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Office of the County Auditor

Shelly A. Banks, C.P.A.

Cook County Auditor

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September 28, 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 Legal Contractual Services. We conducted our audit in accordance with the [Cook County Auditor Ordinance](#).

The scope and objectives of the audit were to review the controls in place for managing the contractual legal services provided for labor related services.

Please refer to the following audit report for the results of the audit. The audit report contains two recommendations to be implemented by the Bureau of Human Resources (BHR) with the assistance of the County Auditor. The [Executive Summary](#) provides an overview of the audit with the main recommendation areas.

We express our appreciation for the assistance all department staff extended to our Office during the course of our audit. We have discussed our findings with the Bureau of Human Resources and would be pleased to discuss our recommendations in greater detail in order to assist with the implementation of our recommendations.

Respectfully Submitted,

Shelly A. Banks, CPA
Cook County Auditor

cc: Velisha L. Haddox, Bureau Chief Cook County Bureau of Human Resources
Simone McNeil, Deputy Bureau Chief Cook County Bureau of Human Resources



COOK COUNTY GOVERNMENT
OFFICE OF THE COUNTY AUDITOR

Legal Contractual Services Audit

Internal Audit Report

Report Date: September 2017

Issued By:
Shelly A. Banks, County Auditor

Audit Conducted By:
Frances M. Roybal, Field Auditor IV

EXECUTIVE SUMMARY

The Office of the Cook County Auditor has conducted an audit in regard to Legal Contractual Services. The scope and objectives of our audit were designed to review the controls in place for managing the contractual legal services provided for labor related services. The scope of our work consisted of gathering, reviewing and testing applicable supporting documentation to verify existing contracts, itemized invoices, compliance with billing guidelines, letters of engagement and contract management.

There were seventeen prequalified law firms on the Countywide contract and one sole source law firm. Five law firms were used from the Countywide contract and one law firm was a Sole Source Contract. The legal services provided for Fiscal Year 2015 thru Fiscal Year 2016 were reviewed during the audit.

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

- Develop formalized policies and procedures for the management of the legal services contracts.
- Establish vendor performance metrics.

Please refer to the [Recommendations](#) Section for more detail on the recommendations with the corrective action plans and estimated completion dates.

BACKGROUND

The Bureau of Human Resources Labor Relations Division is responsible for contract negotiations and grievance administration and consultation. Labor Relations conducts impartial third-step hearings; represents the County in labor arbitrations; represents the County in external EEO charges; and administers, interprets, and negotiates collective bargaining elements.

Law firms selected via the RFQ process were to provide legal consultation and representation services on labor and employment matters for various County bureaus, agencies and offices of elected officials as well as the Forest Preserve District. The selected firms and/or attorneys provide consultation and services in one or more areas including union contract negotiations, contract interpretation and implementation, Labor Relations Board matters, workers compensation, and employment law.

The original contract was approved by the County Board with seventeen prequalified law firms with the following specifications:

- Original term: May 1, 2013 through April 30, 2015 with two one (1) year renewal options
Original Award Amount \$1,900,000 for total RFQ with the estimated fiscal impact breakdown per contract year as follows: FY2013: \$900,000; FY2014: \$700,000; FY2015: \$300,000.
- Amendment #1 executed by the Chief Procurement Office on July 16, 2015 for a contract renewal of one year beginning on May 1, 2015 through April 30, 2015 with no increase in dollar amount.
- Amendment #2 approved by the County Board on June 29, 2016 for a contract renewal of one year beginning on May 1, 2016 through April 30, 2017 with no increase in dollar amount.
- Amendment #3 approved by the County Board on April 12, 2017 to extend the contract for one year beginning on May 1, 2017 through April 30, 2018 with no increase in dollar amount.

There was one sole source law firm that provided legal services. The vendor was selected due to expertise and having an integral part in collective bargaining negotiations since 2012. The original contract term

was approved by the County Board for the term June 18, 2014 through May 15, 2015 with an award amount of \$453,705.00. Amendment #1 was issued for a one year renewal from May 16, 2015 through May 15, 2016 for an increase contract amount of \$350,000.00.

The tables below break out the expenditures by vendor and by agency for fiscal years 2015, 2016 and 2017 as of 7/31/2017.

