

**An Audit of  
Office of Community Business  
Development Partners**

**December 2004**

**Committee on Finance and Audit**

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December 6, 2004

To the Honorable Chairman  
of the Board of Supervisors  
of the County of Milwaukee

We have completed an audit of the Office of Community Business Development Partners (CBDP). At its meeting on May 27, 2004, the Milwaukee County Board of Supervisors passed a Resolution (File No. 04-160) authorizing and directing the Director of Audits to initiate a formal audit "for the purpose of assessing the current state of the Milwaukee County DBE program and to identify potential areas of improvement."

The report indicates concerns with CBDP's ability to adequately monitor goal achievement, primarily for County-wide contracting for non-construction related professional services, primarily due to staff shortages and County departments' non-compliance with reporting requirements. The report contains recommendations to address this and other findings of our audit.

We would like to acknowledge the cooperation of the CBDP staff during the audit. A response from the Director of CBDP is included as **Exhibit 3**.

Please refer this report to the Committee on Finance and Audit

Jerome J. Heer  
Director of Audits

JJH/cah

Attachment

cc: Milwaukee County Board of Supervisors  
Scott Walker, County Executive  
Linda Seemeyer, Director, Department of Administrative Services  
Stephen Agostini, Fiscal and Budget Administrator, Department of Administrative Services  
Terrence Cooley, Chief of Staff, County Board Staff  
Steve Cady, Fiscal and Budget Analyst, County Board Staff  
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# An Audit of Office of Community Business Development Partners

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## Summary

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The County Board's intent to encourage disadvantaged business enterprises (DBE) to participate in County contracting has been made clear through legislative actions that created the Office of Community Business Development Partners (CBDP), along with a program and a process to ensure its intent was carried out. County departments are required to consider DBE participation in nearly all types of County contracting – construction, professional services, centralized County procurement, and airport concessions. The only major segment of contracting that has not been mandated is purchase of service contracting, primarily the domain of the Department of Health and Human Services (DHHS) and the Department on Aging, though CBDP is trying to work with departments contracting for purchases of service to subcontract work to DBE firms when opportunities present themselves.

The level of success in achieving annual DBE goals depends on several factors. Success has occurred in those areas in which the concept of consistently considering DBE firms in contracts has been made a culture in a department's day-to-day operations. A case in point is the Department of Parks and Public Infrastructure (DPPI), which is the focal point for County construction contracting. The Architectural, Engineering and Environmental Division of DPPI has done well in achieving its annual DBE goals of 25% because it centralizes County construction contracting, providing consistency in its contracting efforts, as evidenced by contracts that require DBE participation in nearly all cases. Also contributing to its success is an available supply of DBE contractors to do the work, and effective monitoring by experienced CBDP staff to ensure DBE participation. In 2003, 28.6% of \$21,866,531 in construction contracting was paid to DBE firms. This does not include 54.9% of \$8,814,561 that went to DBE firms participating in the Homeowners Protection Program, a home sound insulation program administered by the Airport. For construction-related professional services contracts, 24.5% of \$8,194,167 was paid to DBE firms.

In contrast, DBE participation goals have not been reached in those contracting areas where just the opposite contracting environment exists. That is, success has not been achieved where contracting is decentralized and the emphasis on DBE participation has been inconsistently applied, where a ready supply of DBE firms to perform the work does not exist for all disciplines, and where CBDP has not had the resources to monitor departmental efforts to ensure DBE firms are being utilized. One particular concern is non-construction related professional services contracting, where CBDP records indicate a 7.8% DBE participation rate for \$32.6 million in contracts awarded in 2003. However, County financial records show an additional \$15.4 million was spent on

professional services but was not reflected in CBDP data. It is unknown what effect those contract dollars would have had on overall goal achievement.

CBDP has faced challenges and shrinking resources in its efforts to perform its mandated responsibilities to monitor departmental progress in achieving goals and to intervene as necessary.

