

**Aftermath of Courthouse Fire
Illustrates Need for Improved
Insurance Claims Management
and Business Continuity**

December 2014

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December 3, 2014

To the Honorable Chairwoman
of the Board of Supervisors
of the County of Milwaukee

We have completed an audit of the Milwaukee County Courthouse electrical fire as requested by you and Supervisor Mayo after the July 6, 2013 incident. The audit focused on the response to the fire in the first hours, the restoration of the Courthouse complex to full use and the cost to repair damage caused by the fire.

The cause of the fire is not yet known. We encourage the County's elected officials to continue to monitor attempts to identify the cause and to respond accordingly if any action is warranted. While we do not know why the fire occurred, we do know that there are many opportunities for improvement in the manner in which incidents such as this are addressed. The Department of Administrative Services has already initiated a number of enhancements including the development of a more comprehensive continuation of operations plan. Work on these improvements began even as the department was engaged in the successful efforts to rapidly bring the Courthouse back to full service.

This report also presents our assessment of the \$19.1 million insurance claim and the procedures used by the County to manage the restoration cost. Our work was somewhat more challenging than a routine audit because, during the audit, a key risk management employee was arrested for misconduct related to his activities with an individual employed by the primary restoration contractor. However, we believe that the costs presented in this report are accurate. With regard to insurance costs going forward, it is clear that the County has benefited from a generous plan design and limited oversight by the State of Wisconsin Local Government Property Insurance Fund. It is equally clear, based on new rates that will be charged by the Fund, that this will no longer be the case. On a more positive note, the Risk Manager the County hired subsequent to the fire has suggested reforms in how claims will be managed.

A response from the Department of Administrative Services is included as Exhibit 4. We appreciate the cooperation extended to us by all County departments involved in this

Please refer this report to the Committee on Finance, Personnel and Audit.

Jerome J. Heer
Director of Audits

JJH/cah

Attachment

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Aftermath of Courthouse Fire Illustrates Need for Improved Insurance Claims Management and Business Continuity

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Summary

On Saturday, July 6, 2013, an electrical fire broke out in the basement of the Milwaukee County Courthouse. The fire event affected the Courthouse, Safety Building, and Criminal Justice Facility (CJF), comprising about 1.5 million square feet of space, one million of which was affected by smoke, and displaced approximately 1,200 employees. The fire knocked out power throughout the complex, and resulted in a months-long recovery, which had varying effects on the departments housed in the Courthouse.

Early on, County officials were assured by their insurer that repair and recovery costs would be covered through the County's insurance policies and indeed this has generally been the case. The County's claim for \$19.1 million has been covered even though the insurance companies are still disputing responsibility among themselves. We present a complete breakdown of fire-related costs in Section 4. In 2013, Milwaukee County had property insurance coverage through the Local Government Property Insurance Fund ("the Fund"). The Fund is operated by the State of Wisconsin, Office of the Commissioner of Insurance, and is governed by Chapter 605 of the Wisconsin State Statutes. Milwaukee County also has a separate, more specialized insurance policy covering machinery and equipment, purchased through a private company, the Cincinnati Insurance Company.

The parties involved in investigating the cause of the Courthouse fire, largely for insurance coverage purposes, are not in complete agreement over what caused the fire.

The Milwaukee Fire Department (MFD) determined early that the fire event was accidental. An investigation into the cause and origin of the fire was conducted initially by the Fund, and later taken over by the Fund's excess of loss insurance carrier, Lexington Insurance. Most recently, Cincinnati Insurance conducted a cause and origin examination. That process is used to determine cause and origin for the purpose of determining coverage responsibility between the two first party carriers, and potential subrogation (and may play a role in Lexington's coverage of the Fund's excess loss).

At the time of publication of this report, the cause and origin investigation remains open, but according to Corporation Counsel, with the closure of its claim the County no longer has a direct role in the investigation. It is, however, anticipated that the insurance companies covering the claim may seek litigation between themselves to clarify coverage.

Cincinnati Insurance, the County's equipment and machinery carrier, recently completed their cause and origin investigation. An October 31, 2014 letter from Cincinnati Insurance stated the following:

It is the position of Cincinnati Insurance Company (CIC) that the subject loss and damage is not covered by the CIC Machinery and Equipment policy.

Multiple factors contributed to the elapsed time between when the first alarm notification appeared on the monitoring system and when the fire department was called on July 6, 2013.

The Milwaukee County Courthouse Complex utilizes an alarm system, maintained by Honeywell, to monitor smoke, heat, and "dry" systems, including sprinklers or other chemical fire suppressants. When an alarm is tripped, an alarm notice comes up on many system screens housed throughout the complex, including: G-1 (mainly for the HVAC system), B-48 (mainly for the computer system server), the shift room in 8B, and the loading dock and command center at the CJF (also known as "Master Control"). The primary and only 24/7 monitor site is Emergency Communications/911 located in the Safety Building.

There is a three minute delay built into the system before the alarms/strobes go off so that Facilities Management staff can investigate the cause of the alarm to discern whether an alarm was tripped by accident. The first alarm notifications appeared at 12:07 p.m. on July 6, 2013. The first smoke detector didn't go off until 12:13 p.m., and according to Honeywell, horns and strobes would have first sounded at 12:16 p.m. (or three minutes after the first smoke detector activated). According to MFD, they received the call indicating there was a fire at the Courthouse at 12:29 p.m. meaning 13 minutes passed between the first audible alarm notification and the call to MFD.

One of the most significant factors delaying immediate response to the Courthouse fire alarm notifications was the complete blackout of the Courthouse Complex's only 24/7 alarm notification monitoring center, located in Emergency Communications/Dispatch (E911). During normal operating hours, it's likely that a number of staff members would have ready access to one of the alarm notification monitors. After business hours and on weekends, E911 monitors all alarm notifications.

An E911 Communications dispatcher on duty on the day of the fire reported that E911 experienced a total system blackout at approximately 12:06 p.m. on Saturday, July 6, 2013. Power was lost, phone communication was also lost, and the E911 computer system shut down and did not reboot. E911 staff immediately transferred incoming 911 calls to Waukesha County. The only other alarm

notification center staffed during non-business hours is located in Master Control in the jail. However, according to the Honeywell System representative we interviewed, Master Control only gets alarm notifications for the CJF—and not for the rest of the complex. Our interviews with Master Control staff on duty at the time of the fire indicated that they can see at least some alarm notifications for the rest of the complex, but would respond by contacting Facilities Management staff on duty. Individuals working in Master Control during the fire also reported experiencing power outages of their own, the first taking place at 12:06 p.m. According to their log, Master Control experienced a second outage at 12:23 p.m.

Once called, MFD responded within minutes, but the Courthouse fire proved to be difficult to control. Once extinguished, MFD returned control of the site back to County officials and WE Energies since they both had electrical cabinets in the basement.

Milwaukee County was not immediately prepared to resume operations following the Courthouse fire; planning currently underway puts the County in a better position for future incidents, though information technology is still a vulnerability.

The United States Department of Homeland Security, Federal Emergency Management Agency (FEMA) recommends that communities engage in continuity of operations planning (COOP) before the onset of an emergency so that emergency response can be swift and organized.

Milwaukee County spearheaded an effort to develop a continuity of operations plan for the County in 2004. At the time of the Courthouse fire, Emergency Management was at work on a more comprehensive plan, which included an updated COOP framework. However, since the revamped plan was still being drafted, the 2004 plan was technically in place at the time of the Courthouse fire. Unfortunately, the 2004 plan lacked clear direction and was not widely known or disseminated, leaving County officials without a detailed roadmap for how to proceed through a large-scale recovery. High level administrators we interviewed as part of our audit work commented that there was no plan in place at the time of the fire. Regardless of the 2004 plan's shortcomings, the greatest flaw associated with the plan was the lack of communication, testing, and updating, which surrounded it.

An official in the County Division of Risk Management contacted Universal Restoration, a firm specializing in property restoration following emergencies, on the day of the fire to see if the firm could assist the County with restoration efforts. The firm, and its subcontractors, began restoration work on Sunday, July 7, 2013. Several key Milwaukee County officials also stepped up to assist with relocation efforts. The Information Management Systems Division (IMSD) made available computers stored for

future projects, and also obtained 100 cell phones from the County's carrier and air cards for internet connection. The Milwaukee County Department of Health and Human Services (DHHS) was able to identify approximately 120 workspaces at both the Marcia P. Cogg Center and their buildings on the County Grounds. The Department of Family Care eventually relocated to vacant space made available by a vendor and leased laptops, a copy machine, and fax machine in order to fully resume operations off-site.

As part of our audit work, we sent a questionnaire to departments housed in the Courthouse in order to gauge how the fire affected their operations. A majority of the responding departments said they were impressed by how quickly Courthouse operations were resumed following such a catastrophic event and mentioned that the incident brought out the best in County staff who collaborated to achieve needed results. That said, departments also mentioned the need for improved crisis communication and the need to have updated continuity plans in place.

A positive takeaway of the Courthouse fire was the momentum it created behind efforts to overhaul the County's Continuity of Operations Plan. The Comprehensive Emergency Management Plan for Milwaukee County (File No. 13-687) was adopted by the County Board of Supervisors at their September 23, 2013, meeting. Annex V of the plan contains the County's updated COOP framework.

The fire left Milwaukee County on the verge of losing critical information systems infrastructure. In March, 2012, the Director of Audits sent a confidential memo to the County's new Chief Information Officer (CIO) regarding Milwaukee County Computer Center Security Concerns. Among the concerns the Director of Audits suggested that the new CIO be aware of were the security of the Courthouse computer network control center, and the need for an alternative site for the County's redundant computer network control center. While the Courthouse computer center was not directly affected by the fire damage, the County's information technology (IT) systems were subjected to high heat, and were found to be in a very vulnerable position following the fire.

The return of operations at the Courthouse was gradual. Upon returning to the Courthouse, there were rumors of theft and damage to employees' personal items left behind. We followed up with the Office of the Sheriff (MCSO), who we were told all reports of theft were sent to, and learned that MCSO investigated seven incidents of theft. Overall, reported theft investigated by MCSO was largely centered on change, sunshine funds, and petty cash stolen from unlocked desks. More concerning, we were also informed of separate incidents from departments involving the theft of County checks and the theft and attempted use of a County procurement card.

Milwaukee County settled its Courthouse fire insurance claim for approximately \$19.1 million in July 2014; however, a complete breakdown of costs associated with the fire is pending the completion of final work.

On July 30, 2014, the County's Director of the Department of Administrative Services (DAS) signed a sworn statement in proof of loss for the July 6, 2013 Courthouse electrical fire. In doing so, the County agreed that the full cost of repair or replacement was \$19,115,455, which less the County's \$500 deductible, amounts to an actual cash value settlement of \$19,114,955 (or approximately \$19.1 million).

As of November 2014, the County had received the full \$19,114,955 in insurance proceeds (\$18,314,955 from the Local Government Property Insurance Fund and \$800,000 from Cincinnati Insurance Company). While the County did agree with the negotiated settlement amount of approximately \$19.1 million in signing its Proof of Loss with the insurance companies, at the time of publication of this audit, final work on the project is still being completed. The DAS Director assured the County Board that a not-to-exceed cost of the final work was agreed to prior to the settlement so the reconciliation of final invoices will ensure that the detail matches the settlement discussion.

There are several categories of costs related to the Courthouse fire. A subtotal of each of those costs is laid out below, along with a brief description of what is included in each category.

- Cost Category 1: Costs Included in the Insurance Claim

We divided this category into two subcategories: payments made to outside vendors to perform work or provide commodities on the County's behalf and costs incurred directly by Milwaukee County. To date, the combined total of expenditures in this category is **\$17,492,013.**

- Cost Category 2: Courthouse Infrastructure Improvement Relating to Courthouse Fire Account (\$2 million allocated)

During the September 2013 County Board Cycle, the Office of the Comptroller brought forward File No. 13-708, a reimbursement resolution, expressing the County's intent to reimburse itself for expenditures associated with infrastructure repair to the Courthouse Complex incurred prior to the next bond issuance. This project account was sought as an alternative financing option for any expenditures the County believed to be related to the Courthouse fire, but that

are not reimbursable by the County's property insurance policies. All costs charged to this account must be eligible for bond financing.

According to the County's Capital Finance Manager, to date none of the \$2 million set-aside was utilized. However, \$100,000 in other Capital Funds was authorized for use for purposes related to the fire in September 2014.

- Cost Category 3: Capital Project WC10001 Courthouse Major Maintenance Improvements (\$200,000 allocated)

During the September 2013 County Board Cycle, the Office of the Comptroller also sought a \$200,000 fund transfer from the Appropriation for Contingencies account to establish funding for Capital Project WC10001 Courthouse Major Maintenance Improvements. The funding was sought to cover work unrelated to the Courthouse fire, but discovered while completing Courthouse fire work. **\$149,899** of the \$200,000 was utilized.

- Cost Category 4: Non-insured Costs Related to the fire

This category includes non-maintenance costs which are related to the fire, but which were not reimbursed by insurance. The costs included in this category are fees associated with the fire investigator hired by Milwaukee County and lease costs incurred by the Department of Family Care while the Courthouse was closed. Our records indicate that **\$74,094** of costs fall into this category of spending.

Use of MISC Payroll Time Code and Future Costs

Employees used a total of 18,840 hours of miscellaneous time related to the Courthouse fire, incurring \$439,250 in charges inclusive of FICA taxes, which the County is required to pay. The amount of time used varied by department and was absorbed into each department's budget.

While largely remaining status quo in 2014, Milwaukee County's property insurance through the Local Government Property Insurance Fund ("the Fund") will be restructured in 2015, resulting in increased costs for the County. Both officials in DAS and with the Fund state that the policy changes are not solely due to the County's fire loss, and instead result from the Fund's attempt to modernize its structure in order to be more financially sustainable.

Milwaukee County needs to revamp its procedures for the management of property insurance claims to properly account for public funds.

From the date of the fire to February 2014, the County's Safety Coordinator (who from August 2013 to January 2014 also served as the County's Interim Director of Risk Management) managed the Courthouse fire property claim for the County. Universal Restoration was hired. A Request for Proposal process was not used. According to DAS officials, the insurance adjuster was present in the days following the fire and did not object to the County's vendor choice. According to the Fund, the insurance policy is set up so that the insured (in this case, the County) selects their own vendor.

Officials could not produce a contract, signed by the County, which clearly laid out the details, rates, and scope of the Courthouse fire job. Universal Restoration charged an additional 20% mark-up (10% for profit and 10% for overhead) on their invoices for the Courthouse fire job. According to Universal, the "10% and 10%" mark-up charged is industry standard. However, without competitive bidding in place, the County is not able to confirm whether the "10% & 10%" mark-up is a reasonable charge. Nonetheless, the Fund paid these invoices, which County officials saw as at least some measure of confirmation that the charges were reasonable.

In February 2014, the Safety Coordinator was arrested on suspicions of criminal activity associated with his work with Milwaukee County and was formally charged on August 18, 2014 with two counts of Public Official Accepting a Bribe, two counts of Misconduct in Public Office, and two counts of False Swearing.

The vast majority of Risk Management insurance fund expenditures were paid to two firms. From 2005 to October 2014, Belfor received \$15,667,414; from 2010 to September 2014, Universal Restoration received \$17,653,217 (the majority of this funding is related to Courthouse fire restoration work). While the legal case against the former Safety Coordinator is still pending in Court, the Criminal Complaint lays out a number of charges asserting improper dealings with both of the firms mentioned above. The majority of the charges relate to an improper relationship with officials at Belfor, pre-dating the fire. According to the Local Government Property Insurance Fund, the Fund does not have a list of preferred vendors, contrary to statements made by County officials in County Board testimony.

In the end, the lack of procedures for the hiring of firms to perform property restoration work has left the County susceptible to potential misconduct, and has left the County's insurer, primarily the Fund, susceptible to possible increased pricing.

Milwaukee County lacks a solid preventive maintenance program for its mechanical systems and building infrastructure.

In past years, a great deal of Audit Services' work has addressed the issues of infrastructure demands, deferred maintenance and facilities management in Milwaukee County. As previously stated, the cause and origin investigation of the Courthouse fire is still under review, and it is unclear whether the facility's maintenance played any role in causing the fire. That said, large scale incidents like the Courthouse fire present opportunities to evaluate County operations, including where the County is positioned both in terms of preparedness for and prevention of catastrophic events.

At the time of the fire, Milwaukee County had agreements in place to regularly service the complex's alarm system and to routinely check back-up generators. However, preventive maintenance/inspection services of electrical and mechanical systems were not regularly scheduled. Facilities Management also confirmed the absence of any regularly maintained service logs for the Courthouse Complex electrical and mechanical systems. As a result, Milwaukee County could not readily document the servicing history that had occurred on the electrical system when that information was requested from the insurance adjuster. Rather, a review of purchase orders was conducted to provide the limited amount of ad hoc servicing that had occurred.

Recent policy decisions indicate that County officials are aware of the County's infrastructure issues; continued momentum is needed to ensure improvements are made.

Background

On Saturday, July 6, 2013, an electrical fire broke out in the basement of the Milwaukee County Courthouse. Being a weekend, the building was mostly vacant, and the two individuals who had come into work at the Courthouse that Saturday evacuated without incident. The Facilities Maintenance shift worker on duty that day was working outside at the time of the fire.

According to a September 12, 2013, briefing by the Milwaukee County administration, the fire event affected the Courthouse, Safety Building, and Criminal Justice Facility (CJF), comprising about 1.5 million square feet of space, one million of which was affected by smoke, and displaced approximately 1,200 employees. The fire knocked out power throughout the complex. The CJF, which houses the jail, subsided on generator power until full power was restored later that day, and thus did not need to be evacuated. The jail was built to secure inmates in lock-ins, and according to the Office of the Sheriff, has proper ventilation and structures in place so that fire and air contamination will be contained and won't spread. Evacuation would only occur as a last resort.

On July 7, 2013, an email was sent to employees from the County Executive's Communications Director, advising staff that the Milwaukee County Courthouse and Safety Building would be closed on Monday, July 8th and Tuesday, July 9, 2013, due to the fire, which caused electrical and smoke damage. Employees who work in the buildings were told to stay home unless directed otherwise by their manager; the email stipulated that employees would be paid for this time. The communication contained further instructions for court cases and jury duty, which were postponed to later dates. The aforementioned details were also distributed to the local media, which communicated the information, including a website and hotline where County employees could check for updates.

The fire resulted in a months-long recovery, which had varying effects on the departments housed in the Courthouse. As part of our work, we compiled a comprehensive timeline of events surrounding the fire (see Exhibit 2) to display in detail the assorted milestones. Section 2 of this report also contains a detailed timeline of events which transpired on the day of the fire. The fire recovery is discussed in-depth in Section 3.

Insurance Coverage

Early on, County officials were assured by their insurer that repair and recovery costs would be covered through the County's insurance policies. On July 9, 2013, the *Milwaukee Journal Sentinel*

quoted the County's Director of the Department of Administrative Services (DAS) as saying the full cost, less the deductible, was expected to be covered by insurance.

