



Office of the County Auditor

Shelly A. Banks, C.P.A.

Cook County Auditor

69 West Washington, Suite 2200 • Chicago, Illinois 60602 • (312) 603-1500

TONI PRECKWINKLE

PRESIDENT

**Cook County Board
of Commissioners**

RICHARD R. BOYKIN

1st District

DENNIS DEER

2nd District

JERRY BUTLER

3rd District

STANLEY MOORE

4th District

DEBORAH SIMS

5th District

EDWARD M. MOODY

6th District

JESUS G. GARCIA

7th District

LUIS ARROYO, JR.

8th District

PETER N. SILVESTRI

9th District

BRIDGET GAINER

10th District

JOHN P. DALEY

11th District

JOHN A. FRITCHEY

12th District

LARRY SUFFREDIN

13th District

GREGG GOSLIN

14th District

TIMOTHY O. SCHNEIDER

15th District

JEFFREY R. TOBOLSKI

16th District

SEAN M. MORRISON

17th District

September 25, 2017

The Honorable Toni Preckwinkle, President
And Board of Cook County Commissioners
118 N. Clark Street, Room 537
Chicago, Illinois 60602

Dear President Preckwinkle and Board of Commissioners:

We have conducted an audit of the Office of Contract Compliance (OCC). We conducted our audit in accordance with the [Cook County Auditor Ordinance](#).

Our scope and objectives for this audit were to assess the internal controls as well as compliance with policies, procedures and the Ordinance for the Minority Business Enterprise (MBE), Woman Business Enterprise (WBE) and Veteran Business Enterprise/Service –Disabled Veteran Business Enterprise (VBE) certification process for the Fiscal Years 2015 and 2016.

Please refer to the following audit report for the results of the audit. The audit report contains two recommendations and eight control improvements. The [Executive Summary](#) provides an overview of the audit with the control improvements and recommendation areas.

We express our appreciation for the assistance of the Office of Contract Compliance's staff extended to Julie Stack and Della Hernandez during the course of our audit. We have discussed our recommendations with the staff and would be pleased to discuss our recommendations in greater detail in order to assist them with their implementation of our recommendations.

Respectfully Submitted,

Shelly A. Banks, CPA
Cook County Auditor

cc: Ammar Rizki, Chief Financial Officer, Bureau of Finance
Jacqueline Gomez, Director Office of Contract Compliance



COOK COUNTY GOVERNMENT
OFFICE OF THE COUNTY AUDITOR

Contract Compliance – MBE, WBE and VBE Process

Internal Audit Report

Report Date: September 2017

Issued By:
Shelly A. Banks, County Auditor

Audit Conducted By:
Julie Stack, Audit Supervisor
Della Hernandez, Field Auditor V

EXECUTIVE SUMMARY

The Office of the County Auditor (OCA) has conducted an audit in regards to the Office of Contract Compliance (OCC) for Fiscal Years 2015 and 2016.

The mission of the OCC is to certify Minority-, Women-, Veteran-, and Service-Disabled Veteran-owned Business Enterprises (MBE/WBE/VBE/SDVBEs), to ensure that all County purchases comply with the Cook County Minority- and Women-owned Business Enterprise Ordinance, to educate County user departments and vendors on the importance and the process of complying with the Ordinance, encourage greater inclusion of Protected Class Enterprises (PCEs) on County procurements, and to work together as a team to monitor the success of the process.

The scope and objectives for this audit were to assess the internal controls as well as compliance with policies, procedures and the Ordinance for the Minority Business Enterprise (MBE), Woman Business Enterprise (WBE) and Veteran Business Enterprise/Service –Disabled Veteran Business Enterprise (VBE) certification process for the Fiscal Years 2015 and 2016.

The OCA conducted this audit in accordance with generally accepted government auditing standards, which require that we strategically plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our recommendations.

Based on the results of our audit procedures, the OCC was in compliance with the terms and conditions of their policies and procedures as well as the Cook County Code Chapter 34, Article IV, Division 8, Minority-And Woman-Owned Business Enterprises.

