

DEPARTMENT OF FINANCE
REVIEW OF
ROCHESTER LIVING WAGE ORDINANCE NO. 2001-36

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I. EXECUTIVE SUMMARY

In this review, the Office of Public Integrity (OPI) examined compliance with Rochester Living Wage Ordinance No. 2001-36. The results of this review indicate that, in general, internal controls are adequate, and contractors are complying with the Living Wage Ordinance. We did not note any findings during this review.

II. BACKGROUND, OBJECTIVES AND SCOPE

A. Assignment

The Office of Public Integrity routinely reviews contract compliance of contractors who conduct business with the City of Rochester.

B. Background

City Council adopted the Rochester Living Wage Ordinance in January 2001. The purpose of this Ordinance is to ensure that employees of substantial City contractors and subcontractors earn an hourly wage that is sufficient for a family to live at or above the poverty guideline. This ordinance applies to professional service agreements of \$50,000 and over but excludes:

- 1) Persons who are employed in construction work covered pursuant to federal or state prevailing wage laws.
- 2) Welfare-to-work, youth employment programs and job training programs, and workers with disabilities, full-time students, messengers, learners, student-learners and apprentices for whom the covered employer has received a certificate to pay special minimum wages pursuant to Section 14 of the Federal Fair Labor Standards Act.

Additionally, this ordinance does not include any contracts awarded through the competitive bidding process pursuant to the General Municipal Law Section 103.

The minimum per hour living wage rate for fiscal year 2020 was \$12.36 for employees if their employer offered health benefits and \$13.81 for employees not offered health benefits. In fiscal year 2019, the minimum per hour living wage rate was \$12.09 for employees if their employer offered health benefits and \$13.51 for employees not offered health benefits. The ordinance requires that the City adjust the living wage rate annually based on the change in the Consumer Price Index. The following table summarizes the living wage rate for the last four fiscal years.

Living Wage Hourly Rate
July 2017 to June 2021

| <u>Fiscal Year</u> | <u>With Health Insurance</u> | <u>Without Health Insurance</u> |
|-----------------------|------------------------------|---------------------------------|
| July 2017 – June 2018 | \$11.85 | \$13.23 |
| July 2018 – June 2019 | \$12.09 | \$13.51 |
| July 2019 – June 2020 | \$12.36 | \$13.81 |
| July 2020 – June 2021 | \$12.58 | \$14.06 |

C. Objective and Scope

The objectives of this review were to evaluate contract compliance with the Rochester Living Wage Ordinance No. 2001-36. The scope included all professional service agreements from January 1, 2020 to December 31, 2020 and corresponding records applicable to all wage related expenses that contractors submitted to the City for reimbursement for this period.

OPI noted 1063 professional service agreements for this period. The following table details the breakdown of these agreements.

Professional Service Agreements
January 1, 2020 to December 31, 2020

| | |
|--|------------|
| All professional service agreements | 1063 |
| Less: PSAs less than \$50,000 | <u>921</u> |
| PSAs subject to Living Wage requirements | 142 |

Management is responsible for establishing and maintaining a system of internal accounting and administrative control. Fulfilling this responsibility requires estimates and judgments by management to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of accurate, informative reports that are fairly stated.

Because of inherent limitations in any system of internal accounting and administrative control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any system evaluation to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) and the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The recommendations presented in this report include the more significant areas of potential improvement that came to our attention during the course of the examination, but do not include all possible improvements that a more extensive review might develop.

III. RESULTS OF REVIEW

Of the 142 professional services agreements in our scope period that were subject to the Living Wage requirements, OPI randomly selected 31 of them for detail testing. The following is a summary of the contracts selected for detail testing:

Review of the Living Wage Ordinance
Contracts Selected for Detail Testing

| <u>Contract Number</u> | <u>Contractor</u> | <u>Initiating Department/Office</u> | <u>Amount (\$)*</u> |
|------------------------|--|-------------------------------------|---------------------|
| 133908 | YWCA of Rochester and Monroe County | DRHS | 78,092 |
| 133347 | LaBella Associates DPC | DES | 14,213 |
| 133843 | Bero Associates Architects | DES | 34,786 |
| 133488 | Christopher Sweadner | DRHS | 23,380 |
| 133337 | Environmental Testing & Consulting | NBD | 47,675 |
| 133349 | The Center for Teen Empowerment | DRHS | 35,000 |
| 133124 | Highland Hospital of Rochester | DRHS | 4,046 |
| 133634 | LaBella Associates DPC | DES | 80,000 |
| 133838 | Baden Street Settlement of Rochester | DRHS | 77,527 |
| 133302 | Edge Architecture, PLLC | DES | 2,151 |
| 133317 | Flower City Habitat for Humanity | NBD | 40,000 |
| 134467 | Bergmann Associates Architects Engineers | DES | 51,625 |
| 134422 | Baden Street Settlement of Rochester | DRHS | 29,241 |
| 133182 | Vanguard Engineering PC | DES | 80,350 |
| 134477 | Foodlink Inc. | DRHS | 35,446 |
| 133827 | T Y Lin International Engineering Architecture & Land Surveying PC | DES | 121,778 |
| 133640 | Passero Associates Engineering, Architecture & Surveying PC | DES | 69,183 |
| 134195 | Bero Associates Architects | DES | 67,639 |
| 134228 | Passero Associates Engineering, Architecture & Surveying PC | DES | 145,761 |
| 133827 | T Y Lin International Engineering Architecture & Land Surveying PC | DES | 121,772 |
| 133673 | LaBella Associates DPC | DES | 49,309 |
| 133619 | Joseph C Lu Engineering & Land Surveying | DES | 61,192 |
| 133286 | Joseph C Lu Engineering & Land Surveying | DES | 221,824 |
| 134252 | Bergmann Associates Architects Engineers | DES | 78,997 |
| 133947 | C & S Engineers Inc. | DES | 103,808 |
| 133313 | Trillium Health Inc. | NBD | 26,810 |
| 133203 | LaBella Associates DPC | DES | 144,869 |
| 134278 | Stantec Consulting Services Inc. | DES | 357,042 |
| 134064 | T Y Lin International Engineering Architecture & Land Surveying PC | DES | 258,043 |
| 133829 | Bergmann Associates Architects Engineers | DES | 315,065 |
| 134066 | Liro Engineers | DES | 358,524 |

* Rounded to the nearest dollar.

The results of this test work indicate that, in general, internal controls are adequate, and contractors are complying with the terms of the Living Wage Ordinance. No further work is deemed necessary.

IV. DEPARTMENTAL RESPONSE

The Department of Finance has reviewed this report and is in agreement with its findings.