of ten custodial services contracts with Diamond, due to their inability to maintain workers' compensation insurance.

The County is prepared to produce documentary evidence of its notification to the Board.

3. The County sent written notification to Diamond of its intent to formally terminate Diamond's custodial services contracts for default; the notification letters were sent on the following dates:

- June 5, 2014 - ISD and Library
- June 6, 2014 - Coroner
- June 9, 2014 - DBH

The County is prepared to produce documentary evidence of its notifications to Diamond of its intent to terminate Diamond's contracts for default.

4. On June 8, 2014, Diamond failed to provide custodial services for the Coroner, and did not notify Coroner that services would not be provided on that date. Due to the highly specialized nature of the custodial services, Coroner moved quickly to have in-house staff (a Forensic Technician) with the necessary knowledge and expertise, including knowledge of biological hazards, work overtime to clean the service floor areas. Additionally, Diamond failed to provide services for other County departments.

**ATTACHMENT A**  
**BASIS FOR PROPOSED DEPARTMENT RECOMMENDATION AND**  
**SUMMARY OF EVIDENCE TO SUPPORT THE RECOMMENDATION**

The County is prepared to produce documentary evidence of Diamond's failure to provide services to the Coroner and other County departments.

5. To avoid a gap or disruption in critical services, ISD worked with the impacted departments, and within three calendar days, executed contract amendments to add seventy of the affected facilities (59 ISD contract facilities, one Coroner contract facility, and ten DBH contract facilities) to two existing ISD custodial contracts, effective June 9, 2014. ISD successfully negotiated the same contract costs, terms, and conditions for the additional services. The custodial services for Coroner and DBH are now managed by ISD and the departments will incur a combined annual total of \$150,000 for ISD custodial contract service management.

ISD incurred staffing costs for overtime worked on June 6, 7, and 8 (Friday, Saturday, and Sunday—outside of regularly scheduled working days) to conduct site visits, negotiate the additional services to existing contracts, identify accurate contract costs, and develop and execute contract amendments prior to Monday, June 9, 2014.

On June 9, 2014, to avoid a disruption in custodial services and minimize impact to Library patrons, the Library procured temporary emergency custodial services for the affected facilities with two of its existing custodial services vendors.

On June 10, 2014, the Library requested and obtained approval from the Board to execute contract amendments to add the seventy affected library facilities to two of its existing custodial services contracts. The Library was able to negotiate the same contract costs, terms, and conditions for the additional services. The contract amendments were executed on June 13, 2014.

The Library incurred staffing costs for overtime worked from June 5, 2014 to June 13, 2014 to schedule intermittent services, negotiate the additional services, file the Board letter, and draft and execute the contract amendments.

The County is prepared to produce documentary evidence of (i) its actions taken to acquire replacement services in a short period of time, (ii) the resultant increase in costs that DBH and Coroner will incur for the provision of custodial services, and (iii) the number of overtime hours worked by ISD and Library staff to transition services ensuring the continuity of critical services past June 8, 2014.

6. On June 10, 2014, the Board approved the Library's recommendation to formally terminate its contracts with Diamond, in whole, for default, pursuant to the termination for default provision within each contract, for violating contract provisions including but not limited to (i) Work, (ii) Term of Contract, (iii) General



**ATTACHMENT A**  
**BASIS FOR PROPOSED DEPARTMENT RECOMMENDATION AND**  
**SUMMARY OF EVIDENCE TO SUPPORT THE RECOMMENDATION**

Provisions for all Insurance Coverage, and (iv) Insurance Coverage. The terminations were effective upon Board approval.

On July 15, 2014, the Board approved the joint recommendation by ISD, Coroner, and DBH to formally terminate its contracts with Diamond, in whole, for default pursuant to the termination for default provision within each contract, for violating contract provisions including but not limited to (i) Work, (ii) Term of Contract, (iii) General Provisions for all Insurance Coverage, and (iv) Insurance Coverage. The terminations were effective July 16, 2014.

The County is prepared to produce documentary evidence of the Board's termination of the custodial services contracts with Diamond.

7. The County sent written notification to Diamond informing Diamond that pursuant to the Board's approval on June 10, 2014, and July 15, 2014, its contracts with the County have been formally terminated, in whole, for default—the notification letters were sent on the following dates:

- June 10, 2014 - Library
- July 15, 2014 - ISD
- August 14, 2014 - DBH

The County is prepared to produce documentary evidence of its notifications to Diamond relating to the formal termination of Diamond's contracts.