We noted the following problems in our review of 2003 contracting:

- CBDP has incomplete information on contracts for non-construction related professional services contracting. Specifically, its records do not contain all contracts, and contains contracted rather than actual payment amounts, which can deviate significantly over the term of the contract as a contract is amended or cancelled early. Also, CBDP does not have an adequate system for ongoing monitoring of departmental goal achievement, important for making decisions on contracts that it does receive, and for timely intervening before year end to help departments achieve their annual goals.
- CBDP's resulting reporting of DBE goal achievement for non-construction professional services has been incomplete, inaccurate, and inconsistent. It does not separate non-construction related professional service contracting, nor does it break down goal achievement by department to allow for evaluation and decision-making. Our evaluation of available, yet incomplete information showed only seven of 31 departments and divisions met the 17% goal in this area.
- CBDP's method used to calculate overall goal achievement for non-construction related professional services is not consistent with the method used in the past, and does not fairly reflect departmental contracting officials' efforts at trying to reach DBE participation goals. The current method includes contracts with DBE participation waivers with government entities, not-for-profit agencies and educational institutions for which they are the sole source provider of the professional service being provided, and for which participation by DBE firms does not exist or is severely limited. It also includes waived contracts for instances where DBE firms are not available, thus making compliance with DBE goals impossible. In 2003, 153 of 193 contracts were waived from DBE participation. If these contracts are excluded from DBE calculations, the DBE participation percentage would increase from 7.8% to 23.4%. While these calculations are based on incomplete CBDP data, it serves to show how the current method distorts the level of achievement by departmental contracting administrators overall.
- CBDP did not remind departments of their requirement to submit reports that could assist CBDP in its efforts to monitor and ultimately achieve annual DBE goals for non-construction related professional services contracting. Specifically, departments were not reminded to submit an annual plan on expected professional service contracting, or to submit quarterly reports showing actual contract payments and DBE payments to more accurately reflect DBE participation percentages. As a result, no annual reports were submitted to CBDP, and only one department's quarterly reports were on file.
- CBDP's monitoring of County procurement, including Transit-related procurement and Airport concessions, has been limited to passing through information provided by those entities, though the Airport has been diligent in including CBDP in its beginning of the year contracting efforts for concessions. Reviews of information provided by DAS Procurement Division (which does not report to CBDP) showed its DBE participation was inflated from 1.9% to 3.4% by including non-certified DBE firms in its statistics. Transit procurements were similarly inflated by including non-certified DBE firms, from 5.6% to 10.5%. Also, CBDP does not have a system for ongoing

monitoring and making a subsequent impact on these entities if expected DBE participation levels are not being achieved.

- CBDP is not exercising its authority to halt the contract process and enforce its ability to require DBE participation when opportunities exist for non-construction related professional services contracting. CBDP staff estimated that 80% of all professional services contracts submitted to CBDP with waiver requests, and ultimately waived by CBDP, were done so after the fact, without up-front CBDP involvement. We recognize that many of these were contracts with government entities and similar type contractors, but doing so does not cultivate the practice of following proper procedures for contracts involving for-profit contractors.
- CBDP needs to increase its efforts in promoting County contracting opportunities to potential but not yet certified DBE firms, especially in fields where the number of DBE firms is lacking. A review of 109 waived non-construction related professional services contracts showed 56 (51%) that were waived due to no available DBE firms. One consistent effort to expand the number of DBE firms has been an annual conference it hosts to bring together County staff responsible for contracting, DBE firms, and non-DBE firms looking for DBE subcontractors. While a worthy effort showcasing County contracting opportunities, the conference generally networks existing contractors rather expanding the available pool of certified DBE contractors. Similar networking is performed by CBDP in “mixers” hosted by CBDP to network contractors in fields where DBE participation has been historically lacking, such as in legal contracts.

