

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

**Date:** May 2, 2011

**To:** Johnny Thomas, Vice Chair, Committee on Finance and Audit  
Peggy West, Chair, Committee on Health and Human Needs

**From:** Jerome J. Heer, Director of Audits

**Subject:** Status Report – BHD Food Service Privatization Audit (File No. 10-290)

At its meeting on September 23, 2010, the Committee on Finance and Audit passed a motion to receive and place on file our audit report entitled "Savings from BHD Food Service Privatization Fall Short of Expectations but Remain Substantial," with a status report due back to the Committee. At the Committee on Health and Human Needs meeting on October 27, 2010, the Committee chair also requested the status report.

Attached for your review is the requested status report. Please note Behavioral Health Division management comments regarding its progress toward implementing our two audit report recommendations, along with the draft checklist to be used for future privatization initiatives.

As noted in the status report, the recommendations are being adequately addressed, with completion of the first recommendation expected in July and continued efforts to adhere to the State's corrective action plan.

The status report is informational and no further action is required.

  
Jerome J. Heer

JJH/PAG/cah

Attachments

cc: Finance and Audit Committee Members  
Health and Human Needs Committee Members  
Chris Abele, Milwaukee County Executive  
Geri Lyday, Interim Director, Department of Health and Human Services  
Paula Lucey, Director, DHHS – Behavioral Health Division  
Terrence Cooley, Chief of Staff, County Board Staff  
Steve Cady, Research Analyst, County Board Staff  
Jennifer Collins, Research Analyst, County Board Staff  
Carol Mueller, Chief Committee Clerk  
Jodi Mapp, Committee Clerk, County Board Staff

**STATUS OF IMPLEMENTING DEPARTMENT OF AUDIT REPORT RECOMMENDATIONS**

**Audit Title: Savings from BHD Food Service Privatization Fall Short of Expectations but Remain Substantial**

**File Number: 10-290**

**Audit Date: August 2010**

**Status Report Date: April 29, 2011**

**Department: DHHS - Behavioral Health Division**

Number & Recommendation	Deadlines Established		Deadlines Achieved		Implementation Status		Comments
	Yes	No	Yes	No	Completed	Further Action Required	
1. Work with the Department of Administrative Services to develop a comprehensive standardized checklist of elements for consideration in calculating savings from privatization initiatives. The checklist should include, but not be limited to, all personnel costs, including active fringe benefit costs, overtime, unemployment compensation, and employee displacement services, as well as outside revenue offsets and other costs. The calculations should be made for both the initial year of implementation and for subsequent years, if materially different.		X		X	No	Yes	Auditee: BHD has been working with DAS to develop a checklist for future privatization initiatives. A DRAFT checklist is attached to this report. DAS And BHD will continue this initiative by asking Audit, County Board Staff and the new Director of DAS and Fiscal and Budget Administrator to review the document and make suggestions and comments. BHD and DAS staff will revise it and submit a final checklist to the Department of Audit in July 2011.

**STATUS OF IMPLEMENTING DEPARTMENT OF AUDIT REPORT RECOMMENDATIONS**

**Audit Title: Savings from BHD Food Service Privatization Fall Short of Expectations but Remain Substantial**

**File Number: 10-290**

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**Status Report Date: April 29, 2011**

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2. Adhere to the corrective action plan related to oversight of contracted dietary services, outlined to the State of Wisconsin in its response to the Statement of Deficiencies and Plan of Correction report for the survey completed on May 11, 2010.		X		X	Yes	No	Auditee: BHD has continued to abide by all elements included in the Plan of Correction regarding contracted dietary services including: <ul style="list-style-type: none"> <li>✓ The Infection Control Practitioner completes rounds of all food service areas at minimum on a quarterly basis.</li> <li>✓ A viands representatives attend the BHD Infection Control and Environment of Care meetings monthly.</li> <li>✓ BHD Maintenance staff has completed a significant amount of work on the food service building including re-building coolers, re-surfacing many areas with stainless steel and increasing maintenance of equipment. BHD Operations managers conduct regular rounds of the building.</li> <li>✓ BHD established an annual deep cleaning scheduled for all on-site and off-site kitchen operations with the BHD cleaning vendor.</li> <li>✓ A viands cleaning schedule is monitored regularly by BHD operations staff.</li> <li>✓ A new Dietary Supervisor has been hired by BHD to oversee food services including quality control and adherence to dietary needs of clients. She works closely with BHD staff and the food service vendor to improve food service and address any issues that arise.</li> <li>✓ A new Quality Assurance Coordinator was hired by BHD to monitor contracts, including food service.</li> </ul>

**DRAFT**

**Privatization Initiatives Checklist**

*If a department is considering a new privatization initiative, DAS requests that the following spreadsheet be used when calculating savings. A calculation must be done for the initial year of implementation and the subsequent year on a budget and an actual basis.*

	Current Year Budget	Initial Year Budget	Subsequent Year Budget		Current Year Actual	Initial Year Actual	Subsequent Year Actual	NOTES
<b>Fiscal Considerations</b>								
Salary (5199)								
Social Security (5312)								
Overtime (5201)								
FTE (include detail of all abolished and created positions on a separate form with title code, salary etc)								
Active Fringe Benefits (5420 and 5421)*								
Support Services Analysis (i.e. reduction or increase in maintenance, fiscal, HR, administration, contracts, QA outside of service area)								
Unemployment Compensation (Use Federal UE compensation rates and work with DAS to determine a % of employees likely to collect UE)								
Displacement Services (Work with Central HR to consider costs per employee depending on field)								
Revenue Adjustment - include explanation of loss of revenue if any								
Crosscharge Adjustments (include Ceridian, IMSD, Central Service etc)								
Sick Pay Balance Payout								
Payout for vacation (depends on timing)								
Miscellaneous and Other fiscal issues								
Cost of contract (Include an explanation of how this was calculated - i.e. using RFP bids, industry standards etc)								
Other increased costs related to implementation of the contract such as oversight, supplies etc								
<b>Other Considerations</b>	<b>Narrative</b>							
<b>Program Changes</b> - include benefits to the program and potential issues from a programmatic point of view. This should be reviewed after one year and reassessed.								
<b>Performance Measures</b> - Establish performance measures before privatization and track them for at least one quarter prior to and after implementation of privatization.								
Assess if the contract should be Purchase of Service or Professional Service (refer to Audit for more information and detail)								

\*if doing as a budget initiative, please use the budgeted fringe rate. If doing mid-year, use memos from DAS- Accounting regarding the actual fringe rate for the year.