

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: December 20, 2012

To: Supervisor Willie Johnson, Jr., Co-Chair, Committee on Finance, Personnel & Audit
Supervisor David Cullen, Co-Chair, Committee on Finance, Personnel & Audit

From: Scott B. Manske, Milwaukee County Comptroller

Subject: Review of Request for Proposal Evaluation Process used by the Department of Administrative Services—Risk Management for Recommending Contract Awards for Various Types of Insurance (File No. 12-984).

At its meeting on February 18, 1993, the Milwaukee County Board of Supervisors adopted a Resolution (File No. 93-168), which specified that the Department of Administrative Services (DAS) shall use Request for Proposals (RFPs) for the solicitation of all insurance services and that County Board approval is required before any coverage is purchased. At its meeting on December 13, 2012 the Committee on Finance, Audit & Personnel referred a report from the Risk Manager requesting authorization to enter into various insurance purchase agreements (File No. 12-984) to the Office of the Comptroller to review the process used to evaluate proposal submitted by prospective insurers. We focused our review on Public Entity Liability Insurance coverage. Based on our discussion with DAS staff, it is clear that the evaluation of the insurance proposals more closely resembled a process used for commodity purchases than one typically associated with an RFP process. That process has been used in previous Risk Management solicitations that have taken place since passage of the 1993 County Board resolution. In addition to concerns about compliance with the 1993 resolution, our review of the evaluation process used for the current insurance proposals identified the following concerns:

- The County's program for this line of coverage includes new approaches to both claims management and litigation of claims. One proposer provides these services with relatively limited support or control from Milwaukee County. The other proposers do not provide these services. It is clear that this new approach is a reaction to DAS staff's concern that they have relatively limited ability to control claims and litigation matters and even limited knowledge about the costs of these services (e.g., hourly rates for attorneys). We agree that staff should have more knowledge about every aspect of the County's coverage including claims, litigation, re-insurance and any other issues identified by Risk Management or Corporation Counsel. However, the initial evaluation process did not incorporate the cost or service implications of adopting these new claims management and claims litigation approaches.
- Price proposals that were submitted by firms and included in the analysis of proposals are not directly comparable. Cost variances due to claims services, and possibly legal services as noted in the previous point, were not fully costed. In addition, the price value of one proposal was not adjusted to incorporate an insurance dividend that would be paid to Milwaukee County. On the other hand, the value of having liquidity and control of the annual \$750,000 claims reserve that would be "fronted" under one proposal, was not scored either.
- The scoring for cost of coverage was not consistent with past County practice. Total potential points for cost of coverage were 45 points. Disclosure of commissions was scored as either 0 (no commission disclosure) or 5 (commissions disclosed), with no provision for scoring between the values of 0 and 5. Similarly, payments of dividends were scored as either 0 for 'no' or 5 for 'yes,' again with no provision for scoring between the values of 0 and 5. Therefore, a dividend proposal of \$10 would receive the same '5' score as a dividend proposal for \$100,000.

The remaining 35 points was scored at 35 if the lowest bid and less than the 2012 cost; 0 if no savings from the current cost and a proportion of the 35 points if the proposal would yield savings but the proposed fee was less than the current cost. This methodology has some limitations. For example, if all firms had costs higher than the current costs, they each would have received 0 of the 35 cost points, regardless of the spread in the proposed rates.

- The scoring methodology lead to scoring results that did not provide useful information to evaluate differences between the proposals. This is the result of scoring proposals in a methodology different from typical RFP processes that the County has followed in the past.
- Disadvantaged Business Enterprise scoring was done without input from the Office of Community Business Development Partners. A total of 15 points was awarded under evaluation criteria for the Public Entity Liability Insurance coverage.

For the other insurance proposals, we held discussions with Risk Management and reviewed the RFP evaluation criteria. Based on our review, several of these concerns would also apply to the evaluation of proposals for other insurance coverage included in the Risk Manager's report to the Finance, Audit & Personnel Committee.

It is the opinion of the Office of the Comptroller that the County Board should either amend its 1993 Resolution (File No. 93-168), or extend the existing contract with the current vendor under the fees proposed for 2013, and direct DAS—Risk Management to re-solicit insurance proposals for 2014 with an RFP evaluation process that addresses the concerns raised in this report or that has been approved by the County Board.



Scott B. Manske

SBM/cah

cc: Finance, Audit & Personnel Committee Members
Supervisor Marina Dimitrijevic, Chairwoman, Milwaukee County Board of Supervisors
Chris Abele, Milwaukee County Executive
Kelly Bablitch, Chief of Staff, County Board
Amber Moreen, Chief of Staff, Milwaukee County Executive
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