Vendor	FY'15 Expenditure	FY'16 Expenditure	FY'17 Expenditure
Brothers & Thompson, P.C.			\$ 8,562.50
Greene and Letts Attorneys at Law	\$ 48,158.70	\$ 623.00	\$ 20,789.20
Franczek Radelet, P.C.	\$ 72,324.25	\$ 163,502.80	\$ 39,854.50
Laner Muchin Dombrow Becker Levin Tominberg, LTD	\$ 228,338.06	\$ 70,625.58	\$ 81,062.19
Hennessy & Roach, P.C.	\$ 60,770.00	\$ 32,710.00	\$ 6,200.00
Total Expenditures	\$ 409,591.01	\$ 267,461.38	\$ 156,468.39

Agency	FY'15 Expenditure	FY'16 Expenditure	FY'17 Expenditure
Bureau of Human Resources	\$ 292,877.50	\$ 234,184.88	\$ 85,360.69
Sheriff's Office	\$ 47,254.45	-	\$ 46,122.20
Office of Chief Judge	\$ 33,059.29	\$ 10,208.93	\$ 7,937.50
Clerk of the Circuit Court	\$ 36,400.00	\$ 18,680.00	\$ 13,680.00
Treasurer's Office		\$ 4,387.57	\$ 3,368.00
Total Expenditures	\$ 409,591.24	\$ 267,461.38	\$ 156,468.39

Vendor Sole Source	FY'15 Expenditure	FY'16 Expenditure	FY'17 Expenditure
Jackson Lewis, LLP	\$ 416,292.48	\$ 1,683.00	\$ -
Total Expenditures	\$ 416,292.48	\$ 1,683.00	\$ -

AUDIT SCOPE AND OBJECTIVES

The scope and objectives of our audit were designed to review the controls in place for managing the contractual legal services provided for labor related services.

The objectives included determining if:

- Written policies and procedures for legal services exist and are adhered to.
- Review process is documented for selecting a vendor for legal services.
- Legal service provider fees are billed in accordance with the contractual terms and legal services performed.
- Supporting documentation exists for services rendered and billings.
- Mechanism is in place to track expenditures and compliance with contract terms.

RECOMMENDATIONS

Recommendation #1

Written policies and procedures do not exist to provide guidance on the use and management of the external legal service contracts.

Developing policies and procedures will establish stronger controls with guidelines for the use of the legal service contracts as well as improve the management of the contracts. The Procurement Code Sec. 34-303. - Management of contracts requires using agency to designate a contract manager(s) to monitor the Contract including performance of the Contract, budgets, invoices, changes to contract terms and conditions, timeliness of deliverables and initiate appropriate action to enforce the Contract terms; and evaluate and document compliance with Contract requirements on a periodic basis during the term of the Contract and submit to the CPO.

OCA recommends that BHR management develop formalized policies and procedures to provide quick references, instructions and guidelines for usage and management of the legal services contracts. The following are recommended processes to include in the policies and procedures:

- Criteria and guidelines to assist in selecting a vendor from the list to provide the services.
- Letter of Engagement process with reference to the standardized template.
- Invoice processing and approval process to ensure that the services provided and billings are in accordance with the contract terms, approvals are documented, past due invoices are addressed and supporting documentation is maintained, i.e. letters of engagement, service deliverables, itemized billings.
- Reconciliation process for managing contract to ensure that the approved contract amount is not exceeded.
- Tracking, reconciliation and reporting on expenditures and vendor performance.
- Process to develop and monitor performance metrics with vendors. (See Recommendation #2)

Management Response

BHR will work on developing formalized policies and procedures (internally) to provide quick references, instructions and guidelines for usage and management of the legal services contracts.

Estimated Completion Date

2/28/2018

Recommendation #2

Performance metrics are not in place to evaluate the vendors' services to impact the price negotiated, the quality of services and whether a vendor's contract should be renewed.

Establishing performance metrics would significantly benefit the process to evaluate the vendors' services, negotiate rates, select the most qualified vendor, and determine whether a vendor's contract should be renewed.

OCA recommends that BHR management establish vendor performance metrics such as the following:

- Cost effective utilization of staff to perform services
- Length of time to complete service
- Length of time to submit bill after completion of services
- Successful resolution of legal matters
- Services under budget

- Billings submitted in accordance with contract requirements
- Agencies satisfaction with services provided

In addition, OCA recommends that BHR management establish a system to utilize performance metrics such as the following:

- Establish vendor quarterly reporting on performance metrics.
- Create a central repository to report and track performance metric results.

Management Response

BHR will develop performance metrics for the legal services contract and will work with the vendors to establish a process for reporting and tracking the metrics.

Estimated Completion Date

Upon the execution of the Legal Services contract for BHR. BHR is currently in the process of procuring a contract for legal services, which will begin 5/1/2018.