The OCA worked with the OCC to develop and implement the following control improvements to the internal control structure:

- Established procedures for response timelines and tracking in processing certification applications.
- Implemented additional controls in the process for obtaining and reviewing the application and support documentation.
- Established email notification process for notifying applicants when documents are incorrectly submitted to instruct the applicant on how to correctly submit the documents and on how to access help in the B2G System for future questions.
- Established process to utilize the B2G System as a tool to monitor the expiring certifications.
- Established controls to help improve the accuracy and validity of data in the B2G System.
- Established a formal monitoring process of vendor's compliance.
- Established indirect participation policy.
- Instituted written policies and procedures for utilizing the B2G System and the expectations for the type of data and documentation that should be maintained in the B2G System.

The following recommendations were provided to strengthen controls and improve operational efficiency:

- Create a paperless environment by eliminating hardcopy submission of applications (#1).
- Establish a collaborative approach with Countywide departments/offices in monitoring vendor's compliance with goals (#2).

The recommendations noted were presented to the OCC. Please refer to the [Recommendations](#) section for more detail on the recommendations with the management responses, corrective action plans and estimated completion dates.

BACKGROUND

Under the Cook County Code Chapter 34, Article IV, Division 8, Minority-And Woman-Owned Business Enterprises, the Office of Contract Compliance (OCC) serves two primary functions. The first is an administrative role in the County’s procurement process to ensure vendors adhere to the County's Minority and Women Owned Business (MBE/WBE) Ordinance prior to contract award. The Compliance Enforcement team subsequently tracks procurement spending to ensure contract dollars are not only awarded to PCE firms, but that payments are made as committed.

The second function is the processing of applications for MBE, WBE, Veteran owned Business Enterprises (VBE), and Service Disabled Veteran Business Enterprises (SDVBE) certification. These certifications are reciprocal with the City of Chicago, and help strengthen the local economy by creating local jobs. The OCC ensures the full and equitable participation of PCEs in the County's procurement process as both prime and sub-contractors.

In accordance with the Ordinance, the County aspires to the following annual program goals: a goal of 25 percent of the annual total dollar amount of contracts other than public works contracts to MBEs, and 10 percent of the total dollar amount of such contracts to WBEs. In addition, the County aspires to an annual "best efforts" goal of 35 percent PCE participation for the total professional services and consulting services utilized by the County.

The following table notes the number of certifications processed by the OCC in FY’ 15 and FY’ 16.

FY	Certification	Expansion	No Change Affidavit	New	Recertification	Total
15	Minority Business Enterprise	4	146	95	109	354
15	Veteran Business Enterprise	0	15	21	3	39
15	Woman’s Business Enterprise	0	106	61	93	260
FY’15 Total						653
16	Minority Business Enterprise	4	169	76	45	294
16	Veteran Business Enterprise	1	21	17	5	44
16	Woman’s Business Enterprise	1	135	38	39	213
FY’16 Total						551

AUDIT SCOPE AND OBJECTIVES

The audit scope and objectives were designed to assess the internal controls as well as compliance with policies, procedures and the Ordinance for the Minority Business Enterprise (MBE), Woman Business Enterprise (WBE) and Veteran Business Enterprise/Service –Disabled Veteran Business Enterprise (VBE) certification process for the Fiscal Years 2015 and 2016.

The specific objectives were to analyze and evaluate the following:

- Verify that written policies and procedures define current processes and are adhered to.
- Determine that a process is in place and complied with to monitor a contract’s MBE/WBE participation.
- Determine there is follow-up on completed contracts to verify all MBE/WBE participation was met, and if not, any defaults were addressed.
- Verify proper documentation exists to support the certification of companies as MBE/WBE.
- Determine that all reporting requirements per the Ordinance are met.

- Determine that contracts have established contract specific goals.
- Verify that waivers are properly justified, approved and documented.

In order to reach a conclusion on our objectives, we performed the following procedures regarding the certification process:

- Conducted interviews of the staff to understand the daily tasks and if the policies and procedures were being followed.
- Structured a timeline to determine the amount of time the certification process took from application submission until the certification was granted.
- Reviewed application files (mailed-in, dropped-off and online) to determine if the procedures were followed when collecting documentation from the potential vendors.
- Observed the workshop conducted by OCC to understand the workshop process and the vendor participation and understanding of the processes as presented.
- Analyzed the B2G System to understand the system functionalities and reporting capabilities.
- Reviewed approved contracts to determine that contracts have established specific goals, goals are being met, and any waivers were properly justified, approved and documented.