In 2013, Milwaukee County had property insurance coverage through the Local Government Property Insurance Fund ("the Fund"). The Fund is operated by the State of Wisconsin, Office of the Commissioner of Insurance, and is governed by Chapter 605 of the Wisconsin State Statutes. The Fund's policy is a specialized property insurance program, backed by the State of Wisconsin General Fund, and is only offered to local government units, including: *any local government association, authority, board, commission, department, independent agency, office, society or other body, including any city, county, town or village board or common council, school or library board of control of a cooperative educational service agency.*

To participate in the Insurance Fund, Milwaukee County pays an annual premium. Milwaukee County's annual premium for the term covering January 1, 2013 to January 1, 2014 was \$571,202; in turn, the County received coverage of approximately \$2.9 billion. Various deductibles apply to the different categories of coverage, and, in 2013, the County had the option of using an aggregate deductible whereby after hitting the assigned deductible amount a certain number of times (for example, twice for deductibles over \$75,000), the County would then only pay a \$500 deductible for coverage under that category. While County administrators originally anticipated paying a \$75,000 deductible, because the County had already met its two \$75,000 deductibles, the actual deductible charged for this claim was \$500. See Section 4 for more information on the structure of the Fund.

Milwaukee County also has a separate, more specialized insurance policy covering machinery and equipment, purchased through a private company, the Cincinnati Insurance Company. That policy's term which runs from January 1, 2013 to January 1, 2016, offers a limit of \$50,000,000 in coverage with a \$10,000 deductible for an annual premium of \$52,344.

According to the County's Risk Manager, both policies are first party carriers—the Cincinnati Policy is narrower in scope, pertaining to physical equipment, while the Fund's policy will cover damage from the fire. At the time of this report's publication, the insurers disagreed over which entity was responsible for \$1.6 million of the coverage. That said, the policies both include a joint loss agreement endorsement, whereby, when activated by the County, the insurers must each pay half of the loss which is in disagreement to the insured. The County is therefore made whole on its claim, and the two carriers can proceed with arbitration to settle their differences.

After the County invoked its Joint Loss Agreement, it was able to settle its insurance claim. On July 30, 2014, the County's DAS Director signed a sworn statement in proof of loss for the Courthouse fire claim, which settled the County's insurance claim with both carriers for approximately \$19.1 million. Details of the Courthouse fire's cost are discussed in Section 4.

Section 1: The parties involved in investigating the cause of the Courthouse fire, largely for insurance coverage purposes, are not in complete agreement over what caused the fire.

The Courthouse fire was quickly determined to be accidental.

Media reports following the Courthouse fire indicated that the Milwaukee Fire Department (MFD) ruled very early on that the fire was not caused by arson. We followed up with a Deputy Fire Chief with MFD who confirmed that MFD did not send their investigation team to respond to the event. As the Deputy Fire Chief interviewed understood it, MFD determined that the fire event was accidental early, in part because it would be unlikely that anyone would be able to start a fire by going into an electrical cabinet, vaulted in the basement of the Courthouse, with so much power fed in, without killing himself.

A Cause and Origin investigation into the fire was initiated by the County's property insurer, the Local Government Property Insurance Fund, and remains open.

An investigation into the cause and origin of the fire was conducted initially by the Fund, and later taken over by the Fund's excess of loss insurance carrier, Lexington Insurance. That process, which began on October 5, 2013, is used to determine cause and origin for the purpose of determining coverage responsibility between the two first party carriers, and potential subrogation (the right for an insurer to pursue a third party that caused an insurance loss). Events surrounding the cause and origin investigation are included in the comprehensive timeline found in Exhibit 2, and are also excerpted in the following:

The cause and origin investigation determines coverage responsibility between insurers and potential subrogation.

<u>Date</u>	<u>Cause and Origin Investigation Event</u>
September 12, 2013	In the administration's first briefing on the Courthouse fire before the County Board, the DAS Director told the Committee on Judiciary, Safety and General Services, that a cause and origin investigation would be run by the insurance company; the fire department indicated no suspicion of arson.
September 30, 2013	The Manager of the Local Government Property Insurance Fund ("the Fund") created a project page on the project management web application, Basecamp, for the Milwaukee County Courthouse fire to post information pertaining to the loss and communicate with various parties involved, including Milwaukee County and parties put on notice for possible subrogation.
October 1, 2013	The Fund manager posted a document to Basecamp titled <i>Parties put on notice as of 10/1/13</i> , listing those on notice for potential subrogation efforts.
October 3, 2013	Several files, including Milwaukee County electrical maintenance records were posted to Basecamp.
October 5, 2013	The cause and origin investigation kicked off with a meeting and tour of the fire site at the Courthouse.
October 23, 2013	In a briefing before the County Board Committee on Transportation, Public Works and Transit, the DAS Director advised committee members that the cause and origin process began October 5 th with approximately 50 people (most of whom were attorneys) and that the County hired its own Cause and Origin expert.
October 24, 2013	A message on Basecamp indicated that a multiparty inspection has been set for December 7, 2013 with an anticipated completion date on or before December 20, 2013.
December 2, 2013	The Fund manager posted notice on a Basecamp discussion forum saying the Fund has decided not to pursue subrogation in light of additional information received as of November 27, 2013.
December 3, 2013	The investigator hired by the Fund for the cause and origin investigation into the Courthouse fire announced on Basecamp that since the Fund has agreed not to pursue subrogation, he will no longer be responsible for any portion of subrogation efforts regarding this file and directed further inquiries to an individual at Crawford and Company, representing Lexington Insurance (the Fund's excess of loss carrier).
December 4, 2013	A representative from Lexington announced on Basecamp that Lexington was postponing the inspection scheduled for December 7, 2013. A discussion took place on Basecamp where an individual representing one of the parties on notice asked if the previous poster from Lexington

can “obtain and share with us a list of the equipment that was stored for further inspection and then apparently discarded by the county.” Milwaukee County’s Corporation Counsel responded saying, “there is no basis for a statement that equipment was discarded by the county. It’s not true.”

December 5, 2013 The Fund Manager posted a letter signed by a State Assistant Attorney General stating that the Fund will not be pursuing subrogation on the Courthouse fire claim.

January 29, 2014 The last project update is posted on Basecamp, in which the Fund Manager posted an email from the Assistant Vice President of Property Claims for AIG (Lexington’s parent company) stating, “We are not actively pursuing subrogation and absent the need to evaluate causation to apportion coverage between first party carriers we would not be undertaking the investigation. However, we reserve the right to evaluate the findings of our investigation.”

January 30, 2014 In a briefing before the County Board Committee on Finance, Personnel and Audit, DAS officials reported that the next cause and origin investigation, led by the Fund’s excess of loss carrier, Lexington, is about to start up and will be going for about a week.

March 6, 2014 In a briefing before the County Board Committee on Judiciary, Safety and General Services, the DAS Director stated that the County received a verbal update on the cause of the fire: it was the primary capacitor, was a fire event and not an electrical event, and the smoke damage also resulted from the capacitor.

July 24, 2014 In a briefing before the County Board Committee on Finance, Personnel and Audit, the DAS Director stated that there was nothing new with the cause and origin investigation. As was stated in the past, the source of the fire was determined to be the capacitor. Cincinnati Insurance and Lexington continue to investigate the cause and origin. The County has not received a report.

Status of Cause and Origin

On Friday, December 6, 2013, the District Attorney’s (DA) office was asked to investigate the disappearance of two breakers which were allegedly set aside by the adjuster in an unsecured area of the Courthouse. The DA’s office interviewed two Milwaukee County employees, one of whom admitted to disassembling the breakers, and later selling portions of them for scrap. The employee’s comments that the breakers were placed in a pile of other debris by the contractors, and were tagged to be disposed of, were corroborated with photographs taken by the project’s

contractor, and the DA's criminal investigation was closed without arrest.

While the cause and origin investigation remains open, Milwaukee County no longer has a direct role in the investigation.

At the time of publication of this report, the cause and origin investigation remains open, but according to Corporation Counsel, with the closure of its claim the County no longer has a direct role in the investigation. It is, however, anticipated that the insurance companies covering the claim may seek litigation between themselves to clarify coverage. That litigation may be ongoing for years. See Section 4 of the report for the ways in which that litigation could affect the cost of Milwaukee County's coverage.

Given the status of the open claims investigation, the Fund was not willing to discuss matters specific to the open claim, and Audit Services was not given a copy of any of their reports, which resulted from the cause and origin investigation. Audit Services sought detailed invoices, which served as a basis for payment of the claim via an open records request. That request was denied; the letter denying the request is attached as Exhibit 3.

Cincinnati Insurance, the County's equipment and machinery carrier, recently completed their cause and origin investigation. A letter to the County from Cincinnati Insurance dated October 31, 2014, included the following finding from their technical consultant's investigation of the fire:

In sum, Rimkus found that the incident was the result of a failure within the "B" phase capacitor that resulted in an explosion and fire that then spread to the remaining components of the system.

The 14 volt DC battery that was designed to supply the power to the Courthouse's main circuit breaker trip mechanism lacked the electrical potential necessary to open the circuit breaker at the time of the incident. The inability of the main circuit breaker to trip allowed the electrical arcing event to continue for several minutes,

Based on their investigation, Cincinnati Insurance believes the County's claim is outside of the coverage of their policy; however, they did pay the County \$800,000, which they will attempt to recover from the Fund.

lasting until the utility company's recloser locked out and de-energized the Courthouse switchgear.

It is the position of Cincinnati Insurance Company (CIC) that the subject loss and damage is not covered by the CIC Machinery & Equipment policy.

As a result of their findings, Cincinnati will proceed with the joint loss agreement arbitration with the Fund regarding their \$800,000 portion of the \$1.6 million in disputed costs.

In an email to County administrators regarding Cincinnati's findings, Corporation Counsel states that the preceding conclusion is Cincinnati's opinion, and not necessarily accurate or conclusive. The other parties involved in investigating the cause of the Courthouse fire are not in complete agreement over what caused the fire.

Given the size of this loss, and the possibility that the cause may provide insight on County procedures, it behooves Milwaukee County officials to stay abreast of cause and origin proceedings. Therefore, we recommend:

- 1. The final cause and origin report(s), if any, be obtained and shared with appropriate County officials, including the County Executive and County Board of Supervisors so the County can address any further action that may be needed.*

Section 2: Multiple factors contributed to the elapsed time between when the first alarm notification appeared on the monitoring system and when the fire department was called on July 6, 2013.

Based on our review of a number of records, including reports from Honeywell (Honeywell maintains the Courthouse Complex alarm system, which hereafter will be referred to as the “Honeywell System”), the Milwaukee Fire Department, the Office of the Sheriff, and interviews with multiple individuals present on the day of the fire, Audit Services compiled the following timeline of events for July 6, 2013. The times listed are approximate, as individuals were interviewed months after the event, and because the various reports used to reference time were not synchronized to a single clock. To the best of our knowledge, the following represents an accurate depiction of the events leading up to and following the Courthouse fire.

Timeline of Events – July 6, 2013

- 11:45 a.m.** After responding to maintenance calls in the CJF, the Facilities Management worker on duty goes out to the Annex parking lot to pull weeds.
- 12:00 p.m.** The Director of the Department of Family Care arrives at the Courthouse, entering through the 9th Street tunnel, uses her keycard to access the building, and takes the elevator to her office on the third floor. She later reports not smelling smoke at the time.
- 12:06 p.m.** In the Safety Building, a full power failure/blackout occurs in Emergency Communications (E911).
Jail Master Control experiences a power outage. Radio, communications and computers go down.
- 12:07 p.m.** Two alarms appear on the Honeywell alarm system. The first notification says, *Monitor Alarm on CH/SB Fire System Check Panel in G1*. The second alarm indicates that the emergency generator in the Safety Building, ground floor north, is activated.
Still experiencing a blackout, E911 manually switches Milwaukee County 911 calls to Waukesha County communications, and radios the Waukesha County Sheriff’s Office to inform them of the switch. Waukesha County

- communications takes their first forwarded call from Milwaukee County E911 seconds later.
- 12:08 p.m.** Two alarms appear on the Honeywell alarm system. The first indicates that the emergency generator for the Courthouse is activated. The second notification indicates that the Liebert (cooling) unit in the CJF is down.
- 12:13 p.m.** The first smoke alarm on the Honeywell system is activated in the Courthouse basement west transformer room.
Jail Master Control receives contact from Housing Unit 6B reporting the smell of gas in the unit.
- 12:14 p.m.** Working under the assumption that a breaker blew, staff in E911 radio the Milwaukee Police Department (MPD) District 1 station to see if they are also experiencing a power outage. MPD responded that they did not lose power.
- 12:15 p.m.** A Deputy Sheriff working in the jail visiting area asks a correctional officer (CO) to investigate the smell of diesel fuel reported in the jail records area. The CO investigates on foot, starting with the jail loading dock.
E911 staff radio CJF to see if they lost power. They're told power had gone down temporarily, but had come back up.
- 12:17 p.m.** E911 staff radio Facilities Management shift person on duty to report power outage in the Safety Building.
- 12:19 p.m.** The second smoke alarm is activated on the Honeywell system, in the Courthouse basement generator room (Room B-45).
E911 second shift dispatchers are contacted and told to report to work at Waukesha County emergency communications.
- 12:23 p.m.** Jail Master Control experiences a second power outage. Radio, communications and computers go down.
- 12:24 p.m.** Three alarms appear on the Honeywell system. The first indicates the Liebert (cooling) Unit for Master Control went down. The second shows that the uninterrupted power supply (UPS) for Master Control has been activated, and the third indicates a loss of power in "power line B" in the CJF.
- 12:26 p.m.** Two alarms appear on the Honeywell system. The first notification reads "Courthouse Security Locksmith Shop B1." According to Honeywell, this is a motion sensor, indicating that someone likely entered the room. Both a Correctional Officer and Facilities Management employee reported going to the basement to inspect what was going on so either or both could have tripped the sensor.
The second alarm is a smoke alarm in the Courthouse south electrical closet.
Master Control receives a radio transmission reporting a fire in the Courthouse mechanical area.

- 12:29 p.m.** The Master Control activity log shows a receipt of radio transmission to contact the Milwaukee Fire Department (MFD) about a fire in the Courthouse.
MFD incident report shows MFD receiving a call indicating there is a fire at the Courthouse.
- 12:30 p.m.** E911 staff call MFD's emergency phone line from a personal cell phone to report the Courthouse fire.
E911 staff call the Sergeant on duty to assemble Sheriff's squads for traffic control around the exterior of the Courthouse.
MFD dispatches responders to the incident at the Courthouse.
- 12:31 p.m.** The first set of MFD responders acknowledge the call to the Courthouse and proceed to the incident.
The Honeywell alarm system shows an alarm for smoke in the Courthouse fourth floor south electrical closet. Hereafter, new smoke alarm notifications for new areas of the Courthouse go off every couple of minutes until 2:32 p.m.
- 12:33 p.m.** MFD arrives on the scene, according to Jail Master Control.
- 12:34 p.m.** The first MFD unit arrives at the scene of the fire at the Courthouse, according to MFD's incident report.
- 12:54 p.m.** The evacuation of all civilian staff from the CJF is complete.
- 1:00 p.m.** Sheriff's dispatch contacts the Emergency Management duty officer on call to report the Courthouse fire, and the loss of communications equipment and power to the Safety Building and Courthouse. Dispatch requests assistance with: notifications, water, flashlights, generators, and breathing masks.
- 1:06 p.m.** An alarm notification appears on the Honeywell system saying, "South Pri Elev Recall." According to Honeywell, in the event of a fire, the system automatically grounds elevators at the closest floor to the exit, without fire. This notification likely means the elevators were grounded at level G since the fire was in the basement.
- 2:12 p.m.** MFD deems the fire to be "under control."
- 2:32 p.m.** An alarm notification saying, "CH 8th Flr North Freight elevator Lobby Smoke Detector," appears on the Honeywell system report. This is the last alarm notification listed on the Honeywell system for July 6, 2013. According to Honeywell, the system's server went down after this notification.
- 3:20 p.m.** Two MFD units remain on the scene of the fire ventilating the Courthouse.
- 4:06 p.m.** MFD clears the scene of the Courthouse fire incident.

When the Courthouse fire broke out on July 6, 2013, the Courthouse alarm system functioned as planned.

The Milwaukee County Courthouse Complex utilizes an alarm system, maintained by Honeywell, to monitor smoke, heat, and “dry” systems, including sprinklers or other chemical fire suppressants. The fire suppression systems were not installed by Honeywell, but the Honeywell system monitors their activation. The system does not have a mechanism set up to directly notify the fire department.

When an alarm is tripped, an alarm notice comes up on many system screens housed throughout the complex, including: G-1 (mainly for the HVAC system), B-48 (mainly for the computer system server), the shift room in 8B, and the loading dock and command center at the CJF (also known as “Master Control”). The primary and only 24/7 monitor site is Emergency Communications/911 located in the Safety Building.

There is a three minute delay built into the Courthouse alarm system before audible alarms are sounded.

There is a three minute delay (formerly a seven minute delay) built into the system before the alarms/strobes go off, which was implemented several years back when the complex experienced multiple false alarms. So, while an alarm notification will appear on the monitoring screen as soon as it’s triggered, an audible alarm, such as a smoke alarm, will not sound until three minutes later. According to the Interim Director of Facilities Management, radio communication commences as soon as an alarm notification appears so that Facilities Management staff can investigate the cause of the alarm to discern whether an alarm was tripped by accident. In the past, maintenance work has led to the unintentional setting off of alarms. When the 3-minute delay closes, dispatch notifies emergency responders, and the building is fully evacuated.

Audit Services reviewed the Honeywell system report for July 6, 2013. The record printed from that day indicates that the alarm

system operated as planned. The monitoring system did, however, shut down shortly after 2:30 p.m. that day when the server supporting the system went down. According to the Honeywell representative we interviewed, following the shut down the alarms still sounded, but the computer monitoring program was no longer available.

The elapsed time between when the first fire alarm notification went off and when the fire department was called was the result of a number of factors, including: a near vacant Courthouse, the loss of power throughout the complex, and the time it took for jail staff to visually identify the source of the smoke smell on foot.

A July 12, 2013, story in the *Milwaukee Journal Sentinel* indicated that the Courthouse fire alarm may have sounded 30 minutes before a call to 911 was placed. As the timeline indicates, the first alarm notifications appeared at 12:07 p.m. on July 6, 2013. Neither alarm was a smoke alarm; the first smoke detector didn't go off until 12:13 p.m., and according to Honeywell, horns and strobes would have first sounded at 12:16 p.m. (or three minutes after the first smoke detector activated). According to the Milwaukee Fire Department (MFD), they received the call indicating there was a fire at the Courthouse at 12:29 p.m. meaning 13 minutes passed between the first audible alarm notification and the call to MFD.

Thirteen minutes passed between when the first audible alarm sounded and the call to the fire department.

As part of our work, we interviewed several individuals working at the Courthouse Complex on the day of the fire. Their accounts provide narrative on the events that transpired on Saturday, July 6, 2013, and are summarized below.

Family Care Staff

The Director of the Department of Family Care (DFC) arrived at the Courthouse around noon on Saturday, July 6, 2013. She used the 9th Street tunnel into the Courthouse, using her keycard to gain entry, and took the elevator to her third floor office. The DFC

The Facilities Management worker on duty was working outside at the time of the fire.

Director walked into the office of a colleague who had already arrived at work, and almost immediately the power went out. She placed a call to the Facilities Management Shift Supervisor on duty to report the outage, and was told to wait for a call back. A short time later, the smoke alarms went off, and both individuals working decided to evacuate using the central staircase to 10th Street. Upon exiting, the DFC Director did notice some smoke, though not an overwhelming amount. They ran into MFD, who had gathered on 10th Street, on their way out.