It should be emphasized that it remains each operating department’s responsibility to follow County Ordinances and work to achieve DBE participation goals. However, without adequate oversight and prompting by CBDP, the reality is that DBE participation would not achieve the levels it can achieve. But CBDP’s ability to provide that oversight, as reflected in the issues noted above, has been hampered by staff limitations. The person previously assigned responsibility for professional services contracting retired in 2002, and the higher workload for remaining staff has limited CBDP’s ability to monitor other areas, such as verifying that firms purporting to be DBE firms are in fact such. CBDP has no clerical support for its department, further challenging remaining staff. If additional retirement-eligible staff were to retire, CBDP’s ability to help departments achieve DBE goals may suffer even more. Consideration could be given to reciprocal certification agreements with other jurisdictions and shift current certification resources to functions with more immediate needs.

This audit report contains recommendations to help assist CBDP in its efforts to have a positive impact on DBE participation in County contracting. A response from CBDP is presented as **Exhibit 3**. We would like to acknowledge the cooperation of CBDP staff during this audit.

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## **Background**

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The Office of Community Business Development Partners (CBDP) is responsible for the disadvantaged business enterprise (DBE) program of Milwaukee County. Some of the specific responsibilities of the office include:

- Establishes annual and project goals for programs funded by the federal agencies (Federal Aviation Agency, Federal Transit Administration, and the Federal Highway Administration);
- Monitors compliance with DBE provisions of County contracts;
- Participates in the Wisconsin Unified Certification Program (UCP). CBDP staff review applications of firms applying to be certified as DBE firms in the Milwaukee area for UCP. To be recognized as a DBE firm for Federal and County purposes, it must receive UCP certification;
- Administers a revolving loan program to provide short-term assistance to qualifying DBE firms;
- Participates in outreach efforts to promote greater use of DBE firms. This includes an annual program; and
- Develops various business seminars on effective business operations.

### **Organizational History**

CBDP began in 1978, when the County Board directed the establishment of a Minority Business Enterprise Program. Its initial focus was to provide a uniform and coordinated effort that would increase minority business enterprise participation in the transit-related procurement area. Since then, County Board action has expanded the program to include all County procurement, public works construction contracts, and professional services contracts. In 1994, in recognition of factors affecting the ability of the County to meet annually established goals, professional services were differentiated between construction-related and non-construction related contracts, with separate goals established for each.

The Office of CBDP has changed both in name as well as where it is organizationally positioned in County government several times over the years. It began as the Minority Business Enterprise Program, and was included in the budget of the Procurement Division of the Department of Administration (currently the Department of Administrative Services). At that point, its focus was on increasing minority participation in procurement contracts.

In 1982, the County Board took action to increase minority participation in public works contracts by revising Chapter 44 of the County Ordinances. To reflect this change in focus, a portion of the

Minority Business Enterprise Program was spun off in 1985 to become the Disadvantaged Business Development Program, organizationally placed in the Department of Public Works (DPW, currently the Department of Parks and Public Infrastructure).

Both programs operated concurrently until 1996 when they merged to become the Disadvantaged Business Development (DBD) Division within DPW. In 2001, DBD was moved to the Department of Administration. With the 2004 Adopted Budget came a new name, to its current Office of Community Business Development Partners (CBDP), and an organizational shift, reporting directly to the County Executive. Beginning in 2005, that reporting structure will change as CBDP will report directly to the County Board of Supervisors.

### **History of Certifying Disadvantaged Firms**

In years past, the County spearheaded the Joint Certification Program (JCP), a consortium of local government entities established as a means to centralize the function of certifying potential DBE contractors applying for that designation. JCP, originating in 1986, initially included the County, City of Milwaukee and the Milwaukee Metropolitan Sewerage District, with total costs shared between the three jurisdictions. Other participants were added in later years, such as the Milwaukee Area Technical College in 1989 and the Milwaukee Public School District in 1990.

In 2001, JCP was dissolved when new Federal regulations governing Federally funded transportation projects required the formation of the Unified Certification Program (UCP) for all governmental bodies that award transportation contracts funded with Federal aids. DBD established and has since maintained a certification process using United States Department of Transportation (USDOT) standards. It has partnered with the Wisconsin Department of Transportation for certifying Milwaukee County DBE firms interested in participating in USDOT assisted contracts.