CONTROL IMPROVEMENTS

During the audit, the Office of County Auditor (OCA) made several recommendations for control improvements to the Office of Contract Compliance (OCC). The OCC was receptive to the control improvements and worked with the OCA to move forward with implementation. The OCA will follow up on the control improvements to verify the implementation and provide any further assistance to OCC to ensure implementation.

Control Improvement #1:

There is significant lag time while processing certification applications. Significant lag time may hold up a vendor from being certified and receiving business with the County. The OCA worked with the OCC to establish procedures for response timelines and tracking. The OCC formalized the timelines in policies and procedures and established alerts to better manage the timeliness.

Control Improvement #2:

From the certified applications reviewed 70% (12/17) were missing supporting documentation (i.e. mandatory documents, signatures, and support for edits). The OCA worked with the OCC to implement additional controls in the process for obtaining and reviewing the application and support documentation.

The OCC formalized policies and procedures to establish the following controls:

- The application schedule that is used by the intake staff is used as a sign-off for verification that all required documents have been submitted by the applicant.
- Any needed changes to support documentation, application questions and required signatures are required to be provided in writing by the applicant via email or online submission.
- The applicant is required to renew any expired documents prior to certification approval.
- The B2G System in the vendor's account is used to document the reviewer's signoff and any notes to provide for easy referral on the applicant and an audit trail for compliance.
- All Schedule A documents and the Recertification Schedules are verified in the intake phase prior to assigning the account to an officer in the review phase.
- Deadlines are established for the applicant to submit all documentation and answer all questions/requests to prevent the applicant information from becoming outdated. The deadlines are stated in the procedures and as terms in the application.

Control Improvement #3:

From the online applications, there were documents submitted in the wrong section. If documents are submitted in the wrong section, the applicant may be inaccurately noted as noncompliant and it could take additional time to process the certification. The OCC established a process to notify applicants via email when documents are incorrectly submitted to instruct the applicant on how to correctly submit the documents and on how to access help in the B2G System for future questions. The OCC formalized the process in their policies and procedures manual.

Control Improvement #4:

There were vendors with open contracts who were not certified with Cook County for periods from 2 months to 7 months. In addition, extension letters were either not sent when certifications expired or were sent months after the expiration. The OCC established procedures to ensure expired certifications are handled in a timely manner through improved alerts and reporting in the B2G System.

Control Improvement #5:

The B2G System had errors that may have occurred due to the manual entering of data, which were the following: inaccurate contract numbers, discrepancies with PCE percentages, PCEs listed inaccurately and not included in overall numbers, and duplicate contracts entered into the system. The B2G System also contained contracts that were never awarded but were included in the contract award totals.

OCC established the following controls to help improve the accuracy and validity of data in the B2G System:

- Set alerts in B2G to notify the officers when data is missing or inconsistent.
- Established a process to run exception reports at periodic times to review the information.
- Developed a review process to periodically verify information in the system for accuracy.
- Developed a continual training process to staff to ensure the B2G System is being used properly.
- Assigned specific responsibilities for updating and maintaining the B2G System.
- Established a periodic review process to review the contracts in the B2G System to ensure any contracts not approved by the Board or that did not move forward with the department are closed out in the system.

The OCC formally documented the controls in the OCC policies and procedures manual.

Control Improvement #6:

A formal monitoring process for vendor's compliance was not in place. The OCC developed a formal monitoring process to include additional controls for monitoring vendor's compliance. The monitoring process is documented in the OCC policies & procedures manual. In addition, recommendation #2 suggests additional Countywide controls to improve the monitoring of vendor's compliance.

Control Improvement #7:

There was no policy on indirect participation. Indirect participation may be reported in the B2G System, but it is not included in the goals nor is it monitored by OCC. If a vendor reports indirect participation, it is treated as a partial waiver with good faith efforts made. The OCC established a formalized policy for allowing vendors to use indirect participation and reporting the information in the B2G System.

