

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: October 14, 2013

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

From: Jerome J. Heer, Director of Audits

Subject: Status Report - Audit of the Milwaukee County Procurement Division (File No. 08-215)

The subject audit report was issued in May 2008. The Committee on Finance and Audit took action to receive and place the report on file at its meeting on June 17, 2008. Since that time, a series of status reports were submitted to the Committee regarding management's progress toward implementation of recommendations contained in the audit report.

Attached is the current status report from the Procurement Division. As noted in the report, two (nos. 8 and 11) of the eleven recommendations remain open and efforts to implement them continue. Management estimates that these items will be completed by February 2014.

As a result, we intend to request that Procurement management provide us with its final status report for the Committee's meeting in March 2014.

This report is informational.


Jerome J. Heer

JJH/PAG/cah

Attachment

cc: Scott Manske, Comptroller
Finance, Personnel and Audit Committee Members
Chris Abele, County Executive
Don Tyler, Director, Department of Administrative Services
Patrick Lee, Administrator, Procurement Division
Kelly Bablitch, Chief of Staff, County Board Staff
Steve Cady, Fiscal & Budget Analyst, County Board Staff
Janelle Jenson, Chief Committee Clerk, County Board Staff

STATUS OF IMPLEMENTING DEPARTMENT OF AUDIT REPORT RECOMMENDATIONS

Audit Title: An Audit of the Milwaukee County Procurement Division

File Number: 08-215

Audit Date: May 2008 **Status Report Date:** October 2013 **Department:** Department of Administrative Services – Procurement Division

Number & Recommendation	Deadlines Established		Deadlines Achieved		Implementation Status		Comments
	Yes	No	Yes	No	Completed	Further Action Required	

1. Either revert back to its long-standing practice of having purchases reviewed and approved by the Purchasing Administrator or a management-level designee, or develop a methodology to spot-check each buyer's purchasing decisions on a regular basis.					X		<p>Auditee: In November 2007, Procurement reverted back to having all of the purchases reviewed by the Purchasing Administrator or a management-level designee.</p>
2. Establish a requirement that buyers document in the file a rationale for their selection of a particular vendor on all Discretionary Purchases.					X		<p>Auditee: On Discretionary Purchases, departments will be required to state the reason for the purchase request in the description of the requisition. If the reason is questionable, buyers will contact the requesting department on vendor selection and the vendor on justification of the price or prices. This will be noted on the requisition.</p>
3. Work with the Department of Administrative Services to establish administrative procedures, for County Board consideration, requiring the production of an exception report identifying individuals in each organization unit that receives an hourly wage rate in excess of their established rates. Such procedures should also require departments to establish administrative review procedures to match wage rate exception reports with documents authorizing such variances.					X		<p>Auditee: The Department of Administrative Services instituted a new policy in June 2009, which no longer allows departments to enter or approve pay rates that are higher than authorized limits. Departments who want to pay higher rates as a result of a Temporary Assignment to Higher Classification (TAHC) will request the approval of the Department of Human Resources (see attached memo from Dr. Jackson dated 8/7/2009). Upon DHR approval, the TAHC request will be submitted to DAS - Central Payroll for entry of the higher rate, and a begin and end date for the TAHC request. DAS will review the new TAHC procedure to ensure that it is functioning and meets internal control requirements. The new procedure will eliminate the need for production of an exception report, and for the creation of Administrative Procedures in departments for monitoring pay rates.</p>

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<p>4. Resume the practice of directing prospective bidders to submit sealed bids to the Office of the County Clerk, to be transferred to the Procurement division at the time of bid opening.</p> <p>Alternatively, propose, for County Board consideration, a revision to s. 32.25 (6)(a) of the Ordinances that retains an acceptable separation between the functions of receiving and opening sealed bids.</p>					X		<p>Auditee: The Procurement Division has resumed the practice of requiring sealed responses to RFPs to be submitted to the Office of the County Clerk.</p> <p>Discussions are underway with the County Clerk to explore having all bids submitted to the County Clerk.</p> <p><u>Update 01-09-12</u> Meeting will be scheduled in 1st quarter of 2012.</p> <p><u>March 2013 Update</u> Completed. Effective December 2012 for all Sealed Bids and RFP submissions, prospective bidders are directed to submit responses to the Office of the County Clerk.</p>
<p>5. Establish formal requirements that all bid openings conducted by Procurement staff are documented as witnessed by at least one other party.</p>					X		<p>Auditee: The Procurement staff conducts all bid openings which are documented and witnessed by at least one other party. A witness form that includes bid/RFP number; bid/RFP title; date; buyer name; and witness name has been developed and will be maintained in Procurement files.</p>
<p>6. Ensure completion of the Procurement electronic mail notification system in 2008.</p>					X		<p>Auditee: Procurement worked with IMSD to implement the an Electronic Vendor Notification system. System testing was done in October 2009 with full implementation in February 2010. In addition, all Procurement bids and RFPs are now posted on the County's Business Opportunity Portal.</p>
<p>7. Reinforce and monitor staff in good recordkeeping practices.</p>					X		<p>Auditee: Good recordkeeping practices of the staff will be reinforced and monitored. Reviewing filing procedures and organizing file areas will help accomplish this. Monitoring and reinforcement began in September 2007 and will be an ongoing process.</p>

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<p>8. Initiate a review of Best Practices in government procurement policies and procedures and incorporate such in a complete revision of Milwaukee County Procurement policies and procedures. Particular attention should be paid to concepts of sound internal control and segregation of duties.</p>	<p align="center">X</p>					<p align="center">X</p>	<p>Auditee: A review is underway of the Best Practices in government procurement policies and procedures that will be incorporated into the Milwaukee County Procurement Policies and Procedures Manual. Emphasis will be given to concepts of sound internal control and segregation of duties. The anticipated completion of the Policy and Procedures Manual is December (Update 01-09-12).</p> <p><u>March 2013 Update</u> Complete revision of Milwaukee County Procurement policies and procedures was anticipated to be completed by December 2012 based upon a proposed 2012 budgeted request for Study Funding. The new Director and Contract Administrator positions, filled late 2012 and early 2013, are developing an action plan to complete recommendation. Interim changes will be submitted for approval as appropriate for best practices and/or in response to historical Audit findings and responses.</p> <p><u>October 2013 Update</u> In July 2013 Procurement instituted use of Advantage to segregate the request and approval process in to use sound internal control and segregation of duties and PC generation provided by system. Procedures and opportunities related to sealed bids and sourcing remain and will be address and reported upon not later than February 2014.</p>
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	9. Establish a formal training program for staff buyers regarding the procedures developed in conjunction with recommendation number eight.					X	
10. In conjunction with the Best Practices review recommended in this report, initiate a staff re-organization plan to enhance the internal control structure of the Procurement Division. This should include adding positions sufficient to allow for proper segregation of duties, an increase of at least one or more buyers to provide capacity for greater specialization, and an additional supervisory or management position to provide greater management oversight of operations.					X		<p>Auditee: The Procurement Division has reviewed ways to re-organize staff to better control and enhance the internal control structure of the Procurement Division. A permanent Purchasing Manager position has been added and an Office Support Asst. II position is being recruited (Update 01-09-12). Buyers have been given specific commodities to purchase, which provides the opportunity for commodity specialization and reduces confusion when departments inquire about purchases. Also, the Procurement Division will continue to review best practices and procedures, which may lead to further re-organization and recommendations for added resources in the future.</p>

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	11. Establish a practice of reviewing, on a regular basis, the justification for applying sole source status to recurring purchases.	X					