8. On July 16, 2014, ISD notified Diamond that they would be placed in the County of Los Angeles' Contractor Alert Reporting Database (CARD) as a result of: 1) experiencing financial, administrative, programmatic or legal issues that affect their ability to comply with the County contract requirements; and 2) the County imposing contractual remedies against the contractor for non-compliance with the County contract requirements. The notice provided Diamond with ten business days (until July 30, 2014) to respond with information demonstrating that it should not be placed in CARD. Diamond did not respond to the notice and was subsequently placed in CARD on August 4, 2014.

The County is prepared to produce documentary evidence of the correspondence relating to Diamond's placement in CARD.

9. On July 30, 2014, and August 4, 2014, ISD received notice that the CARD notification letters sent to Diamond, which were sent electronically and via Certified U.S. Mail to two separate addresses on file (2249 N. Hollywood Way, Burbank, CA 91505 and 11432 Vanowen Street, North Hollywood, CA 91605), were forwarded and delivered to 3636 Nobel #401, SD, CA 92122.

**ATTACHMENT A**  
**BASIS FOR PROPOSED DEBARMENT RECOMMENDATION AND**  
**SUMMARY OF EVIDENCE TO SUPPORT THE RECOMMENDATION**

The County is prepared to produce documentary evidence of Diamond's forwarding address - 3636 Nobel Dr #401, SD, CA 92122.

10. ISD executed amendments to replace Exhibit F, Contractor's Administration, of Diamond's custodial services contracts with ISD (Contract Numbers 77812, 77892, and 77896). These amendments identify Steve Walton, CEO, as Diamond's Authorized Official, and Russell Richey, VP of Operations, as Diamond's Project Manager.

The County is prepared to produce documentary evidence that ISD executed amendments to replace Exhibit F, Contractor's Administration.

11. As of August 6, 2014, a search on Diamond's website (<http://diamondcontract.com>) identifies the following:

- Russell Richey - Vice President of Operations
- Steve Walton - Chief Executive Officer

The County is prepared to produce documentary evidence of the record.

12. A Dun and Bradstreet (D&B) business information report for Diamond obtained on August 7, 2014, identifies the following:
- Principals: Morgan Miller, Secretary; Steve Walton, President; Laura Contreras, Treasurer
  - Headquarters: 3636 Nobel Dr. Ste 401, San Diego, CA 92122

The County is prepared to produce documentary evidence of the record.

# ATTACHMENT II

DEPARTMENT DOCUMENTARY EVIDENCE

DIAMOND CONTRACT SERVICES, INC.

OCTOBER 8, 2014

TAB	DOCUMENTS
1	June 4, 2008 - Board Letter - Request for approval and award of the Custodial Services Contract with Diamond to provide custodial services for the Department of Medical Examiner - Coroner (Coroner).
2	February 2, 2010 - Board Letter - Request for approval and award of the Custodial Services Contract with Diamond to provide custodial services for Public Library (Library) Area 3.
3	February 16, 2010 - Board Letter - Request for approval and award of the Custodial Services Contract with Diamond to provide custodial services for Library Area 5.
4	March 2, 2010 - Board Letter - Request for approval and award of the Custodial Services Contract with Diamond to provide custodial services for Library Area 1.
5	July 6, 2010 - Board Letter - Request for approval and award of the Custodial Services Contract with Diamond to provide custodial services for the Department of Beaches and Harbors (DBH).
6	July 3, 2012 - Board Letter - Request for approval and award of the Custodial Services Contract with Diamond and ISD to provide custodial services at Barry J. Nidorf Juvenile Hall and Court, and Kenyon Juvenile Justice Center Sub-Office (Probation).
7	November 7, 2012 - Board Letter - Request for approval and award of the Custodial Services Contract with Diamond to provide custodial services for Library Area 6.
8	December 11, 2012 - Board Letter - Request for approval and award of two Custodial Services Contracts with Diamond to provide custodial services for ISD Regions 1 and 6.
9	January 8, 2013 - Board Letter - Request for approval and award of the Custodial Services Contract with Diamond to provide custodial services for Library Area 4.
10	June 4, 2008 - Custodial Services Contract with Diamond to provide custodial services for Coroner (Contract 76585).
11	February 2, 2010 - Custodial Services Contract with Diamond to provide custodial services for Library Area 3 (Contract 77231).
12	February 16, 2010 - Custodial Services Contract with Diamond to provide custodial services for Library Area 5 (Contract 77242).
13	March 2, 2010 - Custodial Services Contract with Diamond to provide custodial services for Library Area 1 (Contract 77250).
14	July 6, 2010 - Custodial Services Contract with Diamond to provide custodial services for DBH (Contract 77371).
15	July 3, 2012 - Custodial Services Contract with Diamond and ISD to provide custodial services at Barry J. Nidorf Juvenile Hall and Court, and Kenyon Juvenile Justice Center Sub-Office (Contract 77812 - Probation Facilities).
16	November 7, 2012 - Custodial Services Contract with Diamond to provide custodial services for Library Area 6 (Contract 77862).
17	December 11, 2012 - Custodial Services Contract with Diamond to provide custodial services for ISD Region 1 (Contract 77892).
18	December 11, 2012 - Custodial Services Contract with Diamond to provide custodial services for ISD Region 6 (Contract 77896).
19	January 8, 2013 - Custodial Services Contract with Diamond to provide custodial services for Library Area 4 (Contract 77906).

