

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: July 5, 2011
To: Supervisor Johnny Thomas, Chairman, Committee on Finance and Audit
From: Jerome J. Heer, Director of Audits
Subject: Status Report - Audit of the Milwaukee County Procurement Division (File No. 08-215)

At its meeting on June 17, 2008, the Committee on Finance and Audit voted to receive and place the subject audit report on file with a six-month status report.

Subsequent Committee actions regarding implementation of recommendations contained in the audit report are noted as follows:

12/08/08: Receive and place six-month status report on file with a three-month status report.

03/12/09: Receive and place three-month status report on file.

01/28/10: Receive and place updated status report on file with a status report in December 2010.

11/22/10: Receive and place on file with future status reports due as recommended by the Audit Department (July 2011 was recommended).

Attached is the current status report update prepared by the Procurement Division.

As indicated in the status report, four of the eleven recommendations remain open. If implementation of the remaining recommendations is addressed as noted by Procurement management, we anticipate providing a final status report in January 2012. This report is submitted for informational purposes.



Jerome J. Heer

JJH/PAG/cah

Attachment

cc: Finance and Audit Committee Members
Chris Abele, Milwaukee County Executive
Patrick Farley, Director, Department of Administrative Services
Amos Owens, Administrator, Procurement Division
Terrence Cooley, 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: 06-30-11

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 | | | | 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> |

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: 06-30-11

Department: Department of Administrative Services – Procurement Division

| Number & Recommendation | Deadlines Established | | Deadlines Achieved | | Implementation Status | | Comments |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|--------------------|----|-----------------------|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Yes | No | Yes | No | Completed | Further Action Required | |
| | | | | | | | |
| 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>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> |
| 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>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> |
| 6. Ensure completion of the Procurement electronic mail notification system in 2008. | X | | | | 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> |
| 7. Reinforce and monitor staff in good recordkeeping practices. | | | | | 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> |

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: 06-30-11

Department: Department of Administrative Services – Procurement Division

| Number & Recommendation | Deadlines Established | | Deadlines Achieved | | Implementation Status | | Comments |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|--------------------|----|-----------------------|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Yes | No | Yes | No | Completed | Further Action Required | |
| | 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 | | | | | |
| 9. Establish a formal training program for staff buyers regarding the procedures developed in conjunction with recommendation number eight. | | X | | | X | | Auditee: 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. |
| 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 | Auditee: The Procurement Division is currently reviewing ways to re-organize staff to better control and enhance the internal control structure of the Procurement Division. Buyers have been given specific commodities to purchase, which provides the opportunity for commodity specialization and reduces confusion when department inquire about purchases. Also, the Procurement Division will review best practices and procedures, which may lead to further re-organization and recommendations for added resources in the future. |
| 11. Establish a practice of reviewing, on a regular basis, the justification for applying sole source status to recurring purchases. | X | | | | | X | Auditee: The Procurement Division will work with the Purchasing Standardization Committee at the next 2011 meeting to establish guidelines and timeframes to review the justification for applying sole source status to recurring purchases. |