Facilities Management Worker on Duty

On the day of the fire, there was one Facilities Management worker on duty, as well as supervisors on-call and reachable off-site. The Facilities Management worker on duty was called to the jail to respond to a couple of routine incidents on the morning of July 6, 2013, and from there went to work in the annex parking lot across 10th Street.

At about 12:15 p.m., he received a radio communication from his supervisor directing him to check out the reported power outage in room 307B. When he tried to exit the annex lot, his keycard would not work so he went down to the manual exit. Upon crossing the street, he noticed smoke coming from the Courthouse. The Facilities Worker was not able to enter the Courthouse on 10th Street, again, because his keycard would not work. An officer from the Sheriff's office let him in, and the Facilities Worker went downstairs with the officer to investigate. He heard pounding and felt the floor vibrating so he exited the basement. He attempted to use his phone, which didn't work, to call 911.

Office of the Sheriff Personnel

A Correctional Officer (CO) from the Office of the Sheriff was on duty assigned to Intake Court when the power flickered. Intake Court staff were having issues getting computers back up following the outage, and decided to recess. Upon entering the

CJF, a Deputy Sheriff asked the CO to investigate the diesel smell, which had been reported. The CO looked out at the loading dock, but didn't see a truck idling or any other reason for the diesel smell (the activation of the diesel generator was later determined to be the likely cause of the diesel smell).

A Correctional Officer investigated the cause of the alarms on foot.

The CO proceeded through the tunnel towards the Courthouse and saw lights and strobes going off. As he continued, he could smell smoke and saw a layer of smoke in the basement electrical room. He radioed Jail Master Control to report the smoke, and continued into the room thinking the Facility Management worker on duty might be in there. He called to see if anyone was in the room, and found that the facilities worker was actually in the hallway. Neither knew what was going on. The facility worker left to call his boss, while the CO continued into the room, found the source of the fire, and called Master Control again. Additional officers from the Office of the Sheriff arrived on the scene, and they secured the doors to prevent the spread of fire.

The County's only 24/7 alarm notification monitoring center for the Courthouse Complex is located in Emergency 911, which experienced a total blackout at 12:06 p.m. on July 6, 2013. Master Control, which monitors alarms primarily for CJF, also experienced power outages that afternoon.

E911 houses the Courthouse's only 24/7 alarm monitoring center.

One of the most significant factors delaying immediate response to the Courthouse fire alarm notifications was the complete blackout of the Courthouse Complex's only 24/7 alarm notification monitoring center, located in Emergency Communications/Dispatch (E911).

During normal operating hours, it's likely that a number of staff members would have ready access to one of the alarm notification monitors. However, as mentioned above, the primary and only 24/7 alarm notification center is housed in Emergency Communications (E911). After business hours and on weekends, E911 monitors all alarm notifications.

Upon hearing of the fire, E911 staff called the fire department.

An E911 Communications dispatcher on duty on the day of the fire reported that E911 experienced a total system blackout at approximately 12:06 p.m. on Saturday, July 6, 2013. Power was lost, phone communication was also lost, and the E911 computer system shut down and did not reboot. E911 staff immediately transferred incoming 911 calls to Waukesha County.

Working under the assumption that a breaker had blown, E911 staff utilized radio communication to alert supervisors of the outage and to check to see if other local entities, including neighboring District One Police Headquarters and Jail Master Control were also experiencing outages. Upon learning of the fire, E911 staff called MFD's emergency number to report the fire and request assistance.

The E911 staffer interviewed reported that although he may call Facilities Management first to follow up on an alarm notification during normal business hours, on a weekend, had he seen a smoke detector activate he would have contacted MFD immediately.

The only other alarm notification center staffed during non-business hours is located in Master Control in the jail. However, according to the Honeywell System representative we interviewed, Master Control only gets alarm notifications for the CJF—and not for the rest of the complex. Our interviews with Master Control staff on duty at the time of the fire indicated that they can see at least some alarm notifications for the rest of the complex, but would respond by contacting Facilities Management staff on duty.

Individuals working in Master Control during the fire also reported experiencing power outages of their own, the first taking place at

**Jail Master Control
also experienced
power outages on
July 6, 2013.**

12:06 p.m. Computers, communications, and the main radio system went down and Master Control was in the dark for a few minutes. According to their log, Master Control experienced a second outage at 12:23 p.m. When the system rebooted, a Correctional Officer stationed at Master Control reported that the Honeywell system had approximately 20 alarms, which he had to acknowledge to keep the building from going into full alarm.

Aside from the power outage, additional factors affected Master Control's communication on the day of the fire. According to staff reports, the hand-held back-up radio system used while the main system was down does not get full reception in Master Control, requiring staff to move to certain parts of the room or leave the area completely to communicate. Further, Master Control was in the middle of a computer system upgrade, which resulted in having to update and check both the new system and the old "legacy" computers, causing procedures to be less streamlined than normal.

According to the E911 Communications dispatcher we spoke to, the County does contract with a firm to monitor the County's alarm system as a back-up. If that firm sees an alarm notification, they place a call to E911. The E911 dispatcher stated Stanley Security likely did try calling dispatch on the day of the Courthouse fire, but since the phone system went down with the power, no calls were received. We reached out to Facilities Management to follow-up on Stanley Security's role in the County's alarm monitoring system (and to request said contract), but the individual we spoke to responded that he did not recall any contract with Stanley Security.

Since having only one 24/7 alarm monitoring site for the complex, housed within the complex, put the County in a vulnerable position, we recommend that the Department of Administrative Services:

2. *Work with appropriate parties to institute back-up alarm monitoring procedures and protocols so that County facilities aren't dependent on one monitoring site.*
3. *Explore the possibility of relocating Emergency 911 Communications to a more secure location.*

In response to our survey of Departments regarding the Courthouse fire, the District Attorney's (DA) office included a number of suggestions to enhance overall emergency responsiveness and fire safety at the Courthouse Complex. Among the DA's suggestions were enhanced communication via public service announcements, clearly marked and freely accessible exits, widely installed smoke detectors, clear signage, and regular emergency drills.

Other local large public buildings' emergency systems feature automatic calls to the fire department, third party monitoring and the immediate sounding of alarms.

We surveyed other local public institutions regarding their monitoring, investigating and reporting of fire emergencies. While the systems shared many of the same characteristics of Milwaukee County's they also featured third party monitoring, automated calls to the fire department, and the immediate sounding of audible alarms.

Given the magnitude of this event, we recommend that:

4. *The Department of Administrative Services examine the Courthouse Complex's current fire alarm system and associated fire response protocols to ensure the County is properly positioned to respond to future fire incidents.*

Once called, MFD responded within minutes, but the Courthouse fire proved to be difficult to control. Once extinguished, MFD returned control of the site back to County officials and WE Energies.

Multiple individuals interviewed reported calling either 911 or MFD directly. A staff member from E911 said he called the MFD emergency number from a cell phone around 12:30 p.m., and believes he was the first to reach MFD to report the fire. MFD's

The fire department responded promptly, but experienced challenges in controlling the fire.

incident report shows that the call was taken at 12:29 p.m. It's not clear on the incident report where the call originated from, and the Deputy Fire Chief we interviewed said that MFD often doesn't know the origin of the calls given the multiple transfers which may occur prior to receipt of 911 calls. Unfortunately, MFD disposes of phone recordings after 120 days so we were not able to obtain a copy of the tape to verify the speaker.

That said, records indicate that once notified, MFD responded promptly and was on the scene of the fire in minutes. They faced a challenging situation with the fire occurring in a closed basement room with so much electricity coming in. Their incident report indicates that water failed to extinguish the fire; dry chemicals extinguishers were not working so CO2 was used. MFD was concerned about the generators, and worked with county facility officials to ensure the power was off. Once the fire was out, the CO levels were high, and the room was so tight that there wasn't any ventilation. MFD used fans to try to set up an air exchange—blowing clean air in and sucking bad air out.

MFD turned the scene over to the County (Facilities Management) and WE Energies, who had also arrived on the scene, since they both had electrical cabinets in the basement. A representative from WE Energies called MFD a short while later with concern over the CO levels, and MFD returned to test the air, and run fans until they determined the air was clear.

Section 3: Milwaukee County was not immediately prepared to resume operations following the Courthouse fire; planning currently underway puts the County in a better position for future incidents, though information technology is still a vulnerability.

As a result of Milwaukee County’s lack of an up-to-date and widely disseminated continuity of operations plan, relocation and business continuity following the fire were ad hoc and left departments scrambling for access to resources and space.

The United States Department of Homeland Security, Federal Emergency Management Agency (FEMA) recommends that communities engage in continuity of operations planning (COOP) before the onset of an emergency so that emergency response can be swift and organized. To assist both governmental and non-governmental entities with continuity planning, FEMA makes planning guidelines and resources readily available. While emergency planning is often associated with large-scale community disasters, FEMA’s Continuity of Operations brochure notes:

The plan could be activated in response to a wide range of events or situations—from a fire in the building; to a natural disaster; to the threat or occurrence of a terrorist attack. Any event that makes it impossible for employees to work in their regular facility could result in the activation of the Continuity plan.

Milwaukee County developed a continuity of operations plan in 2004, but the plan lacked clear direction and was not widely known or disseminated.

Milwaukee County spearheaded an effort to develop a continuity of operations plan for the County in 2004. At the time of the Courthouse fire, Emergency Management was at work on a more comprehensive plan, which included an updated COOP framework. However, since the revamped plan was still being drafted, the 2004 plan was technically in place at the time of the Courthouse fire. Unfortunately, the 2004 plan lacked clear direction and was not widely known or disseminated, leaving County officials without a detailed roadmap for how to proceed

through a large-scale recovery. Proper planning would have helped the county prioritize its scarce resources following the fire. Instead, departments were scrambling for space and supplies.

Among the elements of viable continuity capability FEMA lists, are the establishment of essential functions and continuity facilities. While the 2004 plan does list the “order of succession” for the County overall and for its departments, it does not distinguish between essential services and employees and secondary services and non-essential employees. Even in the best planned circumstances, County departments may not be able to be fully staffed and operational at an off-site location, and ideally would first focus on resuming essential functions.

Further, while the 2004 plan cites in its purpose *providing essential functions to customers from a different location due to the primary facility becoming unusable for long or short periods of time*, the 2004 plan did not take into consideration geographic disparity. The primary site for the “Emergency Operations Center” (EOC) or headquarters for emergency response and recovery operations was to be housed in the Safety Building (the Sheriff’s Training Academy in Franklin is listed as an alternative facility). In the immediate aftermath of the Courthouse fire, the adjacent Safety Building was also without power and thus unsuitable for emergency operations.

For the most part, the 2004 plan lists the EOC as the primary space for relocated departmental operations. However, the following statement is listed under most departments’ plans under alternative facility:

the department will operate in the alternate facility decided upon by emergency management; their immediate needs are already incorporated into the Alternate EOC plan. Each department will work with the County Executive to request the longer-term specialized resources needed to return to full function.

As a result, under the 2004 plan, departments did not have pre-determined relocation facilities to use when the fire broke out.

Milwaukee County administrators stated there was no emergency plan in place at the time of the fire.

High level administrators we interviewed as part of our audit work commented that there was no plan in place at the time of the fire. Regardless of the 2004 plan's shortcomings, the greatest flaw associated with the plan was the lack of communication, testing, and updating, which surrounded it. According to FEMA, regular testing serves a number of purposes, including familiarizing personnel with their roles and responsibilities; assessing, validating, and correcting components of the plan; and ensures equipment and procedures are kept up-to-date facilitating constant readiness.

Despite the lack of pre-planning, Milwaukee County leadership was able to relocate most services within a few days, and gradually reopen the Courthouse in a little over a week.

As mentioned in Section 2, once clear, the Milwaukee Fire Department turned the scene over to Milwaukee County Facilities Management Division and WE Energies. According to interviews with Milwaukee County officials and public testimony, as word of the Courthouse fire spread, several Milwaukee County officials arrived at the Courthouse; others worked remotely to organize recovery efforts. WE Energies worked to restore full power to the jail, and staff from the Office of the Sheriff provided Courthouse perimeter security.

Universal Restoration was contacted on July 6, 2013 by an official in Risk Management.

An official in the County Division of Risk Management contacted Universal Restoration, a firm specializing in property restoration following emergencies, on the day of the fire to see if the firm could assist the County with restoration efforts. Following a walk through late in the evening of the fire, the firm, and its subcontractors, began restoration work on Sunday, July 7, 2013. That same Sunday morning, a group of County officials representing various

departments coalesced at a Pancake House on the East Side of Milwaukee to discuss next steps. In testimony before the County Board, the administration stated that this mobilization of key stakeholders was the first official meeting of what would become the “continuity task force.” The Continuity Task Force met on a daily basis thereafter, first at City Campus, and then at the Courthouse.

Several Milwaukee County officials assisted with relocation efforts.

Several key Milwaukee County officials stepped up to assist with relocation efforts. The Information Management Systems Division (IMSD) made available computers stored for future projects, and also obtained 100 cell phones from the County’s carrier and air cards for internet connection. IMSD staff was deployed to help set up computers and phone lines for relocated staff.

The Milwaukee County Department of Health and Human Services (DHHS) was able to identify approximately 120 workspaces at both the Marcia P. Coggs Center and their buildings on the County Grounds. The workspaces were primarily in computer training rooms so phone access was an issue (there was usually one land line per room and since most were housed in the basement, cell phone reception was also unreliable). Ultimately the DHHS official we spoke to estimated that only about 20% of offered space was utilized.

The Department of Family Care eventually relocated to vacant space made available by a vendor and leased laptops, a copy machine, and fax machine in order to fully resume operations off-site.

The majority of departments responding to our survey said they were impressed by how quickly Courthouse operations resumed after the fire.

As part of our audit work, we sent a questionnaire to departments housed in the Courthouse in order to gauge how the fire affected their operations. One of the questions posed asked respondents whether there were any noteworthy successes or failures in County operations/emergency preparedness revealed by the incident. A majority of the responding departments said they were impressed by how quickly Courthouse operations were resumed following such a catastrophic event and mentioned that the incident brought out the best in County staff who collaborated to achieve needed results. That said, departments also mentioned the need for improved crisis communication and the need to have updated continuity plans in place.

County administrators involved in early Courthouse recovery efforts we interviewed also mentioned the lack of active participation and direction provided by the Division of Emergency Management. Records provided by officials within Emergency Management do indicate that some contact was made, but interviews with all parties indicated confusion over roles and responsibilities following the fire.

In our April 2013 audit, *Key Concepts for Evaluating Options for Delivery of Services Provided by the Milwaukee County Office of the Sheriff*, we laid out the history of the Emergency Management Department, which was transferred from the County Executive to the Sheriff as part of the 1998 Adopted Budget *to enhance cooperative efforts and to create new synergies in the delivery of Emergency Management services*. An ordinance change (s. 99.02 of the Milwaukee County Ordinances) was effectuated, thereafter, stating that *the county executive shall hereby designate the sheriff as the county emergency management director*. However, as we noted, the ordinance change is not in compliance with State Statute 323.14(1)(a)2, which states that *In counties having a county executive under s. 59.17, the county*

board shall designate the county executive or confirm his or her appointee as county head of emergency management.

Our recommendations to amend the ordinance language to comply with the State Statute and for the County Executive to designate the Milwaukee County Sheriff as director of emergency management, subject to confirmation by the Board were never addressed.

Proposals to return Emergency Management functions to the County Executive's purview have been included in both the 2014 and 2015 Recommended Budgets; the policy change was ultimately adopted in the 2015 budget. We continue to recommend that the County's ordinance language should be in compliance with Wisconsin State law. Therefore, we recommend that:

5. *The Milwaukee County Board of Supervisors amend s. 99.02 of the General Ordinances of Milwaukee County to comply with §323.14(1)(a)2, Wis. Stats.*

The County Board adopted a new emergency management plan for the County in September 2013.

A positive takeaway of the Courthouse fire was the momentum it created behind efforts to overhaul the County's Continuity of Operations Plan. The Comprehensive Emergency Management Plan for Milwaukee County (File No. 13-687) was adopted by the County Board of Supervisors at their September 23, 2013, meeting. Annex V of the plan contains the County's updated COOP framework.

According to officials at the Division of Emergency Management, 65 business units within the County are participating in the COOP planning process, working on customizing their individual plans, all of which are based on FEMA guidelines. As part of their work, each department established essential functions so that in the future there are clear priorities on what is essential and what can wait. In addition, several alternative locations for resumption of

operations have been identified. Further, Emergency Management now keeps a vendor on retainer to bring necessary equipment to build an EOC in a time of need so that the County doesn't need to rely on its own facilities (though the Training Academy in Franklin is set-up to house an EOC if necessary). The project is ongoing, but should be complete sometime in 2015.

Training is needed to ensure emergency planning withstands leadership turnover.

While emergency planning momentum can be seen as a positive outcome, it's critical that the County's focus on continuity planning continues, and includes regular testing, training and exercise to ensure its livelihood extends well into the future and withstands leadership turnover. Therefore, we recommend that Emergency Management:

6. *Continue work on the Milwaukee County COOP, including regular exercises and training for both new and veteran employees.*
7. *Provide regular informational updates on the County's COOP so that County officials, employees, and the public are aware of the County's emergency plan.*

The fire left Milwaukee County on the verge of losing critical information systems infrastructure; in order to safeguard vital operations and protect itself in the future, Milwaukee County will need to prioritize significant information technology infrastructure changes.

In March, 2012, the Director of Audits sent a confidential memo to the County's new Chief Information Officer (CIO) regarding Milwaukee County Computer Center Security Concerns. Among the concerns the Director of Audits suggested that the new CIO be aware of was the security of the Courthouse computer network control center and the need for an alternative site for the County's redundant computer network control center. The report also suggested that IMSD test its County-wide data recovery capabilities and document a comprehensive Data Recovery Plan incorporating scheduled periodic and documented data recovery tests.

The County's IT systems were found to be in a volatile position immediately after the fire.

While the Courthouse computer center was not directly affected by fire damage, the County's information technology (IT) systems were subjected to high heat, and were found to be in a very vulnerable position following the fire. As stated in an April 17, 2014 memo to the County Board from the County's CIO (File No. 14-441): *Had the fire progressed to the point where IT facilities were involved, IT services to Milwaukee County would have been interrupted completely with full restoration likely taking weeks, if not months, to accomplish. Simply put, Milwaukee County nearly suffered a complete and sustained outage of all IT services.* The aforementioned description is consistent with interviews we conducted with IMSD team members called down to the Courthouse to assess the condition of the IT infrastructure following the fire.

According to FEMA, communications and technology constitute a key pillar of continuity program management. The FEMA circular in place at the time of the fire suggests that *communication systems and technology should be interoperable, robust, and reliable. Planners should consider the resilience of their systems to operate in disaster scenarios that may include power and other infrastructure problems.*

Some steps to secure the County's IT infrastructure were implemented in the aftermath of the fire.

- In our survey of Courthouse Complex departments, the District Attorney's Office (DA) mentioned their concern over the near loss of their server equipment, which was housed in the Safety Building, and subjected to high heat when power to cooling devices was lost. Noticing that email was offline, the DA's IT manager went down to the Courthouse Complex to check on the servers, and upon seeing the emergency situation, went back the day after the fire to relocate the servers. In the aftermath of the fire, the DA's office was able to work with IMSD and Facilities Management to relocate their servers to a more secure

location with improved access, climate and fire-controlled security.