Control Improvement #8:

There were contracts in the B2G System that were missing documentation to support the PCE compliance process (i.e. Utilization Plan, Letter of Intent, Waiver Request form or Waiver approvals). The documentation had not been uploaded to the B2G System. The OCC instituted written policies and procedures for utilizing the B2G System and the type of documentation that should be maintained.

RECOMMENDATIONS

Recommendation #1:

Only 55% (11/20) of the applications reviewed were submitted online. Encouraging online submission would greatly expedite the process and reduce the risk of losing/misplacing documents. The hardcopy submission process is extremely cumbersome. Hardcopy applications need to be date stamped to track submission and prevent documents from being lost or misplaced, whereas online documents are maintained in a central location and easily accessible with electronic tracking of submission. From the documents reviewed, the average processing time for an online application was 80.3 days and a mailed or dropped off application took an average of 93.4 days. Online submission supports Office of Contract Compliance's (OCC) goal of converting into a paper-free work environment.

OCA recommends that OCC focus on moving towards a paperless environment by eliminating hardcopy submission of applications. The OCC should work with the vendor community on attaining this goal. Through utilizing the B2G System, the process will be improved for OCC as well as for the vendors.

The following are recommendations to attain complete online submission and improved efficiency in the process:

- Implement a phased in approach for complete online submission potentially by calendar year 2018 which would include all applications, re-certifications and no change affidavits.
- If hardcopy applications are received, OCC should work with the applicants to complete in B2G so the applicants can learn the B2G System.
- Set up a public computer(s) for when vendors come in to drop off they can complete online with the assistance of OCC.
- Set up a basic instruction worksheet that directs the applicants to the B2G System step-by-step online application instructions, the Vendor Quick Guide, OCC staff direct contact information and B2G System support contact information where the vendor can request a call-back for needed assistance.
- As part of the certification workshops, OCC should focus on the online application submission and have computers set-up to assist the applicants with setting-up their online B2G accounts.
- Promote on the OCC website the B2G System and online application submission. The website should state the goal of 100% online with no paper applications by calendar year 2018.

Management Response

OCC agrees with the Auditor's recommendation. As stated and outlined in our new internal policies and procedures, OCC will implement a paperless certification application process by 2018.

Estimated Completion Date

11/30/2018

Recommendation #2:

OCC manages the Countywide Minority-, Women-, Veteran-, and Service-Disabled Veteran-owned Business Enterprises (MBE/WBE/VBE/SDVBEs) compliance. For FY'17 to date, there have been 329 contracts awarded for \$474 million. In addition to managing the compliance with stated goals, OCC is responsible for certifying vendors and ensuring vendors adhere to the County's MBE/WBE Ordinance prior to contract award.

With the large amount of contracts awarded with compliance goals, a collaborative approach is needed to ensure vendor's compliance in meeting the County's compliance goals.

OCC established a formalized process for the OCC Director and/or Deputy Director to meet on a quarterly basis with departments that have a large number of contracts, contracts with a large dollar value, contracts with no subcontractor reporting, contracts with subcontractor disputes, and/or consistent noncompliance issues with vendors.

OCA recommends that as part of the quarterly meeting process OCC work with the departments/offices in a collaborate manner through establishing the following controls:

- Establish B2G view access for all departments to access their contracts.
- Set up department dashboards to provide them visibility into their contracts.
- Set up the reports for the departments to utilize in monitoring their contracts.
- Establish quarterly meeting schedule with the departments.
- Establish process to document results of quarterly meetings and any concerns identified.

Management Response

OCC also agrees with the Auditor's recommendation. Furthermore, OCC has already requested B2GNow to allow our office to set up view access only for departments to see their contracts. We have scheduled our first meeting with one of the County's largest buying agency, the Bureau of Technology, in October. During this meeting, we will provide them with a preview and test the view only feature with them first before rolling it out with all the other County using agencies. If no issues or modifications to this feature are needed, then we will roll out this feature to the other agencies by the first quarter of 2018.

Estimated Completion Date

2/28/2018