

MOTION BY SUPERVISORS HILDA L. SOLIS
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September 26, 2023

Strengthening the Local Small Business Enterprise Preference Program

The Board of Supervisors (Board) is strongly committed to advancing equity and economic opportunity through inclusive procurement strategies. The County of Los Angeles' offers Social Enterprise preference programs such as the Local Small Business Enterprises (LSBE) and Disabled Veteran Business Enterprises (DVBE), to help level the playing field for enterprises to contract with the County. The County's efforts to expand inclusive procurement opportunities results in \$1 billion in contracts awarded annually in recent years to thousands of County-certified businesses and nonprofits. These preference programs transferred to the newly-created Department of Economic (DEO) Opportunity in July 2022.

Between 2015 and 2022, the County's Auditor-Controller (A-C) opened three criminal investigations of procurement fraud involving ten County LSBE vendors who cumulatively received more than \$40 million. The A-C also received information that seven additional County vendors who the County cumulatively paid more than \$27 million may also be violating LSBE program requirements. The A-C, developed recommendations in a June 15, 2020 report, in consultation with Department of Community and Business Affairs (DCBA) and Internal Service Department (ISD), specifically to address potential

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vulnerabilities in our LSBE Program. DEO, in consultation with County Counsel, ISD, and other relevant County departments, is implementing these recommendations and additional measures to prevent further fraud in the County's preference programs.

Corrective actions are needed to ensure that the LSBE Preference program is resilient to fraud and abuse and advance equity through inclusive procurement opportunities.

WE, THEREFORE, MOVE that the Board of Supervisors:

1. Direct the Department of Economic Opportunity, in consultation with the Internal Services Department and County Counsel, to immediately implement the recommendations contained in the Auditor-Controller's June 15, 2020 [report](#), and report back to the Board in 30 days on the status of all outstanding recommendations and a timeframe for implementation.
2. Instruct the Chief Executive Office in consultation with the DEO, A-C and ISD, to evaluate and report back in 30 days on the current resources dedicated to administering and ensuring the integrity of the County's procurement preference programs, and recommend any additional resources required to enhance procurement preference program oversight, compliance, and governance.
3. Direct DEO, in collaboration with the A-C, to provide a workplan in 30 days to conduct a small random sample of vendor certifications to evaluate and assess the program.