- The April 2014 file submitted to the County Board, which was received and placed on file, suggested that IMSD believes the best strategy for Milwaukee County data centers is migration to a hosted managed services vendor. This move would relocate critical servers and storage hardware to a vendor's facility where they would be managed by said vendor.

In recent years, the County has also sought to pursue additional technology upgrades through capital budget appropriations. In order to ensure that the County is well positioned to avoid a major IT emergency, and resume operations following future emergency situations, it needs to continue to focus on the security of its IT infrastructure.

Milwaukee County encountered a few minor bumps in the aftermath of the fire, the most serious of which centered on departments' reported theft of procurement cards and checks.

As depicted in the attached comprehensive timeline of events, the return of operations at the Courthouse was gradual. Staff and visitors had to endure the closure of 10th Street and associated Courthouse entrances, staff who parked in the Annex parking lot were relocated to a farther lot, and Courthouse operations were conducted on temporary power, which restricted its use for nearly a year.

The Sheriff's office investigated incidents of theft and personal property following the fire.

Upon returning to the Courthouse, some theft and damage to employees' personal items left behind was reported. We followed up with the Office of the Sheriff (MCSO), who we were told all reports of theft were sent to, and learned that MCSO investigated seven incidents of theft. Overall, reported theft investigated by MCSO was largely centered on change, sunshine funds, and petty cash stolen from unlocked desks. According to the investigative reports, the various thefts were likely committed by members of temporary staffing agencies who were hired by contractors and

subcontractors working in the Courthouse in the aftermath of the fire. The temporary employees were brought into the Courthouse by multiple firms, from multiple staffing agencies, and often changed day-to-day. With over 700 potential suspects and no witnesses or video recordings to provide other leads, the investigations were concluded without arrest.

Following the fire, County checks were missing and a procurement card was used without authorization.

More concerning, we were also informed of separate incidents from departments involving the theft of County checks and the theft and attempted use of a County procurement card. According to MCSO, these incidents were not reported to MCSO and were therefore not part of their investigation. Ultimately, upon becoming aware of the theft, the checking account was closed and the procurement card was credited the losses. The department reporting the theft of check stock stated that they did inform the Sheriff's office of the theft. At the time they went missing, the checks were secured in a locked room; all check stock is now kept in a locked safe, within a locked room. While these incidents didn't result in losses for the County, they did expose a potential vulnerability.

Since 2011, Baker Tilly Virchow Krause, LLP, Milwaukee County's outside audit team contracted to perform the County's Comprehensive Annual Financial Report, has included a comment in their letter to management that while the County established and implemented standard purchase card policy County-wide, several departments' policies and procedures have deviated from the County's standard policy.

Milwaukee County's current Policy and Procedure Manual for Purchasing Card, which was revised in August of 2013, includes a section on card security, including directives that it's the cardholder's responsibility to safeguard the purchasing card and account information, and to immediately notify the bank if the card is lost or stolen.

In light of Baker Tilly's recommendation and the theft which occurred in the aftermath of the Courthouse fire, we recommend:

8. *The Department of Administrative Services enhance its procurement card policy and procedures manual to state that all procurement cards stored within County facilities be secured in locked cabinets and drawers at all times when not in use, and further, that all check stock also be secured.*

Section 4: Milwaukee County settled its Courthouse fire insurance claim for approximately \$19.1 million in July 2014; however, a complete breakdown of costs associated with the fire is pending completion of final work.

Milwaukee County settled the 2013 Courthouse fire insurance claim with its insurers for approximately \$19.1 million.

On July 30, 2014, the County's Director of the Department of Administrative Services (DAS) signed a sworn statement in proof of loss for the July 6, 2013 Courthouse electrical fire. In doing so, the County agreed that the full cost of repair or replacement was \$19,115,455, which less the County's \$500 deductible, amounts to an actual cash value settlement of \$19,114,955 (or approximately \$19.1 million).

Milwaukee County received the full \$19.1 million in Courthouse fire insurance proceeds from its insurers.

As of November 2014, the County had received the full \$19,114,955 in insurance proceeds (\$18,314,955 from the Local Government Property Insurance Fund and \$800,000 from Cincinnati Insurance Company).

Table 1, below, includes detail on the insurance proceeds received as of the issuance of this report.

**Table 1
Insurance Proceeds Received to Date: Courthouse Fire Claim**

<u>Date of Check</u>	<u>Insurer</u>	<u>Amount</u>
July 11, 2013	Local Government Property Insurance Fund	\$2,000,000
July 16, 2013	Local Government Property Insurance Fund	\$1,999,500
August 2, 2013	Local Government Property Insurance Fund	\$2,000,000
November 5, 2013	Local Government Property Insurance Fund	\$3,500,000
January 24, 2014	Local Government Property Insurance Fund	\$3,500,000
July 3, 2014	Local Government Property Insurance Fund	\$3,500,000
September 10, 2014	Cincinnati Insurance Company	\$800,000
September 12, 2014	Local Government Property Insurance Fund	\$800,000
November 4, 2014	Local Government Property Insurance Fund	\$1,015,455
Total:		\$19,114,955

Source: Checks received by Milwaukee County.

Courthouse fire restoration work is not yet completed.

While the County did agree with the negotiated settlement amount of approximately \$19.1 million in signing its Proof of Loss with the insurance companies, at the time of publication of this audit, final work on the project is still being completed. According to the DAS Director completion is anticipated by the end of the year. Once work is finished and final bills are received, the County plans to use the next 30 days to reconcile the last invoices. The DAS Director assured the Committee on Finance, Personnel and Audit at its September 2014 meeting that a not-to-exceed cost of the final work was agreed to prior to the settlement so the reconciliation of final invoices will ensure that the detail matches the settlement discussion.

To date, the County has paid approximately \$17 million of its insurance proceeds to vendors for Courthouse fire work. Additional categories of spending are also related to the Courthouse fire, but not covered by insurance.

We identified four categories of costs related to the Courthouse fire. A subtotal of each of those costs is laid out below, along with a brief description of what is included in each category. The section closes with a discussion of use of the MISC payroll code (used for paid off time due to the Courthouse fire) and future costs. Section 5 of this report includes a discussion of overall

observations regarding procedures and internal controls the Audit team encountered while working on this project.

Due to the pending status of the expenditures on the claim, final records detailing cost were not available to Audit Services. Therefore, the following is a point in time depiction of costs rather than a final total. Given the significance of the claim, Audit Services recommends that:

9. *The Department of Administrative Services provide the County Executive and County Board of Supervisors with a detailed final breakdown of the cost categories listed below once all payments associated with the Courthouse fire are made.*

Cost Category 1: Costs Included in the Insurance Claim

To date, Milwaukee County has paid approximately \$17.5 million of the insurance proceeds received as part of the fire claim.

We divided this category into two subcategories: payments made to outside vendors to perform work or provide commodities on the County's behalf and costs incurred directly by Milwaukee County. To date, the combined total of expenditures in this category is **\$17,492,013.**

- Audit Services has tabulated \$16,996,661 in checks paid as part of the Courthouse fire insurance claim. The bulk of the payments have been directed to the restoration firm serving as the project's general contractor (Universal Restoration). The second largest portion of payments went to a second firm, Kelmann Corporation, which also performed restoration work, particularly in the immediate weeks following the fire. Most costs were run through Universal Restoration; however, aside from Kelmann's costs, the County also issued checks to pay for the following costs directly: generator fuel charges to Lakeside Oil, and the charge from the Milwaukee Transit System for use of a bus as a cooling station while the Courthouse was without permanent power.

A breakdown of costs to outside vendors included in the claim are laid out in Table 2.

Table 2
Summary of Checks Paid: Courthouse Fire Claim

<u>Firm</u>	<u>Amount</u>
Universal Restoration	\$16,300,221
Kelmann Coporation	\$681,437
Lakeside Oil	\$8,133
Milwaukee Transport Services, Inc.	\$6,870
Subtotal	\$16,996,661

Source: Milwaukee County Accounts Payable Data.

- According to DAS' July 2014 report to the County Board Committee on Finance, Personnel and Audit, *Final reimbursements are expected to cover approximately \$550,000 of Milwaukee County expenses related to salaries, overtime, and incidentals.* At the suggestion of the DAS Director, we met with the County's Director of Risk Management to get a full breakdown of what's included in the \$550,000.

According to the County's Risk Manager, insurance covered direct expenditures for any supplies (such as cables and wiring) and overtime costs for employees from the Divisions of Information Management Services (IMSD) and Facilities Management who performed work directly related to the Courthouse fire recovery. Insurance also covered both straight-time and overtime costs for work performed on Courthouse fire activities by the Office of the Sheriff as well as flat expenses.

The breakdown of direct County costs accumulated to date is shown in Table 3.

Table 3
Breakdown of Direct County Expenses Covered by Insurance:
Courthouse Fire Claim

<u>Cost Description</u>	<u>Amount</u>
IMSD	\$76,060
Facilities Management	\$39,539
Office of the Sheriff	\$379,753
Subtotal	\$495,352

Source: Data provided by Risk Management, Department of Administrative Services and affected Milwaukee County Divisions.

The Director of Risk Management reported that the \$550,000 also includes a “cushion” of \$20,000-\$25,000 to cover any additional County losses not identified at the time of the settlement.

Cost Category 2: Courthouse Infrastructure Improvement Relating to Courthouse Fire Account (\$2 million allocated)

During the September 2013 County Board cycle, the Office of the Comptroller brought forward File No. 13-708, a reimbursement resolution, expressing the County’s intent to reimburse itself for expenditures associated with infrastructure repair to the Courthouse Complex incurred prior to the next bond issuance. The resolution also created a capital project: Courthouse Infrastructure Improvement Relating to Courthouse Fire.

This project account was sought as an alternative financing option for any expenditures the County believed to be related to the Courthouse fire, but that are not reimbursable by the County’s property insurance policies. All costs charged to this account must be eligible for bond financing.

The County Board authorized \$100,000 in capital funds to pay for a generator not covered by the insurance claim.

According to the County’s Capital Finance Manager, to date none of the \$2 million set-aside was utilized. However, \$100,000 in other Capital Funds was authorized for use for purposes related to the fire in September 2014.

In his briefing before the County Board Committee on Finance, Personnel and Audit on September 18, 2014, the DAS Director reported that replacement of the Safety Building generator would likely not be covered by insurance. The County believed it to be indirectly damaged because of the fire, but insurance disagreed. A subsequent file (File No. 14-701) was presented later in that meeting, to reallocate approximately \$1.6 million of Unspent Bond Proceeds. The County’s Capital Finance Manager and DAS recommended that \$100,000 of the identified proceeds be reallocated to pay for the Safety Building emergency generator

(capital project WC11401). The following excerpt describing the background of the generator is included in the report attached to the file:

...during discussions with the Department of Administrative Services – Facilities Management Division, it was noted that the Safety Building needed \$100,000 for the replacement of the emergency generator. The Safety Building Emergency Generator was activated during the July 2013 Courthouse fire power loss. The emergency backup generator is designed to bridge a temporary power loss, not an indefinite prolonged outage. Due to the extended power loss the generator ran continuously until the motor blew a piston. Currently, the portion of the Safety Building that would normally receive service from the damaged generator is being backed up by a temporary generator located on 9th Street. The current generator will need to be replaced since it is undersized and repair parts are not available.

This project funding reallocation was passed by the County Board as part of File No. 14-701 on September 25, 2014. According to the Director of Risk Management, a claim for the replacement of the generator was filed with Cincinnati Insurance (the County's machinery and equipment carrier). Cincinnati agreed to cover \$27,000 of the generator's cost. After accounting for the \$10,000 deductible, the County netted \$17,000 in reimbursement from Cincinnati for the generator.

Cost Category 3: Capital Project WC10001 Courthouse Major Maintenance Improvements (\$200,000 allocated)

About three-fourths of the \$200,000 set aside for major maintenance improvements discovered after the fire has been used.

During the September 2013 County Board Cycle, the Office of the Comptroller also sought a \$200,000 fund transfer from the Appropriation for Contingencies account to establish funding for Capital Project WC10001 Courthouse Major Maintenance Improvements. The funding was sought to cover work discovered while completing Courthouse fire work. According to the fund transfer, *these improvements are not related to the fire, and are not covered by insurance proceeds.* The basic premise was to have funding available to make additional repairs while, for example, walls were already open for fire-related repairs. The

County Board approved this fund transfer at their September 26, 2013 meeting (File No. 13-709). **\$149,899** of the \$200,000 was utilized, as depicted in the Table 4.

<u>Project Description</u>	<u>Amount</u>
Emergency Repair of Safety Building Wall Suspension (Code 10 Garage)	\$20,150
Emergency Repair of Courthouse Wall Suspension (Basement East Wall)	\$31,951
Replacement of two "wing" coils in Criminal Justice Facility (Heating & Ventilating)	\$97,798
Total	\$149,899

Source: Milwaukee County Financial Records (Advantage).

Cost Category 4: Non-insured Costs Related to the Fire

This category includes non-maintenance costs which are related to the fire, but which were not reimbursed by insurance. The costs included in this category are fees associated with the fire investigator hired by Milwaukee County and lease costs incurred by the Department of Family Care while the Courthouse was closed. Our records indicate that **\$74,094** of costs fall into this category of spending. The costs are detailed below.

- *Fire Investigation Costs:*
At the October 23, 2013 meeting of the County Board Committee on Transportation, Public Works and Transit, DAS first reported that the County had retained a cause and origin expert to observe and monitor the cause and origin investigation for the County. The individual hired was paid a total of \$56,045 over four installments for his services. The last check sent to the investigator was dated April 15, 2014. Because this individual was working on behalf of the County's interest, his charges were deemed to be outside of the insurance claim. The same individual's firm was later used to store equipment for the cause and origin investigation off-site; those charges are covered

The County paid approximately \$56,000 to date to retain its fire investigation expert.

directly by the County's insurers, and are not included in the County's Courthouse fire claim.

- *Family Care Relocation Costs:*
The Department of Family Care (DFC) spent a total of \$18,049 (\$4,807 to lease space and \$13,242 to lease computer, fax, and copier equipment) to relocate the Department's office operations in the wake of the fire. According to DFC, while they were offered space in the Behavioral Health Facility and the Coggs Center, where they did work for about a day and a half, a longer-term stay at either facility would require the staff to split up. Given the way their operation works, and the obligation in their State contract that the Department remains open, they chose to relocate off-site, and absorbed the extra costs in their budget. Both DAS officials and DFC staff report that DFC was told those charges would not be covered by insurance.

Use of MISC Payroll Time Code:

As stated in the Background section of this report, in the initial communication to employees regarding the Courthouse fire, the County Executive announced the closure of the Courthouse and Safety Building, and employees were told not to report to work Monday and Tuesday July 8th and 9th. The communication stated that employees would be paid for this time. On July 9, 2013, the Comptroller sent an email proposing the use of the Snow Day policy for July 8th and 9th, which utilizes the MISC payroll code, for employees who could not report to work due to the fire. The email stated that should the closure be extended, usage of the MISC code for nonessential staff could also be extended.

The Safety Building reopened Wednesday, July 10th, but the Courthouse remained closed throughout the remainder of the week. The Courthouse partially reopened on Monday, July 15, and fully reopened on Wednesday, July 24. The MISC code was used by staff from nearly all Courthouse Complex departments to some extent during 2013 pay periods 16 and 17, though the amount of time used varied significantly. Each department's MISC personnel costs are charged to their budgets. According to the

Employees used a total of 18,840 hours of miscellaneous time related to the Courthouse fire; the amount of time used varied by department and was absorbed into each department's budget.

County's current Director of Risk Management, the County's property insurance policy does not cover this time because it falls outside of the policy's provisions regarding "extra expense" since it's not above and beyond what the County would have paid had operations not been suspended due to the fire.

Ultimately, use of MISC time related to the Courthouse fire resulted in a total of 18,840 hours and \$439,250.17 in charges, including the percentage of FICA taxes, which the County is required to pay. Table 5 shows usage by department for this time period.

**Table 5
Use of Miscellaneous Time During the Courthouse Fire**

<u>Department</u>	<u>Time (Hours)</u>	<u>Cost</u>	<u>FICA Tax at 7.65%</u>	<u>Total Cost</u>
Administrative Services	781.5	\$20,452.57	\$1,564.62	\$22,017.19
Child Support	6,378.5	\$132,236.30	\$10,116.08	\$142,352.38
Comptroller	247.5	\$5,890.89	\$450.65	\$6,341.54
Corporation Counsel	674.2	\$22,439.38	\$1,716.61	\$24,155.99
County Board	668.0	\$11,483.88	\$878.52	\$12,362.40
County Clerk	142.0	\$2,540.77	\$194.37	\$2,735.14
Courts	6,311.6	\$137,930.92	\$10,551.72	\$148,482.64
District Attorney	709.4	\$13,783.71	\$1,054.45	\$14,838.16
Election Commission	257.2	\$5,897.97	\$451.19	\$6,349.16
Family Care	308.5	\$7,017.37	\$536.83	\$7,554.20
Human Resources	808.4	\$20,361.56	\$1,557.66	\$21,919.22
Personnel Review Board	36.0	\$700.85	\$53.62	\$754.47
Register of Deeds	1,175.2	\$20,385.80	\$1,559.51	\$21,945.31
Sheriff	262.0	\$5,346.33	\$408.99	\$5,755.32
Treasurer	80.0	\$1,567.16	\$119.89	\$1,687.05
Total	18,840.0	\$408,035.46	\$31,214.71	\$439,250.17

Source: Milwaukee County Payroll data.

Future Costs

The County's property insurance policy will be restructured at a greater cost to the County in 2015.

While largely remaining status quo in 2014, Milwaukee County's property insurance through the Local Government Property Insurance Fund ("the Fund") will be restructured in 2015, resulting

in increased costs for the County. Anticipated changes are detailed in Table 6.

<u>Category</u>	<u>Cost in 2013</u>	<u>Anticipated* Cost for 2015</u>
Premium	\$571,202	\$1,600,000
Aggregate Deductible	\$150,000	\$1,500,000
Deductible Charged After Aggregate is Met	\$500 per Incident	\$5,000 per Incident

* At the time of publication of this report, Milwaukee County had not yet received the written 2015 property insurance policy.

Source: Milwaukee County Division of Risk Management.

Aside from the more than \$1 million premium increase, it's difficult to quantify the precise dollar affect the insurance cost restructuring will have on the County going forward. According to testimony before the County Board Committee on Finance, Personnel and Audit, the Director of Risk Management reported that in 2013, the County had slightly over 360 property claims, many of which were due to graffiti or minor loss of property. The increased deductible will likely change the way the County uses its policy, whereby many of the smaller claims may not be submitted under the new model.

Both officials in DAS and with the Fund state that the policy changes are not solely due to the County's fire loss, and instead result from the Fund's attempt to modernize its structure in order to be more financially sustainable. The financial state of the Fund is discussed in greater detail below.

Milwaukee County's property insurer was in a tenuous financial state prior to the courthouse fire.

The future costs to the County associated with the restructuring of the price structure of the County's property insurance policy are

laid out above. We met with the County's insurer, the Fund, prior to the release of these changes. However, Fund officials did alert us that changes would be forthcoming in order to make the Fund more sustainable following a series of major losses, which included, but was not limited to the Milwaukee County Courthouse fire.

