



CITY OF OAKLAND
Office of the City Auditor



Serving Oakland With Integrity

Investigations

Today, my Office released the following substantiated whistleblower investigations:

Cannabis Dispensary Permit Application Process

In July 2020, my Office received a whistleblower complaint about the cannabis dispensary permit application process alleging the following: 1) City staff allowed an applicant to apply for a third dispensary permit even though the City has a limit of two dispensary permits, 2) allowed conflicts of interest by allowing Commissioners to also apply for permits, 3) incorrectly scored dispensary permit applications, and 4) provided inadequate communication to applicants.

The City of Oakland Administrator's Office is charged with regulating cannabis dispensaries and the issuance of dispensary permits. In 2019, the City announced it would issue eight cannabis dispensary permits: four would be selected through a public drawing/lottery of equity applicants and the other four via a scored application process. The 2019-2020 scored application cycle identified four applicants to proceed to the final phase of the dispensary permit process.

The investigation substantiated that 1) dispensary applications were incorrectly scored during the standard scored application process resulting in an eligible applicant being notified they were ineligible to proceed, and 2) the Cannabis Dispensary Permit Application Process had inadequate quality control and communication procedures. The other allegations were not substantiated.

The report contains eight recommendations directed to the City Administration and Cannabis Commission, including consulting with the City Attorney's Office, to cure the incorrect scoring during the recent application process and making administrative and policy changes to improve the performance and accountability of the Cannabis Dispensary Permit Application process.

Read the full investigation [here](#).

Flawed Contracting Process: Biohazard Clean-up Services

In November 2019, on behalf of the Oakland Police Department, the Controller's Bureau Purchasing Section solicited bids for biohazard clean-ups of crime scenes, City vehicles, police property, and public rights-of-way throughout the City.

Four vendors submitted bids. The City awarded Legacy Restoration Services (Legacy) the bid and entered into a two-year purchase agreement for \$230,000.

In February 2020, a whistleblower submitted a complaint to my Office alleging Legacy Restoration Services may not be a qualified contractor, and that specific requests for picking up hypodermic needles from the public rights-of-way, through OAK 311 (the City's customer service hotline), were not being fulfilled.

Our investigation identified several concerns with Legacy's capability to perform hazardous clean-ups and problems with how the City selected the contractor and managed and monitored the contracted services.

Specifically, the investigation revealed the 1) Purchasing Section's solicitation process was flawed from the outset, and the City did not: 2) rigorously review bidders as professional services providers, 3) identify or act on numerous concerns regarding the selected biohazard contractor and, 4) adequately monitor Legacy's work and billing.

The investigation contains eight recommendations that warrant the Controller's Bureau and the City Administration's immediate attention.

Read the [press release](#) below and the full investigation [here](#).

NEWS RELEASE
Office of the City Auditor
City of Oakland

FOR IMMEDIATE RELEASE:
January 6, 2021

INVESTIGATION REVEALS LAX PROCUREMENT PROCESS— RESULTING IN QUESTIONABLE CONTRACT AWARD AND POOR BIOHAZARD CLEAN-UP SERVICE

Whistleblower complaint alleged contractor was not qualified, and specific requests for picking up hypodermic needles from the public rights-of-way were not being fulfilled

OAKLAND, Calif. (January 6, 2021): Today, Oakland City Auditor Courtney Ruby released the results of an investigation into the performance of a City contractor hired to perform biohazard clean-ups of crime scenes, City vehicles, police property, and public rights-of-way throughout the City. The investigation was prompted by a whistleblower complaint received in February 2020, alleging the contractor was not qualified and specific requests for picking up hypodermic needles from the public right-of-way were not being fulfilled. The investigation substantiated problems with how the City solicited, selected, managed, and monitored the contracted services. Additionally, the investigation identified several significant concerns regarding the contractor's capabilities to perform biohazard clean-ups.

In December 2019, the City entered into a two-year contract with Legacy Restoration Services (Legacy) for \$230,000. The City awarded the contract through a flawed procurement bid process which was based upon lowest responsive, responsible bidder, instead of a Request for Qualifications (RFQ) process, which City procedures require for this type of service. For procurement bids, the City awards the contract to the bidder with the lowest quoted price. The City did not assess the qualifications of the bidders to perform the requested service. The investigation identified numerous issues with the bid solicitation, the selected contractor's capabilities, and the City's ability to manage and monitor the contract.

The investigation found the specifications in the bid solicitation were insufficient to assess whether the bidders were qualified and whether the bidders had the requisite supplies and equipment needed to perform the work. Nevertheless, the City awarded the contract to Legacy. The investigation also found the City failed to identify several red flags in Legacy's application that called into question their capabilities to perform the work. For instance, Legacy stated in its application that it had no experience in biohazard clean-ups, no prior clients, and no specialized equipment or supplies to perform the work. Additionally, the City did not require bidders to be certified State Trauma Waste Practitioners. In fact, the investigation revealed that Legacy performed several crime scene clean-ups before receiving its State Trauma Waste Practitioner certification. The investigation also noted Legacy arrived for some hazardous waste clean-ups in a U-Haul truck—a situation that should have immediately called into question whether the contractor had sufficient equipment to perform bio-hazard clean-ups. Furthermore, the City received numerous complaints from the public citing Legacy's lack of response to hypodermic needles in the public right-of-way. Between January and December 2020, the City paid Legacy \$144,038 for their contracted services.

The investigation also found the City was not aware that the contractor was related to an employee in the Purchasing section, and the Purchasing manager had no knowledge of this relationship. While the investigation did not find any evidence that City employees influenced the selection of the biohazard contractor, the lack of process to identify such conflicts and the lack of qualifications demonstrated by Legacy, casts doubt on the integrity of the award process.

Auditor Ruby stated, "This contract award process was so troubling—it was flawed from the outset. Yet, no one, except the public, raised any concern and the public's concerns fell on deaf ears. These are the public's dollars, and the health and safety of our residents and our employees is at stake. The City must immediately remedy the numerous deficiencies identified in the City's procurement process."

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To read the full report please click [here](#).



Committed to serving you with the utmost integrity,

Courtney A. Ruby, CPA, CFE
City Auditor

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