

**COUNTY OF MILWAUKEE**  
**Inter-Office Communication**

**Date:** April 1, 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 implementation of recommendations contained in the audit report.

Attached is the current status report from the Procurement Division. As noted in the report, two of the eleven recommendations remain open and efforts to implement them continue.

It is our intention to request an updated status report from the Procurement Division in time to submit it to the Committee for its October 2013 meeting.

This report is informational.

  
Jerome J. Heer

JJH/PAG/cah

Attachment

cc: Scott Manske, Comptroller  
Finance, Personnel and Audit Committee Members  
Chris Abele, Milwaukee County Executive  
Don Taylor, 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  
Carol Mueller, 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:** March 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><b>Auditee:</b> 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><b>Auditee:</b> 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				X		<p><b>Auditee:</b> 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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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.  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.	X					X	<p><b>Auditee:</b> 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 1<sup>st</sup> 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>
5. Establish formal requirements that all bid openings conducted by Procurement staff are documented as witnessed by at least one other party.	X				X		<p><b>Auditee:</b> 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>
6. Ensure completion of the Procurement electronic mail notification system in 2008.	X				X		<p><b>Auditee:</b> 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>

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	7. Reinforce and monitor staff in good recordkeeping practices.					X	
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.	X					X	<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>
9. Establish a formal training program for staff buyers regarding the procedures developed in conjunction with recommendation number eight.		X			X		<p><b>Auditee:</b> A formal training program has been established for staff buyers and will be included in the Milwaukee County Procurement Policies and Procedures Manual. Training is an ongoing process.</p>

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	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				X	
11. Establish a practice of reviewing, on a regular basis, the justification for applying sole source status to recurring purchases.	X					X	<p><b>Auditee:</b> The Procurement Division will work with the Purchasing Standardization Committee at the next 2012 (Update 01-09-12) meeting to establish guidelines and timeframes to review the justification for applying sole source status to recurring purchases.</p> <p><u>March 2013 Update</u> Proposed changes as a result of a corresponding issue identified in the 2008 Audit Professional Services December 2008; Item #3 Recommendation is currently under review by Corporation Counsel with an estimated submission for approval no later than June 2013. Proposed changes are modeled after the American Bar Association's 2000 Model Code.</p>