A 2012 State Legislative Audit describes the dramatic decrease in the Local Government Property Insurance Fund's surplus from 2007-2011.

In April 2012, the State Legislative Audit Bureau issued Report 12-7 on the Local Government Property Insurance Fund. The audit laid out how the Fund operates: in general, the premiums paid by participating local governments (which are based on the value of their insured property) are expected to be sufficient to pay policy holder claims over the long term. In the event that premiums and investment earnings exceed claims, the Fund accumulates a surplus. In turn, the surplus can be tapped when claims exceed premiums and investment earnings.

In reviewing the Fund's financial status, the audit noted the decline in the Fund's surplus from \$40 million to \$20.5 million from June 30, 2007 to June 30, 2011. This was due to the issuance of a one-time \$12 million dividend (per 2009 Assembly Bill 403), which was applied as premium credits to insureds with the Fund, coupled with an increase in claims activity and fairly consistent net premiums earned.

The Fund's excess of loss insurer is not in complete agreement with the Fund over Courthouse fire costs.

As stated earlier in this report, the Fund also carries several layers of excess of loss insurance. Due to this coverage, the Fund is generally responsible for the first \$1.8 million of each claim (up to a \$22 million annual aggregate), and the balance exceeding that is to be reimbursed through their excess of loss provider. The Fund's first layer of excess of loss coverage is provided by Lexington. For an annual premium payment of \$6.9 million (for March 31, 2013 to March 31, 2014), the Fund was to receive 100% coverage after their initial \$1.8 million investment up to \$100 million from Lexington. County officials have reported conflict

between the Fund and Lexington related to the Courthouse fire claim. We met with an official from Crawford & Company, representing Lexington insurance, who verified that Lexington and the Fund were not in complete agreement over costs associated with Milwaukee County's Courthouse fire claim.

Milwaukee County's relationship is with the Fund and not with Lexington so their disagreement likely will not affect the County directly (and while in dispute with Lexington over costs, the Fund has continued to issue checks to Milwaukee County). However, to the extent that Lexington does not fully reimburse the Fund, there will be a hole in the Fund's balance sheet, which may ultimately affect what policyholders with the Fund pay for their future coverage.

When asked for suggestions on how Milwaukee County could improve its handling of property claims, the Fund's representative stated that Milwaukee County needs to do a better job of maintaining its facilities, there's a culture of "free money" in Milwaukee County, and that the County has not been timely in reporting its losses or providing proper follow-up documentation. The Fund's representative went on to say she was pleased Milwaukee County was taking emergency planning seriously, and that Milwaukee County is not the only County grappling with the aforementioned issues.

Section 5: Milwaukee County needs to revamp its procedures for the management of property insurance claims to properly account for public funds.

There were a number of issues we observed regarding the way in which the Courthouse fire claim and other property claims were handled, which are detailed below.

The consolidation of duties in the hands of one person with little oversight and the lack of pre-vetting of restoration contractors left the County vulnerable to “emergency pricing” mark-ups.

An RFP process was not used to hire Courthouse fire contractors.

The County’s previous Director of Risk Management left County service on August 6, 2013. From the date of the fire to February 2014, the County’s Safety Coordinator (who from August 2013 to January 2014 also served as the County’s Interim Director of Risk Management) managed the Courthouse fire property claim for the County. The Safety Coordinator contacted Universal Restoration on the day the Courthouse fire broke out to gauge their interest in serving as the general contractor for the fire restoration job; the firm was ultimately hired. A request for proposal (RFP) process was not used.

In February 2014, the Safety Coordinator was arrested on suspicions of criminal activity associated with his work with Milwaukee County. He retired a few days later, and was formally charged on August 18, 2014 with two counts of Public Official Accepting a Bribe, two counts of Misconduct in Public Office, and two Counts of False Swearing. His abrupt departure left other DAS officials, including one official who was recently hired, to manage the massive property claim going forward.

As part of our work, we requested a copy of the agreement in place with Universal Restoration for Courthouse fire related work.

Milwaukee County officials could not produce a detailed signed contract with Universal Restoration for Courthouse fire work.

Milwaukee County officials were able to produce a Work Authorization form, provided by Universal Restoration for work related to the Courthouse fire, and signed by the County's Interim Director of Facilities Management on July 6, 2013. However officials could not produce a contract, signed by the County, which clearly laid out the details, rates, and scope of the Courthouse fire job. County officials did get a copy of a time and materials contract from Universal Restoration, which Universal had signed, but no one at the County had signed.

Universal Restoration charged an additional 20% mark-up (10% for profit and 10% for overhead) on their invoices for the Courthouse fire job. Most work associated with the fire was directed to Universal, and therefore subject to the mark-up, including charges from firms with whom the County had an established relationship.

According to Universal, the "10% and 10%" mark-up charged is industry standard and the Fund paid these invoices, which County officials saw as at least some measure of confirmation that the charges were reasonable. However, without competitive bidding in place, the County is not able to confirm whether the "10% and 10%" mark-up is a reasonable charge. Since such services are typically needed in an emergency or short timeframe, which does not allow for a full bidding process, such vendors can be vetted on a set schedule, and be "on deck" should the need for their services arise (similar to A&E's process for time and materials contractors).

According to the Local Government Property Insurance Fund, the Fund does not have a list of preferred vendors, contrary to statements made by County officials in County Board testimony.

The Local Government Property Insurance Fund stated they do not have a list of preferred vendors for insurance-related work.

The County's property insurance policy is structured so the insured selects its own vendors.

Throughout the Courthouse restoration process, DAS officials stated that Universal Restoration was selected as the Courthouse fire general contractor, in part because they were on the Fund's list of preferred vendors. We interviewed officials with the Fund on two separate occasions, and though they would not discuss the Courthouse fire claim while it was still open, we did ask whether the Fund had a preferred vendor list, which included Universal Restoration. On both occasions, the Fund responded that they do not have a list of preferred vendors. Instead, the policy is set up so that the insured (in this case, the County) selects their own vendor. Representatives from the Fund went on to report that they do this because the insureds have local requirements for the selection of vendors, including Request for Proposal and Disadvantaged Business requirements, and also because the Fund does not guarantee the work performed by the contractors.

That said, the Fund's involvement in the project was significant. Because work was being completed through the insurance claim process, the Fund's contracted adjuster was involved in decision-making regarding work to be completed to ensure coverage under the claim. Both County officials and Universal, the general contractor hired for the Courthouse fire restoration, acknowledged regular communication with the Fund's adjuster regarding coverage prior to performing work. The DAS Director stated that throughout the process, the roles and responsibilities of Milwaukee County officials versus the insurer were unclear.

In recent years, the County's property restoration work was done primarily by two contractors, and none of the work performed by either firm was on the basis of competitive bidding.

Following the awarding of the majority of Courthouse fire restoration work to a single firm without a formal bidding process, and the assertion from the County's property insurer that they do not have a preferred vendor list, the Audit team pulled historical

queries of expenditures to restoration firms from Risk Management.

The vast majority of Risk Management insurance fund expenditures were paid to two firms. From 2005 to October 2014, Belfor received \$15,667,414; from 2010 to September 2014, Universal Restoration received \$17,653,217 (the majority of this funding is related to Courthouse fire restoration work).

The County's former Safety Coordinator had considerable leeway in handling property insurance claims.

As part of the audit, we interviewed several officials in DAS, who admitted that the former Safety Coordinator had considerable leeway in handling property insurance claims, including the hiring of contractors to perform restoration work. For instance, those we interviewed mentioned incidents where the former Safety Coordinator kicked both the insurance company's contracted clerk of the works (charged with providing a real-time audit of the restoration job for the insurance company) and the Fund's Excess of Loss insurance representative out of the Courthouse. We asked the Director of Risk Management, hired in early 2014, whether she had come across any policy and procedure manual, which guided the former Safety Coordinator's hiring of contractors, but she was not aware of one.

While the legal case against the former Safety Coordinator is still pending in Court, the Criminal Complaint lays out a number of charges asserting improper dealings with both of the firms mentioned above. The majority of the charges relate to an improper relationship with officials at Belfor, in particular with an estimator with the firm with whom the former Safety Coordinator developed a close relationship. The complaint states that due to the benefits received from the Safety Coordinator's relationship with the estimator (including: expensive restaurant meals and construction work at the defendant's property and that of a family member), Belfor was awarded contracts. The aforementioned Belfor employee moved to Universal Restoration in early 2013;

the Courthouse fire authorization for emergency services was awarded to that firm in July 2013. The last restaurant meal provided to the former Safety Coordinator in July 2013 occurred after the individual had taken the job with Universal, and three days after the firm had received the Courthouse fire contract.

The lack of procedures for the hiring of firms for property restoration work leaves the County susceptible to potential misconduct and increased pricing.

Again, charges are currently pending disposition in Milwaukee County Circuit Court. However, the lack of procedures for the hiring of firms to perform property restoration work has left the County susceptible to potential misconduct and has left the County's insurer, primarily the Fund, susceptible to possible increased pricing. Given the lack of clarity regarding roles and responsibilities and the Fund's assertion that the insured rather than the insurer selects vendors for such work, we recommend that going forward:

10. *The Division of Risk Management establish a process to vet restoration firms prior to the need for emergency services. Such a process should include the establishment of mutually agreed upon rates for a predetermined scope of services.*
11. *The Division of Risk Management prepare a detailed policy and procedures manual for the handling of property restoration claims, which includes record retention and claim management procedures with internal controls that can be transitioned seamlessly in a time of staff turnover.*

Section 6: Milwaukee County lacks a solid preventive maintenance program for its mechanical systems and building infrastructure

It is unclear whether the facility's maintenance played a role in the Courthouse fire.

As stated in prior sections of this report, the cause and origin investigation of the Courthouse fire is still under review, and it is unclear whether the facility's maintenance played any role in causing the fire. That said, large scale incidents like the Courthouse fire present opportunities to evaluate County operations, including where the County is positioned both in terms of preparedness for and prevention of catastrophic events. Section 3 discussed the County's continuity of operations planning; this section provides a closer look at the status of the County's preventive maintenance program leading up to the fire.

In past years, a great deal of Audit Services' work has addressed the issues of infrastructure demands, deferred maintenance and facilities management in Milwaukee County.

Following are highlights of Audit Services Division reports addressing various aspects of Milwaukee County's aging infrastructure.

- ***Review of Milwaukee County Property Management (September 1999)***

A 1999 Audit report identified the lack of a comprehensive inventory of property owned or leased by the County.

This review identified the lack of a comprehensive inventory of property owned or leased by Milwaukee County. Property related records maintained by various County organizational units were not sufficiently comprehensive, current, accurate or consistent between the sources. The report identified an estimated 556,000 square feet of vacant space that the County either owned or leased.

For example, the report identified the vacant City Campus Complex at 27th and Wells Street. The County had spent

approximately \$16 million to acquire and extensively remodel the facility for use by the Behavioral Health Division for long-term care from the early to mid-1990's. The approximately 240,000 square foot complex was vacated by the County (two of three small retail shop spaces remained occupied by private businesses) in 1996. In 2000, the County spent an additional \$2.6 million to renovate the City Campus Complex for general office use and to relocate several County departments to that location.

[Note: A subsequent consultant's report commissioned as part of the County's Long-Term Strategic Planning effort has recommended vacating the City Campus Complex due to inefficient space utilization and costly ongoing maintenance demands. Plans to vacate the building and consolidate current County occupants in smaller, more cost efficient space by early 2015 were approved by the County Board September 25, 2014 (File No. 14-702).]

The 1999 report recommended centralizing the property management function at Milwaukee County.

The report recommended centralizing the property management function at Milwaukee County. It further recommended defining the responsibilities of the property management function to include the creation and maintenance of a comprehensive property database/information system that would meet the building, structures and land information needs of the various organizational units within the County.

- ***Management Structure Review—Department of Parks (July 2002)***

This was one of a series of reviews conducted in response to a County Board Resolution (File No. 02-79) seeking opportunities for efficiencies and cost savings to be gleaned from County operations most affected by a large number of retirements anticipated to occur at that time.

A 2002 report identified divergent trends of increased resource demands associated with maintaining and developing an aging and expanding infrastructure and declining funding for operations.

The report identified divergent trends of increased resource demands associated with maintaining and developing an aging and expanding infrastructure, and declining funding for operations. The report also identified declining utilization of certain high-maintenance, capital-intensive Parks recreational facilities such as golf courses and pools. The report concluded:

- *Given the divergent trends of declining funding levels, increasing infrastructure demands and reduced utilization of certain capital-intensive facilities, the Milwaukee County Parks System is at a crossroads. It is imperative that policy makers decide upon a course of action now, as the continuation of these divergent trends will make any delays in today's choices more costly and therefore more difficult, in the future. Specifically, we believe it is critical that the County Board work with the County Executive to decide upon a course of action embracing one or more of the following major policy directions.*
- *Spin off the Milwaukee County Parks System as a separate entity from County government. One option would be to seek State legislative approval to create a separate, regional taxing district for the sole purpose of developing and maintaining the wide variety of facilities and programming currently operated by the Milwaukee County Department of Parks, Recreation and Culture. To help ensure success, this option might require consolidation of the Parks System and other County recreational and cultural attractions with broad regional appeal, such as the Zoo and Performing Arts Center.*
- *Withdraw from planned expansion of the Parks infrastructure. Major developments such as Kohl and Bender Parks would need to be abandoned. Without a commitment to increased funding levels, it would not be prudent to expand the current infrastructure.*
- *Begin reducing the size of the existing infrastructure. The Parks Department has already presented an Aquatics Master Plan that calls for in part, the closing of several County pools that require excessive service, maintenance and staff. Closing of these pools would yield future savings in reduced operating, maintenance and repair costs. Similarly, a closing of selected major and par-three County golf courses, along with a commensurate reduction in overhead staff and other costs, could result in significant future savings.*
- **A Tale of Two Systems: Three Decades of Declining Resources Leave Milwaukee County Parks Reflecting the Best and Worst of Times (December 2009)**

This report provided a pictorial depiction of the state of the Milwaukee County Parks system infrastructure:

We selected a broad range of locations to photograph within two distinct categories. The first category comprised those locations and facilities that, for various reasons, are considered examples of the best that the Parks system has to offer. These holdings are considered by some to be among the 'jewels' of the Milwaukee County Parks system. The second category is more aptly described as the 'eyesores' of the system. These are Parks holdings where physical deterioration from years of deferred maintenance and neglect is evident.

In 2009, we detailed how three decades of declining resources led to the Parks system's current state of select showcase holdings, but unsustainable infrastructure demands.

The report detailed how three decades of declining resources led to the Parks system's current state of select showcase holdings, but unsustainable infrastructure demands:

Operating Expenditures

Data from as far back as consecutive annual Milwaukee County financial records could be located show that during the 1960s and 1970s, Parks system operating budgets experienced sustained growth. During the next 23 years, annual operating budgets for the Parks system fluctuated between \$36.2 million (1994) and \$43.9 million (2002). Budgeted expenditures for 2009 totaled \$43.7 million.

However, adjusting for inflation reveals a steady, dramatic decline in annual Parks operating budgets during the past three decades. Expressed in constant 2009 dollars, the data show that operating budgets peaked at just under \$98 million in 1978 and hit a low of \$40.4 million in 2006. In 2009, budgeted annual expenditures of \$43.7 million are 4% less, in real terms, than the inflation adjusted \$45.5 million devoted to Milwaukee County Parks system operations in 1962.

Capital Expenditures

Milwaukee County's average annual capital investment in its Parks system was much greater during the 1960s than in any other decade since. Capital expenditures are those that relate to the addition of a permanent structural improvement or the restoration of some aspect of a property that will either enhance the property's overall value or increases its useful life. The comparatively robust average annual investment of \$25.5 million (in constant 2009 dollars) was followed by two decades during which the annual Parks capital budget averaged about \$9 million, or about one-third the level of the 1960s. In real (inflation-adjusted) terms, the County's average capital investment in the Parks system during the past 10 years was less than half (48%) of its 1960s level.

Further, the percentage of capital expenditures budgeted for Parks new construction vs. major maintenance fell substantially over the past three decades, from nearly 80% in the 1980s to about 31% in the 2000s. This means an increasing percentage of capital expenditures (the total of which are declining in real terms over the previous decade) is devoted to major maintenance of an aging Parks infrastructure. This pattern does not bode well, particularly in light of a growing backlog of deferred maintenance requirements for the Parks system, as well as Milwaukee County's well-publicized financial difficulties.

The 2009 report also identified the need for an improved process for ongoing assessment and prioritization of Parks infrastructure needs.

The report also identified the need for an improved process for ongoing assessment and prioritization of Parks infrastructure needs:

In 2008, the Parks Department reported that the accumulated deferred repairs and maintenance totaled \$275.6 million. Our analysis of the support for that amount indicates the figure is inaccurate, with evidence that a significant portion of the estimate is overstated, while other portions may be understated. This raises concerns regarding the construct of the number. Despite these concerns, the Parks deferred maintenance figure likely exceeds \$200 million, overwhelms available resources, and is rising. Addressing this issue will require the County to make tough decisions concerning the direction of the Parks system as a whole.

The report concluded:

Based on our review of the current condition of the Milwaukee County Parks system infrastructure and nearly 50 years of related financial trends, we concluded the following:

- *Current resources are inadequate to properly maintain the current Milwaukee County Parks system infrastructure.*
- *A comprehensive, accurate and updated list of Parks infrastructure maintenance needs is necessary...to provide a sound foundation for making critical resource allocation decisions. This information will be necessary to distinguish costs for critical needs from costs that potentially can be mitigated or avoided altogether.*
- *Proper stewardship of the Milwaukee County Parks system requires alignment of the system's infrastructure needs with available resources.*
- **Strategic Property Management (June 2010)**

This report was issued as the Milwaukee County Long Range Strategic Planning Steering Committee began discussing facility

office space issues. A previous County Administration was evaluating several options to reduce overall space costs to the County. This included the issuance of a request for proposal to address space needs for departments located at, or that could potentially be relocated to, City Campus.

A 2010 audit noted improvements made in the County's property management efforts since our 1999 review.

The report noted improvements made in the County's property management efforts since our previously-mentioned September 1999 review, but identified continuing shortcomings:

Since that audit, the County has improved its ability to identify all County building and other property assets. Key to this was the purchase of an asset management system, along with assessing the condition of County facilities to identify immediate and long term building repairs and maintenance. Also, the Department of Administrative Services began requiring County departments to submit a Facility/Space Utilization/Need Plan (FSUNP) as part of the annual budget process, beginning with the 2001 budget. Departments are required to report current staff levels and associated space needs, and project those needs over the next five years.

However, neither of these efforts reached their full potential. Initial assessments of all County facilities, which began in 2001, have not been completed. Further, subsequent assessments of facilities initially assessed have not occurred. Perhaps more importantly, funding has not been sufficient to address both specific repair needs as well as preventive maintenance items identified by the assessments.

Similarly, the benefits that the FSUNP have not been used to help address the County's current and future space needs. Currently, the forms are used only to identify any leases that the department is a party to. Departments do not include information on the amount of space required as initially envisioned for the form, nor does DAS require its inclusion. As a result, the County has not progressed as far as envisioned in developing an ongoing strategic approach to space management.