DEBARMENT DOCUMENTARY EVIDENCE

DIAMOND CONTRACT SERVICES, INC.

OCTOBER 8, 2014

TAB	DOCUMENTS
20	April 1, 2013 - Amendment replacing Exhibit F, Contractor's Administration (ISD Contract 77892) - identifies Russell Richey as Diamond's VP of Operations and Steve Walton, CEO, as Diamond's Authorized Official.
21	April 1, 2013 - Amendment replacing Exhibit F, Contractor's Administration (ISD Contract 77896) - identifies Russell Richey as Diamond's VP of Operations and Steve Walton, CEO, as Diamond's Authorized Official.
22	April 3, 2013 - Amendment replacing Exhibit F, Contractor's Administration (ISD's Probation Contract 77812) - identifies Russell Richey as Diamond's VP of Operations and Steve Walton, CEO, as Diamond's Authorized Official.
23	June 4, 2014 - Email correspondence from Diamond to ISD requesting approval to assign its contracts effective June 9, 2014 and ISD's response to Diamond.
24	June 4, 2014 - Email correspondence from Diamond to DBH requesting approval to assign its contracts effective June 9, 2014 and DBH's response to Diamond.
25	June 4, 2014 - Email correspondence from Diamond to Library requesting approval to assign its contracts effective June 9, 2014.
26	June 5, 2014 - Email correspondence from Diamond to Coroner requesting approval to assign its contracts effective June 9, 2014.
27	June 5, 2014 - Email correspondence confirming Diamond's inability to: (i) procure the required workers' compensation insurance premium, and (ii) provide the contracted services for any of the County departments after June 8, 2014.
28	June 5, 2014 - Email correspondence from Russell Richey indicating that, effective immediately, Diamond would no longer be able to provide supplies for its contracted facilities.
29	June 5, 2014 - Memorandum from ISD to the County of Los Angeles Board of Supervisors (Board) notifying the Board of ISD's intent to work with the impacted departments to: (i) transition services to other custodial contractors; and (ii) seek the formal termination of ten custodial services contracts with Diamond, due to their inability to maintain workers' compensation insurance.
30	June 5, 2014 - ISD's written notification to Diamond of its intent to terminate Diamond's custodial services contracts for default.
31	June 5, 2014 - Library's written notification to Diamond of its intent to terminate Diamond's custodial services contracts for default.
32	June 6, 2014 - Coroner's written notification to Diamond of its intent to terminate Diamond's custodial services contracts for default.
33	June 9, 2014 - DBH's written notification to Diamond of its intent to terminate Diamond's custodial services contracts for default.
34	Amendment adding thirty-three affected facilities (twenty ISD Region 1 facilities, one Coroner facility, ten Beaches and Harbors facilities, and two Probation facilities) to ISD Contract Number 77893 effective June 9, 2014.
35	Amendment adding thirty-seven affected facilities (ISD Region 6 facilities) to ISD Contract Number 77895 effective June 9, 2014.
36	June 9, 2014 - Purchase Orders - Procurement of temporary emergency custodial services at the affected Library facilities with two existing custodial services contractors.
37	OT hours worked by ISD employees.
38	OT hours worked by Coroner employee (Forensic Technician) on June 8, 2014.
39	OT hours worked by Library employees from June 5, 2014 through June 13, 2014.