### **Current Staffing and Funding Levels**

For 2004, CBDP has five funded positions: a director, a minority business manager, a certification manager, and two certification analysts. Between 2001 – 2005, the number of full-time equivalent positions has dropped from 8.2 to 5.0. This is largely due to the completion of work performed during the construction of Miller Park, and the reduced DBE certification activity with the dissolving of the JCP program, and unfilled personnel retirements. The following shows actual and budget information since 2001:

**Table 1  
CBDP / DBD Tax Levy Support  
2001 – 2005**

	<b>2001 <u>Actual</u></b>	<b>2002 <u>Actual</u></b>	<b>2003 <u>Actual</u></b>	<b>2004 <u>Budget</u></b>	<b>2005 <u>Budget</u></b>
Personal Services	\$411,666	\$361,577	\$318,398	\$320,671	\$327,984
Fringe Benefits	98,503	113,398	115,478	175,541	167,659
Services	205,333	50,097	84,116	55,210	49,230
Commodities	6,441	7,629	5,420	7,620	6,120
Other Charges	0	0	0	6,425	0
Capital Outlay	0	52,599	0	0	0
County Service Charges	111,967	122,031	129,488	133,940	146,334
Abatements	<u>(110,717)</u>	<u>(121,554)</u>	<u>(128,295)</u>	<u>(123,128)</u>	<u>(132,574)</u>
Total Expenditures	\$723,193	\$585,777	\$524,605	\$576,279	\$564,753
Less: Direct Revenue	242,820	58,892	16,670	1,000	1,000
Indirect Revenue	<u>270,000</u>	<u>179,000</u>	<u>143,393</u>	<u>365,325</u>	<u>275,348</u>
<b>Direct Property Tax Levy</b>	<b>\$210,373</b>	<b>\$347,885</b>	<b>\$364,542</b>	<b>\$209,954</b>	<b>\$288,405</b>
Plus Other Charges	<u>110,717</u>	<u>121,554</u>	<u>128,295</u>	<u>123,128</u>	<u>132,574</u>
<b>Total Property Tax Levy</b>	<b><u>\$321,090</u></b>	<b><u>\$469,439</u></b>	<b><u>\$492,837</u></b>	<b><u>\$333,082</u></b>	<b><u>\$420,979</u></b>
<b>Full Time Equivalent Positions</b>	<b>8.2</b>	<b>8.7</b>	<b>6.7</b>	<b>5.0</b>	<b>5.0</b>

Source: Adopted Budgets, 2003 – 2005.

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## Section 1: Achievement of DBE Goals

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County Ordinances reflect a strong commitment by Milwaukee County to comply with all federal and state requirements for DBE participation in County contracting. They provide general guidance as well as specific instruction to County departments responsible for millions of dollars of County expenditures annually for construction projects, professional service contracts, contracts for procuring goods used in County operations, and contracts for revenue-generating concession operations. They also provide for a County department, Community Business Development Partners (CBDP), to provide oversight in this important program to ensure compliance with all legislative requirements.

**DBE participation goals for County-funded programs have remained fairly constant over the past several years.**

The tangible results of this shared responsibility are reflected in the degree to which established DBE goals are achieved annually. As noted in the **Background** section of this report, the DBE program has expanded over the years to cover all aspects of County contracting. **Table 2** shows the various goals for the County, which have remained fairly constant over the past several years.

**Table 2**  
**Milwaukee County DBE Goals – 2003**

	<u>Goal</u>
Construction	25%
Professional Services – Construction	25%
Professional Services – Non-Construction	17%
Procurement	17%
Concession Leases (Airport)	14%

Source: CBDP records.