Reactive vs. Proactive

Lacking a structured strategic approach, the County's approach to facility planning has been one of reacting to specific short-term departmental needs rather than proactively considering a long-term Countywide approach. This lack of a plan for program space became an issue during 2009 deliberations on relocation of the Behavioral Health Division, and again in discussions on the 2010 recommended budget

item related to vacating City Campus. As a result of these deliberations, we conducted a review to determine the extent to which the County has implemented the recommendations of our previous audit, including developing a strategic approach to space management. This includes examining existing ongoing files and records documenting the County's available space, how it is being used, and the associated cost data to maintain that space.

The report concluded by recognizing the County's positive movement toward strategic planning with regard to property management:

In spite of the challenges noted in our review, there are three encouraging indications that these conditions will be addressed. The first is the completion of a study authorized by the County Board as part of the 2009 Adopted Budget for \$50,000 for consultant services to assist Department of Transportation and Public Works – Facilities Management in formalizing a Countywide approach to the strategic use of its space, facilities consolidation and sale of assets. That report provides a good reference point of where the County's available office space is located and how it is being used. It also reinforces the inefficiencies associated with converting buildings not originally designed for office use. It shows how many departments have significantly more space than needed, often due to the building layout.

The second is the attention that has been brought to the subject by the Long Range Strategic Planning Steering Committee. That Committee, by undertaking a discussion of County facilities, recognizes the significant value of County assets, the role that facility operating costs play in maintaining fiscal health and the importance of facilities as a resource in providing service to County citizens.

The third positive sign is the activities of a workgroup of County staff that is developing a request for proposals for addressing the high cost of providing space at City Campus, as well as coming up with a long-term solution for space needs of the Office on Aging and the related Care Management Organization.

- **Milwaukee County Needs to Commit to a Preventive Repair & Maintenance Program to Ensure Public Safety (October 2010)**

An October 2010 report identified the need for a more coordinated approach to building safety inspections.

The report identified the need for a more coordinated approach to building safety inspections. In addition, the report highlighted the need for improved documentation of efforts to maintain facility safety and for a greater commitment to overall preventive maintenance. The audit was conducted in the aftermath of the June 24, 2010 death of a young man and injury of two other individuals resulting from a façade piece falling from the County's O'Donnell Park parking structure. Findings in that report included:

Despite having hundreds of buildings used by County employees and the general public, Milwaukee County does not have formal policies or procedures establishing general baseline requirements for the seven property management (PM) units responsible for repairing and maintaining County facilities. Consequently, the different PM units use their own, informal approaches for assessing the condition of buildings in their charge. Absent the structure and consistency that formal, uniform policies could provide, we found little to no emphasis on building assessments. Further, we noted varying degrees of emphasis on building safety inspections by the different PM units. Of particular concern is the manner in which the PM units have addressed the need to formally assess the safety and condition of their buildings over the past several years. Of 34 buildings sampled, only seven had assessments of any kind outside those conducted as part of a Countywide assessment program performed primarily from 2002–2007.

Milwaukee County has not followed through with a comprehensive program for assessing the condition of County buildings and structures. Started in the mid-1990's, the intent was to create a Countywide inventory of all facilities and to assess their condition, thereby improving the ability to budget for current and future repair and maintenance costs. However, budgetary cutbacks, along with higher priority funding demands throughout the years, have significantly limited the program's effectiveness. Problems we noted include:

- *The County has no formal policy or procedures addressing the frequency or the manner by which the condition of County facilities need to be assessed. This is important to reduce potential threats to public and employee safety. Internal practices vary as to emphasis and level of scrutiny placed on this activity within the seven property management units that operate autonomously in the County.*
- *Staff at DPTW have been working off of a master list of 521 buildings to be formally assessed. The buildings are listed in*

the County's web-based property management system purchased in the late 1990s from VFA, Inc. (VFA). Only 66% of the 521 buildings have been reviewed as of October 2010. Included in the 34% not assessed are all buildings at the Airport and County Correctional Facility-South, and about two-thirds of the Parks buildings. Also not assessed are the Children's Court Center, Child and Adolescent Treatment Center, Museum, War Memorial Center and Marcus Center for the Performing Arts.

- *Many of the facilities assessed initially have not been re-assessed since. Examples include the Courthouse Complex, Zoo and MCTS, which have not been assessed since 2002.*
- *Significant improvement is needed in the process for recording and updating noted building deficiencies and corrective actions into the VFA system. To put this into perspective, VFA lists 5,612 deficiencies as open, and 316 as closed.*

A key recommendation included in the audit was the following:

We recommend that DTPW: Request sufficient funding to perform proactive, cyclical assessments and inspections of County-owned infrastructure assets.

In response to our audit, management described a dedicated inspection unit envisioned to perform annual interior inspections of County buildings, achieving Countywide coverage on a five-year cyclical basis.

In its response to the audit, DTPW management described a dedicated Inspection Unit envisioned to perform approximately 120 annual interior inspections of County buildings, achieving Countywide coverage on a five-year cyclical basis. Subsequent follow-up documents indicate five unfunded positions were approved in the 2011 Adopted Budget for the purpose of performing building inspections, but the unit was never funded or staffed. A four-member Facilities Assessment Team was funded in the 2013 Adopted Budget and is currently staffed with one Electrical Mechanic, one Heating Equipment Mechanic and one Managing Architect. The team is currently up and running. Their work to date has focused on parks infrastructure assessments.

The latest property report, issued in 2011, focused on the state of the War Memorial Center.

- ***New Strategies are Needed to Revitalize the War Memorial Center and Fulfill its Dual Mission to Honor Veterans and Promote the Arts (September 2011)***

This report is the most recent example of the Audit Services' Division work addressing Milwaukee County's infrastructure

challenges. The transmittal letter at the beginning of the report is succinct in describing the findings and conclusions of the audit:

The attached audit report provides background information to help provide an understanding of how the War Memorial Center was conceived, created and has evolved since 1945. Despite a mix of private and public funding for the War Memorial Center that includes substantial financial support from the County, there is an estimated \$5.3 million of known problems needing repair, replacement or upgrade. Problems with the physical condition of the facility threaten the safekeeping of the Milwaukee Art Museum collection and reflects poorly on the community's level of commitment to fulfill its intent to honor American veterans who have fallen in service to their country. Remedies will require a significant investment of public and/or private funds. This ongoing problem is representative of a much larger issue that exists on a Countywide basis, one that has been the subject of a number of prior audit reports—the County's inability to adequately fund the repair and maintenance needs of its aging infrastructure.

The County has subsequently entered into an agreement that includes a five-year capital funding commitment of \$10 million that leverages a private capital funding commitment of \$15 million from the Milwaukee Art Museum.

At the time of the fire, Milwaukee County had agreements in place to regularly service the complex's alarm system and to routinely check back-up generators. However, preventive maintenance/inspection services of electrical and mechanical systems were not regularly scheduled.

Interviews with Facilities Management confirm that Milwaukee County has not had agreements in place for regularly-scheduled preventive maintenance or inspection services of electrical or mechanical systems at the Courthouse Complex for years.

Whereas the Honeywell alarm system maintenance agreement includes weekly on-site support from a Honeywell representative and back-up power generators are tested monthly, servicing of the electrical and other mechanical systems have been ad hoc and typically in reaction to a suspected problem. For instance, an engineering report of testing and maintenance of an electrical

substation at the Courthouse, dated May 14, 2013, was in response to a facilities worker reporting humming noises emanating from the vicinity. The engineering report noted test results passed industry standards but recommended re-testing in a year.

Facilities Management confirmed the absence of regularly maintained service logs for Courthouse Complex electrical and mechanical systems.

Facilities Management also confirmed the absence of any regularly maintained service logs for the Courthouse Complex electrical and mechanical systems. As a result, Milwaukee County could not readily document the servicing history that had occurred on the electrical system when that information was requested from the insurance adjuster. Rather, a review of purchase orders was conducted to provide the limited amount of ad hoc servicing that had occurred. According to the recollection of the Interim Facilities Management Director, a study conducted in 2006 or 2008 would have been the last time there was a comprehensive look at the electrical system at the Courthouse Complex. The February 2011 Comprehensive Facilities Plan Consulting Report prepared for Milwaukee County by CB Richard Ellis (CBRE) did not place the Courthouse electrical system on the list of 25 Building Safety Concerns for Milwaukee County properties, but noted that given the age of the electrical system, *it is approaching or beyond its life expectancy and should be upgraded in the next 5 years.*

To facilitate proper maintenance of County building systems, we recommend Facilities Management:

12. *Maintain maintenance and service logs on all major County building systems such as electrical, HVAC, UPS, fire, plumbing, roof, facade, etc.*
13. *Ensure that resources, whether internal or external, necessary to adhere to appropriate systems inspections/servicing schedules are a top operating budget priority.*

Recent policy decisions indicate that County officials are aware of the County's infrastructure issues; continued momentum is needed to ensure improvements are made.

A March 2011 County Board Resolution (File No. RES 11-220) called for the development of a comprehensive facilities plan for Milwaukee County. The resolution was a policy initiative stemming from the County's Long Range Strategic Plan Steering Committee that, among other issues, began addressing the County's infrastructure challenges in November 2009.

A comprehensive facilities plan was prepared by a consultant in 2012.

The 2012 Adopted Budget included funding for a consultant to prepare a Comprehensive Facilities Plan. The firm of CB Richard Ellis (CBRE) was selected for the task, and in February 2013, CBRE issued its Comprehensive Facilities Plan Consulting Report (the CBRE Report). Among the report's numerous recommendations:

- **Reduce the Overall Footprint of Occupied Space**
 - Reduction in underutilized space will create the largest dollar savings year-over-year.
 - Confirm the Highest and Best Use for all properties and dispose of assets that are no longer required to deliver services to the constituents of Milwaukee County.
 - Create a centralized Core Campus around the current Courthouse.
 - Savings from space reduction should be put into deferred maintenance to reduce larger future repair bills and reduce safety issues in buildings.
- **Workplace Space Optimization to Improve Utilization**
 - Evaluate how Milwaukee County staff works and utilizes space on a day-to-day basis.
 - Reduce the square footage allocations for offices and workstations in response to electronic work processes.
 - Make electronic file storage a primary funding priority.
 - Savings from space reduction should be put into deferred maintenance to reduce larger future repair bills and reduce safety issues in buildings.

Many of the CBRE recommendations are embraced in the current plans to relocate and consolidate current County staff at the City Campus building into a smaller footprint and to sell the vacated property to a developer for demolition and improvement. This is just a first step, and progress towards reducing Milwaukee County's footprint and optimizing space utilization does not in any way diminish the importance of administering a robust preventive maintenance regimen on existing County infrastructure.

Audit Scope

The objectives of this audit were:

- To review the conditions following the July 6, 2013 Courthouse fire, and assess the incident response, including the immediate emergency response, safety measures, and temporary relocation efforts. In doing so, evaluate policies that could be enacted or modified to ensure future emergencies are handled safely and smoothly.
- To evaluate the damage to the Courthouse, and all costs, which resulted from the fire.
- To determine the extent to which the fire affected the County's service delivery.

We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

We limited our review to the areas specified in this Scope Section. During the course of the audit, we:

- Obtained copies of official incident reports for the July 6, 2013 Courthouse fire and copies of the County's Emergency/Disaster Plans.
- Interviewed key Milwaukee County officials/staff involved in:
 - Response planning and infrastructure repair following the fire;
 - Compiling costs associated with the fire; and
 - Evaluating information systems to determine to what extent they were affected by the events surrounding the fire.
- Contacted and interviewed the County's property insurer and obtained copies of the County's property insurance policies.
- Contacted and interviewed the general contractor hired to manage the Courthouse restoration project.
- Obtained copies of work authorizations for work performed on Courthouse building systems following the fire.
- Researched and documented best practices in continuity of operations planning.
- Reached out to property managers for local Milwaukee-based large-scale buildings to discuss building safety practices.

- Obtained copies of reports for personal property theft following clean-up efforts related to the fire.
- Analyzed financial records and invoices related to the Courthouse fire claim.
- Obtained copies of personnel time and attendance records coded for the Courthouse fire to account for productivity loss.
- Surveyed department heads regarding their departments' actions in the wake of the fire and created a timeline of events surrounding the Courthouse fire.

Courthouse Fire Comprehensive Timeline

July 6, 2013

- Fire in basement of Milwaukee County Courthouse.
- Several Milwaukee County officials report to the Courthouse to assess the situation and assist emergency responders with building information/operations.
- Milwaukee County Safety Coordinator contacts Universal Restoration; Universal tours facility with County officials; Universal's work authorization is signed 7/6/13.
- Jail is back on permanent power by about 8 p.m.
- First equipment charges are invoiced.

July 7, 2013

- First work performed by subcontractors begins.
- Milwaukee County leadership attends meeting at 'Pancake House' to plan next steps.
- Department of Administrative Services-Information Management Systems Division (IMSD) staff report to the Courthouse to begin work to ensure the County's data centers continue operation following the fire.

July 8, 2013

- Courthouse and Safety Building are closed.
- The Fund's insurance adjuster, and contracted investigator are on site.
- According to the Director of Administrative Services (DAS), both the Safety Building and the Courthouse are hooked up to limited generator power.
- Department of Health and Human Services staff work with IMSD to inventory space, computer, and phone availability at the department's facilities.
- Courthouse departments (including the Department of Family Care) begin setting up work stations at temporary locations, including the Cogg's Building.

July 9, 2013

- Courthouse and Safety Building are closed.

July 10, 2013

- Safety Building reopens.
- The Department of Family Care moves operations to space leased from a private provider.

July 11, 2013

- A \$2,000,000 check is issued to Milwaukee County by the State of Wisconsin (insurance proceeds for the Courthouse fire claim).
- Child Support Services opens a temporary office at the Cogg's Center where staff is able to handle child support issues and process payments.

- The County Clerk's public operations, including marriage licenses and domestic partnership operations, resume at City Campus.

July 15, 2013

- Courthouse reopens (for most activities).

July 16, 2013

- A \$1,999,500 check is issued to Milwaukee County by the State of Wisconsin (insurance proceeds for the courthouse fire claim).

July 17, 2013

- Public services including marriage licenses and child support reopen at the Courthouse.

July 18, 2013

- Milwaukee County issues a check in the amount of \$1,500,000 to Universal Restoration for work on the Courthouse fire project.
- Milwaukee County issues a check in the amount of \$500,000 to Kelmann Corporation for work on the Courthouse fire project.
- Employees, including those from Corporation Counsel, the County Board, and Risk Management move back into the Courthouse.

July 20, 2013

- Courthouse is back on the WE Energies grid via a cable going through a manhole on 10th Street.

July 21, 2013

- J.S. Held, Incorporated begins clerking site on behalf of Crawford. The Clerk of the Works for the site is an individual charged with providing a real-time audit of the restoration job for the insurance company.

July 23, 2013

- J.S. Held, Incorporated is kicked out of the Courthouse by the County.
- The Wisconsin Office of the Commissioner of Insurance issues a reservation of rights letter to Milwaukee County regarding the Courthouse fire loss.

July 24, 2013

- Courthouse fully reopens.

August 2, 2013

- A \$2,000,000 check is issued to Milwaukee County by the State of Wisconsin (insurance proceeds for the Courthouse fire claim).

August 5, 2013

- Milwaukee County issues a check in the amount of \$1,750,000 to Universal Restoration for work on the Courthouse fire project.

August 7, 2013

- The Director of Administration emails the County Board informing them that the County Risk Manager's last day was August 6, 2013.

August 30, 2013

- The Safety Coordinator assumes role of Interim Director of Risk Management, as he is temporarily assigned to a higher classification of ExDir2 Risk Manager.

September 3, 2013

- Milwaukee County issues a check in the amount of \$2,000,000 to Universal Restoration for work on the Courthouse fire project.

September 12, 2013

- Administration briefs County Board Committee on Judiciary, Safety and General Services on the Courthouse fire. Topics discussed include:
 - Overview of fire/scale of damage.
 - Insurance coverage: through the Local Government Property Insurance Fund ("the Fund").
 - Rebuild of electrical system: slated for December 2013/January 2014
 - Cause and origin investigation: run by insurance; Fire department indicated no suspicion of arson.
 - Cost: approximately \$6 million in insurance proceeds received; approximately \$5.25 million paid out to contractors.
 - The Interim Risk Manager states that Milwaukee County has not received a reservation of rights letter yet from the Fund.

September 26, 2013

- The County Board adopts File No. 13-687, the County's emergency management plan prepared by the Office of the Sheriff, Division of Emergency Management, as the official plan of Milwaukee County.
- The County Board also adopts File No. 13-708, a reimbursement resolution, expressing the County's intent to reimburse itself for a not-to-exceed amount of \$2 million for improvements to the Courthouse Complex related to the Courthouse fire, but not reimbursable by insurance. The file also creates a capital project to serve as budget and financing mechanism for such expenditures.
- The County Board also adopts File No. 13-709, the September 2013 fund transfer packet, which includes an appropriation transfer of \$200,000 from the Appropriation for Contingency by the Office of the Comptroller to establish expenditure authority and revenues for a major maintenance capital project for potential improvements discovered as a result of fixing issues associated with the fire. These improvements are not related to the fire, and are not covered by the insurance proceeds.

September 30, 2013

- The Fund's Manager creates Basecamp site for the Milwaukee County Courthouse to post information pertaining to the loss and communicate with various parties involved, and begins inviting individuals to join the site (including Milwaukee County officials; the Interim Director of Risk Management is among the first to be invited to join).

October 1, 2013

- The Fund's Manager posts a document to Basecamp titled *Parties put on notice as of 10/1/13* (a new version of the document is saved and posted the next day).

October 3, 2013

- Several files, including Milwaukee County electrical maintenance records are posted to Basecamp.

October 5, 2013

- Cause and origin investigation kicks off with a meeting and tour of the fire site at the Milwaukee County Courthouse.

October 23, 2013

- Administration briefs County Board Committee on Transportation, Public Works and Transit on the Courthouse fire. Topics discussed include:
 - Permanent power system is being designed/engineered; expect it to be complete sometime during first quarter of 2014.
 - To date, \$6 million has been paid out to Universal and the County has received approximately the same amount from the Fund.
 - The Fund is currently reviewing a large stack of invoices totaling approximately \$5 million, bringing the total cost up to \$10 million-\$11 million.
 - The cause and origin process began October 5 with approximately 50 people, most of whom were attorneys.
 - Since the last briefing, the county hired its own cause and origin expert.

October 24, 2013

- A message on Basecamp indicates that a multiparty inspection has been set for December 7, 2013 with an anticipated completion date on or before December 20, 2013.

October 31, 2013

- Administration briefs County Board Committee on Finance, Personnel and Audit on the Courthouse fire. Topics discussed include:
 - Another \$5 million in payments are in process.
 - “Comptroller’s” \$2 million and \$200,000 accounts discussed. According to the administration, about \$100,000 in expenditures has been made from the maintenance account for cooling coils at the jail. The \$2 million account has not been touched.

November 5, 2013

- A \$3,500,000 check is issued to Milwaukee County by the State of Wisconsin (insurance proceeds for the Courthouse fire claim).

November 7, 2013

- The County Board of Supervisors meets and adopts File No. 13-818, approving 1-year extensions to several of the County insurance policies, including its property insurance through the Local Government Property Insurance Fund, at the 2013 premium level.
- The County Board also approves File No. 13-800, the appropriation transfer packet for the September 2013 cycle, which contains an appropriation transfer recognizing \$5,999,500 in insurance proceeds that will be applied towards work, equipment, and services rendered related to the July 6, 2013 Courthouse fire.