DEBARMENT DOCUMENTARY EVIDENCE

DIAMOND CONTRACT SERVICES, INC.

OCTOBER 8, 2014

TAB	DOCUMENTS
40	Listing of contract workers affected by Diamond termination - ISD, Coroner, DBH, and Library.
41	Costs DBH and Coroner will incur for ISD custodial contract service management.
42	June 10, 2014 - Board letter - Terminating five custodial services contracts (Library contracts) with Diamond, in whole, for default; and, requesting Board approval to execute amendments to add the affected facilities (seventy in total) to two existing Library contracts.
43	June 10, 2014 - Library sent written notification to Diamond informing Diamond that, pursuant to the Board's approval on June 10, 2014, Contract Numbers 77250, 77231, 77906, 77242, and 77862 have been formally terminated, in whole, for default, effective June 10, 2014.
44	Amendment adding 38 affected Library facilities to Library Contract Number 77683 effective June 13, 2014.
45	Amendment adding 32 affected Library facilities to Library Contract Number 77682 effective June 13, 2014.
46	June 19, 2014 - Email correspondence confirming Diamond did not provide services to Coroner on June 8, 2014.
47	July 15, 2014 - Board letter - Terminating five custodial services contracts (three ISD contracts, one Coroner contract, and one DBH contract) with Diamond, in whole, for default; and, informing the Board of actions taken to transition services by June 9, 2014.
48	July 15, 2014 - ISD sent written notification to Diamond informing Diamond that, pursuant to the Board's approval on July 15, 2014, ISD Contract Numbers 77892, 77896, and 77812 will be formally terminated, in whole, for default, effective July 16, 2014.
49	August 6, 2014 - Diamond's webpage (diamondcontract.com) identifying Russell Richey as Diamond's Vice President of Operations and Steve Walton as Diamond's CEO.
50	July 16, 2014 - CARD Placement Notification Letter sent to Diamond via Electronic and Certified U.S. Mail.
51	July 30, 2014 - USPS Certified Mail Return Receipt showing CARD notice was forwarded and delivered to 3636 Nobel #401, SD, CA 92122--received by Jennifer K. White.
52	August 4, 2014 - USPS Certified Mail Return Receipt showing CARD notice was forwarded and delivered to 3636 Nobel #401, SD, CA 92122--received by Nicolas Lopez.
53	August 7, 2014 - Dun and Bradstreet Business Information Report for Diamond.
54	August 14, 2014 - DBH sent written notification to Diamond informing Diamond that, pursuant to the Board's approval on July 15, 2014, Contract Number 77371 was formally terminated, in whole, for default.
55	September 15, 2014 - Debarment Proceedings letter from ISD to Diamond.

# ATTACHMENT III

**CONTRACTOR HEARING BOARD MEMBERS FOR THIS PROCEEDING**

- Kathy K. Hanks, Acting Chair of Contractor Hearing Board, Director of Health Services Contracts and Grants, Department of Health Services
- Santos H. Kreimann, Deputy Chief Executive Officer, Chief Executive Office
- Sandra Pina-Barbee, Administrative Deputy, Office of the Treasurer and Tax Collector
- Truc L. Moore, County Counsel for Contractor Hearing Board

**ISD REPRESENTATIVES AT PROCEEDING**

- Behnaz "Nazie" Tashakorian, County Counsel for Internal Services Department
- Yolanda Young, Internal Services Department
- Jim Allen, Internal Services Department

**WITNESSES PUT ON BY ISD**

- Yolanda Young, Internal Services Department
- Jim Allen, Internal Services Department
- Elsa Munoz, Public Library
- Silvia Gonzalez, Department of the Medical Examiner- Coroner
- Nicolette Taylor, Department of Beaches and Harbors

**WITNESSES PUT ON BY MR. RUSSELL RICHEY**

- Mr. Russell Richey



# ATTACHMENT V

November 21, 2014

To The Contractor Hearing Board,

I **object** to the proposed decision and recommendation to disbar Russell Richey from contracting or conducting business with the County of Los Angeles for two years. My objection is based on the following:

1. I was not aware that the company was in jeopardy and that customers were at risk, I had no knowledge of the June 4 communication prior to it being issued. Diamond operated under a Board of Directors that is disclosed in the Dunn and Bradstreet information included in item #12, Attachment A. The Board made decisions regarding the viability of the company. I was not privy to financial information nor information regarding "going concern" issues or it's ability to stay in business. I simply had nothing to do with the June 4 e-mail.
- 1  
2. Two weeks of custodial supplies was maintained for almost all county of LA accounts until the end of May 2014. In general, Diamond did not have inventory shortage problems. If they did, they were communicated to the customer/contract monitor and corrected immediately. The first week of June 2014 was an exception and my team worked closely with the county to resolve shortages as best we could under the circumstances.
3. Diamond terminated it's employment agreement with it's employees on Sunday, June 8. I personally worked with the county and supported it's new contractors over the next week to 10 days. Whatever they asked for, I tried to provide. I made sure they received the necessary information to resolve the supply inventory problems and more importantly to transition Diamond employees to the new contractor to prevent a lapse in service.
4. Diamond employs about 1,200 persons that serve over 55 customers, across 500 building locations. To say that it was chaotic, when the June 4 e-mails were sent to customers is an understatement. As the Vice President of Operations, I worked diligently to ensure the needs of my employees, customers and vendors were addressed. Specifically, I worked into the third week of June to answer phone calls and resolve issues from the County and it's new contractors. I provided the County of Los Angeles as much support as humanly possible!!!

In closing, please accept my sincere apology for the insensitive manner in which you were informed about the fact that Diamond Contract Services will no longer be in business. There is NO EXCUSE for the June 4 communication!! It is unfair and unacceptable, considering the partnership that the Diamond had with Los Angeles County over the past 10 years. Unfortunately, all Diamond employees including myself were blindsided by this news and the impact is that we were all terminated June 8, 2014. More importantly, I am troubled by the fact that this catastrophe has brought my character into question, simply because I held the title of Vice President of Operations. However, I would like to personally thank you for the opportunity

to service the County during the five (6) years that I worked for Diamond. I wish you the best of luck as you move forward with your replacement contractor (s). Again, I am truly sorry and regret that I am in the middle of this debacle!!!

Sincerely,

Russell R. Richey

# ATTACHMENT VI



Kathy Hanks, Acting Chair

# County of Los Angeles CONTRACTOR HEARING BOARD

313 NORTH FIGUEROA STREET, 6 EAST • LOS ANGELES, CALIFORNIA 90012

**Participating Departments:**  
*Chief Executive Office  
Department of Health Services  
Treasurer & Tax Collector*

## **NOTICE OF SPECIAL MEETING**

December 3, 2014  
1:30 p.m.  
Department of Public Works  
Conference Room B  
900 S. Fremont Ave.  
Alhambra, CA 91803

### **AGENDA**

- I. Call to Order.
- II. Debarment Hearing to Consider the Written Objections of Mr. Russell Richey to the Tentative Proposed Decision of the Contractor Hearing Board in the Debarment Proceedings Against Diamond Contract Services, Inc., Steve Walton, and Russell Richey, as initiated by the Internal Services Department.
- III. Consideration of Other Items Not on the Posted Agenda.
- IV. Public Comment.
- V. Adjournment.

If you have any questions, please contact Kathy Hanks at 213-240-7819 or at [khanks@dhs.lacounty.gov](mailto:khanks@dhs.lacounty.gov).

HOA.1114138.1

# ATTACHMENT VII

**CONTRACTOR HEARING BOARD MEMBERS FOR  
DECEMBER 3, 2014 PROCEEDING**

- Kathy K. Hanks, Acting Chair of Contractor Hearing Board, Director of Health Services Contracts and Grants, Department of Health Services
- Santos H. Kreimann, Deputy Chief Executive Officer, Chief Executive Office
- Sandra Pina-Barbee, Administrative Deputy, Office of the Treasurer and Tax Collector
- Truc L. Moore, County Counsel for Contractor Hearing Board

**ISD REPRESENTATIVES AT PROCEEDING**

- Behnaz "Nazie" Tashakorian, County Counsel for Internal Services Department
- Yolanda Young, Internal Services Department

**REPRESENTATIVE FOR MR. RUSSELL RICHEY**

- Mr. Russell Richey