November 8, 2013

- Milwaukee County issues a check in the amount of \$3,500,000 to Universal Restoration for work on the Courthouse fire project.

November 15, 2013

- Emergency Management Division launches Continuity of Operations planning with its first COOP workshop for all Milwaukee County Departments; 26 departmental representatives are in attendance.

November 27, 2013

- The Fund receives additional information, which is “material to the Cause and Origin investigation into the Milwaukee County Courthouse fire” and subsequently decides not to pursue subrogation.

December 2, 2013

- The Manager of the Fund posts notice on a Basecamp discussion forum saying the Fund has decided not to pursue subrogation in light of the additional information received as of November 27, 2013.

December 3, 2013

- The investigator hired by the Fund for the cause and origin investigation into the Courthouse fire announces on Basecamp that since the Fund has agreed not to pursue subrogation, he will no longer be responsible for any portion of subrogation efforts regarding this file and directs further inquiries to an individual with Crawford and Company, the representative for Lexington Insurance.

December 4, 2013

- Administration briefs County Board Committee on Transportation, Public Works and Transit on the Courthouse fire. Topics discussed include:
 - The Department of Administrative Services (DAS) Director stated he was informed Monday that the Fund will not pursue subrogation claims.
 - Lexington, the Fund’s excess of loss insurer, will investigate for possible subrogation claims and is therefore taking the lead on the investigation (therefore delaying cause and origin originally scheduled for December 7th).
 - Any disputes between the Fund and Lexington are said not to affect the County’s compensation from the Fund.
 - The Interim Directors of Facilities Management and Risk Management visually present the progress of the electrical system rebuild.
 - Administration states that due to the damage from the fire, there’s a possibility that Milwaukee County will never know what caused the fire.
 - The Administration states that the contractors working on the project are all part of the Fund’s list of authorized and preferred vendors.
 - A representative from Lexington announces on Basecamp that Lexington is postponing the inspection scheduled for December 7, 2013.
 - A discussion takes place on Basecamp where an individual representing one of the parties on notice asks if the previous poster from Lexington can “obtain and share with us a list of the equipment that was stored for further inspection and then apparently discarded by the county.” Milwaukee County’s Corporation Counsel responds saying, “there is no basis for a statement that equipment was discarded by the county. It’s not true.”

December 5, 2013

- The Local Government Property Insurance Fund Manager posts a letter signed by an Assistant Attorney General stating that the Fund will not be pursuing subrogation on the Courthouse fire claim.

December 6, 2013

- The District Attorney’s office is requested to investigate the disappearance of two breakers associated with the July 6, 2013 Courthouse fire. The DA’s office begins by interviewing two employees who may have knowledge of the missing breakers later that afternoon.
- Emergency Management Division holds COOP workshop for Milwaukee County departments; 19 departmental representatives are in attendance.

December 12, 2013

- The DA's office informs individuals interviewed as part of the missing breaker investigation that the investigation is closed. No charges are filed since it was deemed both individuals interviewed were following the directions of a supervisor when the breakers were removed and disposed of.

December 18, 2013

- The County Board Committee on Judiciary, Safety and General Services convenes in closed session to receive a briefing on the Courthouse fire.

December 25, 2013

- Media reports indicate that a piece of electrical equipment burned in the July 6, 2013 Courthouse fire was mistakenly discarded.

January 2, 2014

- Milwaukee County issues a check in the amount of \$7,804.25 to Amset Inc. for the Courthouse fire investigation services.

January 9, 2014

- Milwaukee County issues a check in the amount of \$249,500 to Universal Restoration for work on the Courthouse fire project.
- According to payroll records, January 9th is the last day in which the former Safety Coordinator is on a temporary assignment to a higher classification, serving as Director of Risk Management.

January 11, 2014

- Temporary electrical outage scheduled for Courthouse and Safety Building to facilitate transfer of temporary electrical power to permanent electrical power.

January 13, 2014

- Milwaukee County's new Director of Risk Management starts employment.

January 18, 2014

- Temporary electrical outage scheduled for Courthouse and Safety Building to facilitate transfer of temporary electrical power to permanent electrical power.

January 22, 2014

- Administration briefs the County Board Committee on Transportation, Public Works and Transit on the courthouse fire. Topics of discussion include:
 - DAS Director reiterates that the Fund has a list of preferred contractors the County can engage in emergency situations, and Universal is on that list.
 - Cost: through the end of 2013, the full cost of the fire reached \$13.5 million, insurance has reimbursed the County \$9.5 million, leaving a spread of \$4 million. The administration is seeking fund transfers to cover 2013 expenses and first quarter of 2014 expenses.
 - DAS Director and Corporation Counsel assure committee that every indication they've received from the Fund indicates that the County will be fully reimbursed for their claim.

-The Comptroller reported the \$2 million set aside to pay for necessary work that wasn't covered by the Fund has not yet been used, but the \$200,000 account for items insurance wouldn't reimburse because they're not directly related to the fire has been nearly used up.

January 24, 2014

- A \$3,500,000 check is issued to Milwaukee County by the State of Wisconsin (insurance proceeds for the Courthouse fire claim).
- Milwaukee County issues a check in the amount of \$517,386 to the Local Government Property Insurance Fund for its 2014 property insurance premium.
- Emergency Management Division holds COOP workshop for Milwaukee County departments; 22 departmental representatives are in attendance.

January 25, 2014

- Temporary electrical outage scheduled for Courthouse and Safety Building to facilitate transfer of temporary electrical power to permanent electrical power.

January 28, 2014

- Milwaukee County issues a check to Lakeside Oil Co. for a number of expenses, including the following three charges for generator fuel costs needed as a result of the Courthouse fire: \$2,551.18, \$5,392.06, and \$189.67.
- Milwaukee County issues a check in the amount of \$6,870 to Milwaukee Transport Services for expenses related to the Courthouse fire.

January 29, 2014

- The last project update is posted on Basecamp, in which the Fund manager pastes an email from the Assistant Vice President of Property Claims for AIG (Lexington's parent company) stating "We are not actively pursuing subrogation and absent the need to evaluate causation to apportion coverage between first party carriers we would not be undertaking the investigation. However, we reserve the right to evaluate the findings of our investigation."

January 30, 2014

- Administration briefs the County Board Committee on Finance, Personnel and Audit on the Courthouse fire, and requests a fund transfer be approved as a bridge payment to contractors working on Courthouse restoration until the next installment of insurance proceeds is received. Additional topics of discussion include:
 - During the current committee cycle, the County received another insurance proceed check in the amount of \$3.5 million, altering the original fund transfer request for 2013 work.
 - DAS Director reports that Pieper Power, a subcontractor for the project, was engaged to do work over the last weekend, and was ready to walk because the company was not getting paid. All in, the County is at about \$16 million to date.
 - Dan O'Brien from Universal testifies before committee saying his firm has completed \$13.5 million in work and has received less than \$9 million from the County. They need to place an order for electrical equipment in the amount of \$2 million soon to keep the project on schedule.
- -DAS reports the next cause and origin investigation is about to start up and will be going for about a week.
- The committee lays over the Courthouse fire fund transfers to a special meeting on Board day.

February 1, 2014

- Temporary electrical outage scheduled for Courthouse and Safety Building to facilitate transfer of temporary electrical power to permanent electrical power.

February 6, 2014

- A special meeting of the County Board Committee on Finance, Personnel and Audit is held to consider a fund transfer for the Courthouse fire. The discussion includes:
 - The County Executive appears before the committee and reiterates the administration's faith in the Fund, and his belief that they will cover all costs related to the fire.
 - The committee adopts a 2013 appropriation fund transfer of \$11,069,000. The fund transfer recognizes \$7 million in funding from insurance recoveries, \$1,394,000 from the 2013 appropriation for contingencies to cover 2013 related expenses, and \$2,673,000 from the 2013 appropriation for contingencies to cover first quarter of 2014 expenses. The committee then passes a resolution carrying forward \$2,675,000 of the funding into 2014.
- The Milwaukee County Board of Supervisors adopts File Nos. 14-85, 2013 appropriation fund transfer (referenced above) and 14-127, carry-over resolution (also referenced above) at its regular February meeting.

February 10, 2014

- Milwaukee County issues a check in the amount of \$3,500,000 to Universal Restoration for work on the Courthouse fire project.

February 14, 2014

- Emergency Management Division holds COOP workshop for Milwaukee County departments; 22 departmental representatives are in attendance.

February 17, 2014

- Milwaukee County issues a check in the amount of \$181,437.44 to Kelmann Corporation for work on the Courthouse fire project.

February 18, 2014

- Milwaukee County issues a check in the amount of \$6,881.75 to Amset, Inc. for the Courthouse fire investigation services.

February 19, 2014

- Milwaukee County's Safety Coordinator is arrested.

February 20, 2014

- An employee of Universal Restoration, is arrested as a suspected accomplice to Milwaukee County's Safety Coordinator.

February 26, 2014

- Annex parking lot reopens to staff originally authorized to use the lot prior to the Courthouse fire.

March 1, 2014

- Milwaukee County's Safety Coordinator retires.

March 6, 2014

- Administration briefs the County Board Committee on Judiciary, Safety and General Services on the Courthouse fire. Topics of discussion include:
 - DAS Director introduces the County's new Risk Manager, discusses the arrest of the former Interim Risk Manager (who has since retired), and an employee from the Courthouse fire project general contractor, Universal.
 - DAS Director again states that Milwaukee County relies on the State for preferred restoration vendors.
 - The County received a verbal update on the cause of the fire: it was the primary capacitor, was a fire event and not an electrical event, and the smoke damage also resulted from the capacitor.
 - Administration admits there may be some additional expenses related to bringing parts of the building not directly related to the fire, but adjacent to the fire area, up to code.
 - The County has been told to expect their property insurance premium to go up, but hasn't been given specifics yet.
- Milwaukee County issues a check in the amount of \$30,752.37 to Amset, Inc. for Courthouse fire investigation services.

March 12, 2014

- The Cincinnati Insurance Company issues a reservation of rights letter to Milwaukee County regarding the Courthouse fire loss.

March 28, 2014

- Emergency Management Division holds COOP workshop for Milwaukee County departments; 45 departmental representatives are in attendance.

April 10, 2014

- Administration briefs the County Board Committee on Judiciary, Safety and General Services on the Courthouse fire. Topics discussed include:
 - The Administration reports they have received about \$13.5 million from the Fund and have paid out approximately that much to vendors. The County continues to scrub invoices for the first quarter of 2014, and virtually no payments have been made for this year's expenses.
 - The Administration is taking a much closer look at the processes and procedures regarding managing relationships with insurance providers and general contractors.
 - The District Attorney was given all invoices related to the Courthouse fire.

April 11, 2014

- 10th Street reopens.

April 14, 2014

- The Claims & Safety Manager position in Risk Management is posted and accepting applications through May 2, 2014.
- Milwaukee County issues a check in the amount of \$10,606.75 to Amset, Inc. for Courthouse fire investigation services.

April 15, 2014

- The Local Government Property Insurance Fund's Advisory Committee meets to discuss and vote on changes to the property insurance policy; the committee votes to restructure Milwaukee County's deductible to either a \$1 million to \$2 million aggregate annual deductible or \$500,000 per claim deductible.

May 16, 2014

- Emergency Management Division holds COOP workshop for Milwaukee County departments; 29 departmental representatives are in attendance.

May 30, 2014

- Milwaukee County issues a check in the amount of \$2,836,475.34 to Universal Restoration for work on the Courthouse fire project.

May 30-31, 2014

- Courthouse Complex power outage to transfer power to one of the new substations.

June 6, 2014

- Milwaukee County issues a check in the amount of \$714,246.00 to Universal Restoration for work on the Courthouse fire project.

July 3, 2014

- A \$3,500,000 check is issued to Milwaukee County by the State of Wisconsin (insurance proceeds for the Courthouse fire claim).

July 11, 2014

- Emergency Management Division has next COOP workshop scheduled for this day.

July 14, 2014

- Milwaukee County's new Claims & Safety Manager begins employment in the Division of Risk Management.

July 24, 2014

- Administration briefs the County Board Committee on Finance, Personnel and Audit on the Courthouse fire. Topics discussed include:
 - The Administration reports that Cincinnati Insurance and Lexington continue to investigate the cause and origin of the fire. The County has not received a report.
 - The Administration expects to receive reimbursement for its own internal costs, which is estimated to be about \$550,000. In total, the County expects to receive between \$18 million and \$20 million in reimbursement for Courthouse fire expenses.
 - The property insurance renewal terms with the Local Government Property Insurance Fund include a premium increase capped at 5%, as well as changes in policy form, and a \$1.5 million aggregate deductible. Risk Management is budgeting for a \$25,000 premium increase for property insurance, and an additional \$2 million to accommodate the difference in policy form.

July 25- 26, 2014

- An electrical shutdown is scheduled at the Courthouse.

July 30, 2014

- The DAS Director signs a Sworn Statement in Proof of Loss with the County's insurance company for approximately \$19.1 million, in settlement of the County's Courthouse fire claim.

August 1, 2014

- The Milwaukee County Office of Corporation Counsel sends letters to both the Local Government Property Insurance Fund and Cincinnati Insurance to invoke the joint loss agreement provisions of both policies, given the dispute over coverage by the companies.

August 1-2, 2014

- A shutdown of substation 5 is scheduled at the Courthouse.

August 11, 2014

- The DAS Director sends a memo to Milwaukee County employees to remind employees that per Milwaukee County Civil Service Rule 7 – Section 4, no Milwaukee County employee may take property owned or leased by (or in custody or control) of the County.

August 18, 2014

- Milwaukee County's former Safety Coordinator is formally charged with two counts of Public Official Accepting a Bribe, two counts of Misconduct in Public Office, and two counts of False Swearing.

September 10, 2014

- An \$800,000 check is issued to Milwaukee County by the Cincinnati Insurance Company (insurance proceeds for the Courthouse fire claim).

September 12, 2014

- An \$800,000 check is issued to Milwaukee County by the State of Wisconsin (insurance proceeds for the Courthouse fire claim).

September 18, 2014

- Administration briefs the County Board Committee on Finance, Personnel and Audit on the Courthouse fire. Topics discussed include:
 - The Administration reports the County has settled its claim for the Courthouse fire for \$19.1 million; the County has received all but approximately \$1 million in insurance proceeds from the Fund. Work will wrap up in late October/early November.
 - When asked if DAS knows of anything related to the fire that won't be paid, including loss time where people were paid but couldn't come to work, the DAS Director stated that the only cost he knows of that probably won't be covered is the cost of the Safety Building generator.
- The Committee also recommended adoption of the following files related to the Courthouse fire:
 - File No. 14-701, related to the reallocation of unspent bond proceeds, which included a \$100,000 reallocation to cover the cost of the Safety Building generator replacement.
 - File No. 14-707, fund transfers, including a transfer of \$350,000 in insurance proceeds to the contingency fund, backfilling an earlier Board action where funding for the Courthouse fire repairs was advanced from the contingency fund.

September 24, 2014

- The County Board of Supervisors unanimously adopted the following files related to the Courthouse fire:
 - File No. 14-701, related to the reallocation of unspent bond proceeds, which included a \$100,000 reallocation to cover the cost of the Safety Building generator replacement.
 - File No. 14-707, fund transfers, including a transfer of \$350,000 in insurance proceeds to the contingency fund, backfilling an earlier Board action where funding for the Courthouse fire repairs was advanced from the contingency fund.

October 28, 2014

- Milwaukee County issues a check in the amount of \$250,000 to Universal Restoration for work on the Courthouse fire project.

October 31, 2014

- Milwaukee County Corporation Counsel receives a letter from Cincinnati Insurance Company discussing the findings of their technical consultant, Rimkus Consulting Group, Inc., regarding the Courthouse fire loss.

November 4, 2014

- A \$1,015,454.66 check is issued to Milwaukee County by the State of Wisconsin (insurance proceeds for the Courthouse fire claim).



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Theodore K. Nickel, Commissioner

Wisconsin.gov

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August 11, 2014

MR JEROME J HEER
MILWAUKEE COUNTY
OFFICE OF THE COMPTROLLER AUDIT SERVICES DIVISION
CITY CAMPUS 9TH FLOOR
2711 WEST WELLS ST
MILWAUKEE WI 53208

Re: Open Records Request

Dear Mr. Heer:

The Office of the Commissioner of Insurance (OCI) is in receipt of your open records request dated July 25, 2014, requesting "copies of the detailed invoices for each check draw issued to Milwaukee County, as part of the 2013 courthouse fire insurance claim" including "all invoices and further back-up, which served as a basis for payment." Pursuant to s. 19.35 (4) (a), Wis. Stat., this letter constitutes OCI's denial of your request.

OCI is withholding confidential documents based on the balancing test. The records you have requested pertain to an open claims investigation and the public interest in maintaining confidentiality of documents pertaining to an open claims investigation and attempting to prevent the investigation from being compromised, outweighs the public's interest in the disclosure of such records prior to resolution of the claim.

The insurance policy provided to Milwaukee County by the Local Government Property Insurance Fund (LGPIF) is a reimbursement policy. The LGPIF does not enter into any contracts with contractors for the repair and restoration of damaged property. Milwaukee County would therefore possess all of the invoices that were submitted to the LGPIF for payment.

This determination is subject to review by mandamus under Wis. Stat. § 19.37(1) or upon application to the attorney general or district attorney.

If you have any questions, please call me at (608) 261-6017 or e-mail me at Mollie.Zito@wisconsin.gov.

Sincerely,

A handwritten signature in black ink, reading "Mollie K. Zito". The signature is written in a cursive style with a large, sweeping "M" and "Z".

Mollie K. Zito
Chief Legal Counsel

M E M O R A N D U M

TO: Jerome Heer, Director, Audit Services

FROM: Don Tyler, Director, Department of Administrative Services

DATE: December 2, 2014

SUBJECT: Department of Administrative Services Response to the December 2014 Audit Titled, "Aftermath of Courthouse Fire Illustrates Need for Improved Insurance Claims Management and Business Continuity"

Thank you for the opportunity to respond to your audit related to the Courthouse fire. Department of Administrative Services (DAS) staff have reviewed the report and your recommendations and would like to share some additional observations.

It's worthy to note that this event was one-of-a-kind and of a scale rarely experienced in the State, Region or the U.S. The fire caused a catastrophic power outage of over 1.5 million square feet of space across three major facilities encompassing a jail, courts and administrative offices. Fortunately, smoke damage was confined to the seven floors of the Courthouse building.

The response by WE Energies, Pieper Electric and staff to get power back to the complex was extraordinary and should not go unrecognized. WE Energies quickly identified a temporary solution to get the Criminal Justice Facility off the generator and air conditioning back; what they projected would take 24 hours, took eight. Working with WE Energies, Pieper Electric brought in nearly 10 miles of electrical cable and four massive generators from all parts of the country to quickly get the Safety Building operational by Wednesday, July 10th, three days after the fire. On July 15th the Courthouse opened for most activities and on July 24th the Courthouse fully reopened.

Overall, the audit report reflects a fair and balanced review of the County's response to one of the more significant events the County as a whole has ever had to respond to. Your report is comprehensive in its illustration of the timeline of events that took place during the day of the fire, it nicely summarizes the expenses recovered through the insurance claim and it reminds us of previous audits by Audit Services and provided to the Milwaukee County Board of Supervisors and the County Executive regarding the need to address failing infrastructure.

The following summarizes some additional observations by DAS, general responses related to the report and finally, specific responses to your recommendations:

Additional Observations

1. Business Continuity. DAS shares the report's observation that there was virtually no continuity plan in place. Shortly after beginning employment with the County in February 2013, the DAS Director discovered that there was no Continuity Plan in place and when

seeking information on the topic was provided a rudimentary draft of a document that dated back to 2005. This gap was quickly recognized and was expected to be addressed in the coming year. In fact, a Continuity of Operations Plan (COOP) team was formed to begin this effort.

2. County Staff and Community Response. But for one or two elected offices, the response by leadership and staff was remarkable, patient and supportive. Given the lack of a continuity plan, most department leaders took action on their own to get operations up and running quickly and efficiently. Departments housed in the Marcia Coggs and City Campus buildings immediately reached out to Courthouse staff making space available; Courts and the District Attorney's Office consolidated operations into the Criminal Justice Facility to minimize interruption of proceedings. Businesses in the community came together and provided free water for staff and workers in the early days; MCTS provided buses on the premises as "cooling stations" for staff and clients due to hot conditions in the Courthouse during the early days of the restoration process. All in all, department leadership and staff quickly filled the gap due to an incomplete continuity plan.
3. Sheriff's Office. DAS would be remiss if it was left unacknowledged the significant role the Sheriff's Office played during the restoration process. While the costs associated with the Sheriff's role were recovered through insurance (approximately \$379,753), their 24/7 commitment to security in the first several weeks of the restoration process was critical. The restoration process required hundreds of contractors and workers going in and coming out of the Courthouse facility; the Sheriff's Office took over the responsibility of completing background checks, creating IDs and monitoring cleanup teams.
4. Emergency Management Services Role. DAS shares the report's observation that the role played by Emergency Management Services was virtually non-existent. We would suggest that this was a significant gap that made it challenging for DAS Administration, Facilities Management, IMSD and Risk Management, having to not only focus on the restoration process, but also having to focus on public safety and comfort issues and continuity of operations at remote locations. DAS believes that consolidated services under the Office of Emergency Management, newly created in the 2015 budget by the County Executive and County Board, and reporting directly to the County Executive will strengthen the responsiveness and coordination of activities typically provided by this department. Additionally, as the continuity plan is developed, DAS recommends that Corporation Counsel play a more active role in major events. Events of this scale oftentimes end up in litigation and having Corporation Counsel informed and engaged in various activities in early phases of any future emergency could help shape documentation, security and communications.
5. Local Government Property Insurance Fund ("Fund"). DAS is appreciative of the overall approach, flexibility and responsiveness of the Fund. It is possible that if the County were with a different insurance carrier the process would have been more cumbersome and

challenging. DAS was able to engage key officers of the Fund on the day of the fire and quickly received approval to get the restoration work underway; a representative of Crawford (“Insurance Adjustor”) was immediately on the premises to provide direction on coverage under the policy. Ad hoc hallway conversations and daily meetings on the premises with the Insurance Adjustor ensured that work being completed would be covered by the Fund. This interactive approach was one reason we continued to have confidence that the Fund would cover all expenses directly related to the fire. This relationship has served Milwaukee County well through the years. *Excluding the Courthouse fire claim*, the County has been reimbursed over \$17 million in claims against \$2.5 million in premiums over the past five years. As noted in the report, changes to and for the Fund were forthcoming regardless of the Courthouse fire. The pricing model, policies and procedures were not fiscally sustainable for the Fund and significant changes were in the works as a result of a recently completed audit by the State Legislative Audit Bureau.

6. Appliances and Extension Cords. The Courthouse fire afforded the opportunity for DAS Administration to get an up close view of how offices are set up and maintained. It quickly became evident that there was no clear policy on safety and energy usage. Many, many offices and office cubicles housed personal appliances, including refrigerators, microwaves, toaster ovens, space heaters, curling irons, vending machines, etc. Oftentimes multiple personal appliances were plugged into “daisy-chained”, thin household extension cords. Recognizing the potential safety hazard and the energy costs, DAS established a policy outlining the use of personal appliances. Numerous appliances were either discarded or removed from the Courthouse and now, for the most part, the Courthouse Complex has common break room areas with approved appliances for safety and energy. While some elected offices choose not to comply with these new guidelines, overall the environment is safer and less energy is being used.
7. Personal Printers and Copiers. DAS Administration also observed numerous personal printers and multiple copy machines within close proximity of each other. More research confirmed that there has been a pattern of departments purchasing their own printers and copiers with little or no involvement from IMSD and Procurement. Personal printers are expensive to operate and take up excessive energy; decentralized purchasing or leasing of copiers is inefficient and expensive. Therefore, as part of IMSD’s Desktop Transformation Project, guidelines were established to provide personal printers on an exception, case by case basis. As a result, most departments have complied with this new policy reducing costs and creating a safer environment. DAS is finalizing a new procedure to consolidate the acquisition and management of multiple-purpose printers to further improve safety and reduce costs.

8. Clarity on Facilities Management and IMSD. Another observation as a result of the Courthouse fire is that Facilities Management and IMSD seem to have the responsibility of managing the Courthouse Complex and providing technology, but don't always have the authority to enforce policy and procedures with departments run by elected officials and constitutional officers. As such, this has made it difficult to enforce certain safety, systems and energy procedures. DAS encourages Audit Services to take a proactive approach to fully assess the challenges of working with constitutional and elected offices and providing recommendations on how to effectively move forward.
9. Data Centers. The report identifies one of the more significant business continuity risks the County continues to have related to the County's primary and secondary data centers housed in the Courthouse Complex. Moving one, if not both, data centers out of the Courthouse Complex is a priority for DAS as reported to the Board in April 2014. We look forward to receiving support and approval for this move in 2015. Retaining an outside service provider to house and manage our core data will mitigate a significant risk the County has been exposed to for many years.
10. RFP Process. The report notes "An RFP process was not used to hire Courthouse fire contractors." We believe that Audit Services understands and appreciates why it would not have been practical to issue an RFP for the restoration services at time of the fire; an RFP would have taken weeks, if not months to issue and award, therefore delaying the opening of the Courthouse for months. Given the terms of the policy (low deductibles), combined with direction received from the Insurance Adjustor, we were confident that "sole sourcing" would not only get the work done in a timely fashion, but the costs would be covered within the claim. This proved to be the case.

Going forward, Risk Management is in the process of establishing a procedure that will include a set fee schedule for core restoration services through a bid process, much as Facilities Management does. This procedure should ensure the County receives the best value for services paid for during the deductible phase of the policy. Regardless, the County will continue to work closely with the Fund and the Insurance Adjustor to ensure costs are fully covered under the policy.

11. Crawford Connection vs. "Preferred Vendors". The report points to DAS's reference to "preferred vendors" provided by the Fund. We acknowledge that this was a term used at Committee Meeting updates and a better phrase would have been "contractors on Crawford Connection." Crawford, the Fund's Insurance Adjustor, provides a list of contractors that have been vetted on its website for the Fund's clients to access for restoration work. Crawford Connection verifies that the contractors have proper licensing, insurance, financial stability, pass a criminal background check, adhere to performance monitoring, and provide a three year warranty on all projects. Since the fire, the County continues to work with

Crawford when selecting contractors for restoration work. Contractors used for the Courthouse fire restoration work continue to be contractors listed on Crawford Connection.

12. **Cost Categories.** We appreciate Audit Services review of reimbursable direct costs associated with the Courthouse fire; we agree that \$74,094 of direct costs were not covered in the insurance claim. Of that amount, \$18,049 was due to Family Care Services decision to relocate outside of a County facility, knowing that they would have to cover the cost; the remaining amount was due to DAS retaining a cause and origin expert so that the County would be represented during the Cause & Origin investigation.

We also appreciate Audit Services recognition that the arbitrary use of the “MISC Payroll Time Code,” while important to report, is not an incremental cost associated with the fire, but rather part of a department’s normal payroll budget. Table 5 of the report illustrates how arbitrary the reporting was: Child Support Services coded the most hours, 6,378 hours, for a total amount of \$142,352. However, as noted in the report, Child Support Service was one of the Departments that quickly restored services at Coggs. In summary, DAS appreciates the observations outlined in the report. Directionally, we agree with most of the observations. Going forward, we would encourage Audit Services to consider a more pro-active approach to internal auditing, completing an annual assessment of risks across the County through a comprehensive interview of each of the department heads and respective leadership teams. This pro-active approach may bring to light significant risks that may be mitigated in the future.

The following is a summary of our response to the recommendations in the report.

1. **The final cause and origin report(s), if any, be obtained and shared with appropriate County officials, including the County Executive and County Board of Supervisors so the County can address any further action that may be needed.**

Response: The Department of Administrative Services will continue to provide information to the extent it is made available to this Department for public distribution, including any reports related to the cause and origin report(s) to appropriate County officials, including the County Executive and County Board of Supervisors.

2. **Work with appropriate parties to institute back-up alarm monitoring procedures and protocols so that the County facilities aren’t dependent on one monitoring site.**

Response: The Department of Administrative Services will solicit recommendations from the recently-formed Office of Emergency Management Department in how to best provide for an adequate, safe and secure alarm monitoring system, which may include seeking funding from the Board of Supervisors to purchase, install and maintain a back-up alarm monitoring system. This assessment should be completed by no later than September 30, 2015 and, if required, budgeted for in 2016. Additionally, the Department of Administrative Services will review monitoring procedures and protocols for the alarm system and provide annual updates to the Continuity of Operations Plan (COOP) Committee.

3. Explore the possibility of relocating Emergency 911 Communications to a more secure location.

Response: The Department of Administrative Services strongly endorses this recommendation and has been navigating to this decision for some time. We are supportive of 911/Dispatch now being consolidated away from the Sheriff's Office and under the County Executive within the newly-formed Office of Emergency Management ("OEM"). This significant reorganization now affords DAS the opportunity to work with a department to resolve significant intermediate and long-term issues related to the specific location and environmental and IT requirements.

Prior to this consolidation, DAS Administration and Information Management Services Division (IMSD) attempted to address some core issues. Lack of clarity around authority and responsibilities complicated the effort. Regardless, a workgroup was formed in early 2014 to work through near-term, intermediate-term and long-term solutions. The near-term solution was to do what can be done to stabilize the environment and secure an improved backup capability. This effort is all but complete. The intermediate-term effort is to improve current and outdated technology systems with a long-term view in mind.

The long-term solutions range from securing the current location and operating system to consolidating 911/Dispatch with another local government. Exploring various options and identifying a best practice for Milwaukee County, the newly formed OEM, along with multiple DAS divisions will work with the Milwaukee County Board of Supervisors, the Public Policy Forum and the ICC, to determine the most feasible approach to 911/Dispatch for Milwaukee County and perhaps certain municipalities.

This work will be completed over an extended period of time and updates can from OEM be made as requested.

4. The Department of Administrative Services examine the Courthouse Complex's current fire alarm system and associated fire response protocols to ensure the County is properly positioned to respond to future fire incidents.

Response: See response to Recommendation #2 above.

5. The Milwaukee County Board of Supervisors amend s.99.02 of the General Ordinances to Milwaukee County to comply with #323.14(1)(a)2, Wis. Stats.

Response: DAS is supportive of this recommendation and would be pleased to work with Corporation Counsel and the County Executive's Office in drafting an amendment.

6. Continue work on the Milwaukee County COOP, including regular exercises and training for both new and veteran employees.

Response: DAS staff from Risk Management, Facilities Management, IMSD and Administration have been actively engaged in participating and helping shape the Milwaukee County COOP platform. DAS is supportive of the recent consolidation of various emergency management services into the OEM under the County Executive. This significant change will

allow for better coordination of COOP activities, regular exercises and training. DAS does not have the authority to establish timelines and deliverables but will now be closely engaged with the OEM in support of the effort.

7. Provide regular informational updates on the County's COOP so that County officials, employees, and the public are aware of the County's emergency plan.

Response: Please see above. DAS does not have the specific authority but will be engaged in the process of providing updates and helping the County officials, employees and the public are aware of the County's emergency plan.

8. The Department of Administrative Services enhance its procurement card policy and procedures manual to state that all procurement cards stored with County facilities be secured in locked cabinets and drawers at all times when not in use, and further, that all check stock also be secured.

Response: Over the past two years, DAS has significantly enhanced its procurement card policy and procedures recognizing that there was a significant opportunity for improvement in compliance, usage and oversight. Some of these actions include:

- Pre-approval of P-Card issuance by the Procurement Director;*
- An annual re-issuance of the P-Card Manual to all cardholders;*
- Quarterly reviews by the Departmental Coordinators of their responsibilities;*
- Quarterly confirmation by the Departmental Coordinator of the current cardholders under their supervision.*

Regarding the recommendation to state that all procurement cards stored with County facilities be secured in locked cabinets and drawers, Procurement's preference is to reinforce the obligation on the authorized cardholder's part to assure the card is safe and secure regardless of whether it's kept in their personal possession or not.

As of December 1, 2014 the P-Card Manual has been revised to state:

Section 3.9 CARD SECURITY

3.9.1 It is the cardholder's responsibility to safeguard the purchasing card and account number information to the same degree that a cardholder safeguards their personal credit card information and that all procurement cards stored within County facilities be secured in locked cabinets or drawers at all times when not in use or in physical possession by the cardholder. Cardholder is responsible to assure the card is safe and secure.

Regarding check stock being secured, DAS would need to defer to the Office of the Comptroller and/or the Treasurer's Office to propose procedures and policies since DAS has no oversight on the management of checks, etc.. DAS does this recommendation and would also suggest that policies and procedures are clarified regarding the overall use, monitoring and compliance of bank accounts countywide.

9. The Department of Administrative Services provide the County Executive and County Board of Supervisors with a detailed final breakdown of the cost categories listed below once all payments associated with the Courthouse fire are made.

Response: DAS has provided regular updates to the County Executive and 12 committee updates to the County Board of Supervisors during the course of the restoration process and will continue to do so as needed. As noted in previous reports, Milwaukee County has settled the claim for \$19.1 million and has received reimbursement for these expenses.

As of the date of this report, of the \$19.1 million in revenue received from the insurance carriers, the County has paid out approximately \$17.5 million to either outside contractors or to those Milwaukee County departments submitting a claim to recover the cost of incremental wages paid out due to work related to the restoration process. The restoration work is expected to be completed early 2015 and most of the remaining balance will be paid out at that point.

DAS will be completing its own reconciliation of expenses and will provide a summary report of this reconciliation to the County Executive and the Milwaukee County Board of Supervisors. We expect to have this completed sometime in late March, 2015.

Regarding a detailed breakdown of #4 cost category noted in this report, DAS will not provide a breakdown for this category because it is not relevant to the cost and cost reimbursements related to the Courthouse fire.

Additionally, the payroll coding narrative in this section of the report, as noted above, is not relevant to direct costs and cost reimbursements associated with the restoration of the Courthouse. Not only is the administrative tracking of budgeted payroll unrelated, the detailed chart in the report clearly reflects inconsistent use of the "MISC" coding by Departments and staff, making the data meaningless for any purpose.

For instance, Child Support Services coded the most hours, 6,378 as "MISC" while at the same time being one of the County's most progressive, "can-do" departments in getting established and up and running to serve the needs of their customers.

10. The Division of Risk Management establish a process to vet restoration firms to the need for emergency services. Such a process should include the establishment of mutually agreed upon rates for a predetermined scope of services.

DAS has already begun work to establish a process in clearly establishing a procedure and protocol in engaging with restoration firms. While the low deductible provided by the Fund in the past provided little need for the County to negotiate fee schedules different than negotiated fees by the Insurance Adjustor, the current deductible places the County front and center for the first \$1.5 million in costs, plus relatively high deductibles of \$5,000 per claim.

Risk Management now has a team of experienced experts with significant knowledge of the insurance and safety industry who will help Milwaukee County establish industry "best

practices” on claims management, vendor selection, internal policies and procedures, compliance and oversight.

It’s unfortunate that a catalytic event ended up shining the light on some business practices that have been going on for years at Milwaukee County with few internal controls or internal review. As a consequence of this event, the County now has an experienced Risk Management Director and a seasoned Safety Manager awakening the County to take a broader look on how to manage risk.

DAS encourages the Office of the Comptroller to consider a new, proactive approach to its internally auditing approach; rather than reacting to Milwaukee County Board of Supervisors requests, DAS suggests that the Audit Services take a more pro-active annual review, department by department, approach to better identify risks before they happen. Such an approach could have flagged some of the business practices highlighted in this report, thus avoiding some of the issues rather than completing a post-mortem as to why something happened.

- 11. The Division of Risk Management prepare a detailed policy and procedures manual for the handling of property restoration claims, which includes record retention and claim management procedures with internal controls that can be transitioned seamlessly in a time of staff turnover.**

Response: See above.

- 12. Maintain maintenance and service logs on all major County building systems such as electrical, HVAC, UPS, fire, plumbing, roof, façade, etc.**

Response: DAS supports this recommendation and is in the process of establishing stronger policies and procedures related to building and equipment maintenance, monitoring and service. This event has made it clear that Facilities Management staff has not utilized systems to effectively manage and complete basic work order requests and establish and maintain service documentation on core environmental. Recent retirements within Facilities Management has afforded the opportunity for changes in personnel to provide a fresh start with stronger supervision and re-establishment of regular and routine service and maintenance checks, supplemented with enhanced service agreements with outside service providers.

This effort is a work in progress and DAS is committed to develop a facilities management best practice model, blending core in-house capabilities with facilities service providers to ensure that the County facilities and systems are maintained at an industry standard level.

- 13. Ensure that resources, whether internal or external, necessary to adhere to appropriate systems inspections/servicing schedules are a top operating budget priority.**

Response: DAS agrees and supports the need to have facilities and systems managed and maintained at an industry standard. This has been a priority over the past two years and will continue to be a priority in the future. The maintenance budget increased substantially in

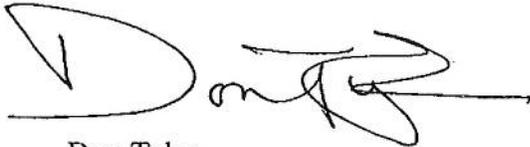
2013 from approximately \$100,000/year to just under \$800,000. While this maintenance budget amount is below benchmark standards for maintaining over four million square feet of office space, it is an important first step in transitioning from a "break-fix" program to truly a "preventative maintenance" program. Over the coming year DAS will be identifying a "best practice" facilities management model and will seek funding from the Milwaukee County Board of Supervisors to implement. This work is expected to be completed by September 2015.

In Summary

The Courthouse fire was a significant event that brought to light the strength of the County's leadership and staff, who responded to a once-in-a-lifetime emergency in a creative and collaborative way. In this respect it was a proud moment. It also brought to light significant gaps in processes, procedures, compliance and oversight. This report covered most of those issues. Since I am an optimist by nature, I also see the silver lining to this event. The Courthouse Complex now has a multi-million dollar, brand new power supply system, four floors of new carpeting and fresh paint throughout.

We thank Audit Services for the comprehensive research and due diligence; we recognize the hours and hours of work invested to complete the project. The report represents one small aspect of the effort.

Best,

A handwritten signature in black ink, appearing to read 'Don Tyler', with a large, stylized initial 'D'.

Don Tyler,
Director, Department of Administrative Services