In the past, DBE goals were established by the County Board through the DBE Steering Committee. Currently, according to County Board Resolution 99-340(a)(c), the goals for both County and federally funded programs are annually recommended by CBDP and approved by the County Board after consideration is given to a number of factors as set forth by federal guidelines, such as the number of certified DBE firms available to perform available work.

**Until 2004, there has been no comprehensive reporting of DBE participation.**

### **Reporting DBE Goal Achievement**

Until 2004, there has been no comprehensive report that showed County decision-makers how well the County had done in reaching DBE goals in each of the five types of County contracting. Generally, the only vehicle used to report on the non-construction professional services was a quarterly report issued by the Department of Administrative Services with assistance of CBDP staff of each professional service contract. This report was functional for DAS to meet its Ordinance requirements. However, while CBDP added DBE information for specific contracts, it did not report on how each County department did in meeting its DBE requirement for professional services. Nor did it report on overall goal achievement for the County for professional services or any of the other areas of contracting.

While that report provided some information, it was not issued as required over the period July 2001 through December 2003. Due to a request from the Transportation, Public Works and Transit Committee, CBDP issued its own draft report on the status of minority contracting over the period 1999 through 2003. Its scope was limited to construction and professional services contracts.

**CBDP's report for 2003 did not contain DBE rates for all areas in which goals had been established.**

**Table 3** shows the results reported by CBDP for 2003 in the draft report, though in some instances we had to expand what was reported to include all applicable County DBE goals. For

example, CDBP did not report on procurement information received from DAS – Procurement Division. Also, CDBP’s report did not give a specific breakdown of non-construction related professional services, so we calculated it based on data maintained by CDBP.

**Table 3  
Milwaukee County DBE Goals Achievement  
2003**

	<u>Goal</u>	<u>Percentage Achieved</u>	<u>Source</u>
Construction (overall)	25%	36.2%	1
HOPP	25%	54.9%	1
Non-HOPP	25%	28.6%	2
Professional Services (overall)		10.8%	2
Construction	25%	25.3%	3
Non-Construction	17%	23.4%	4
Procurement (overall)	17%	2.2%	1
DAS – Procurement Division		1.9%	1
Milwaukee Transit System		5.6%	2
Concession Leases (Airport)	14%	16.1%	2

N/R - Not included in CDBP’s draft report to TPW/T Committee

Source 1 - Computed from available CDBP records.

Source 2 - Per CDBP draft report to Transportation, Public Works and Transit Committee

Source 3 - CDBP reported 24.5%. We adjusted that figure to reflect contracts waived by CDBP (see **Section 3**).

Source 4 - CDBP indirectly reported 7.2% (calculated from its report to County Board). Subsequent data put the result at 7.8%. We adjusted that figure to reflect waived contracts by CDBP(see **Section 3**). Important note - CDBP records are incomplete with respect to non-construction professional services. To the extent that contracts exist that have not been waived, this percentage will likely drop.

These results indicate success at achieving the DBE goals set for construction and its related professional services, as well as Airport concessions. However, problems were noted with both non-construction related professional services and County procurement.

In reviewing CDBP operations and departmental compliance with Ordinances related to DBE participation in County contracting,

we noted several issues of noncompliance and other operational issues. Two overall themes that seemed to have a direct effect on DBE goal achievement was the extent to which CBDP had the resources to monitor departmental activity as each department worked toward DBE goal achievement, and the number of certified DBE firms available to participate in the contracting efforts. The remainder of this report will discuss the specific issues in greater detail, including recommendations to help alleviate the problems in future years.

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## Section 2: CBDP Efforts to Increase DBE Participation

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**CBDP’s ability to impact DBE participation hinges on its ability to monitor departmental contracting**

CBDP’s ability to have an impact on DBE participation on contracts hinges on its ability to currently monitor departmental contracting. This requires staff to work with departments, and to have and maintain up-to-date information on all types of contracting around the County. We noted wide differences in both the manner in which departments were monitored and data was collected, depending upon the type of contracting involved.

### **Accumulating DBE Participation Data**

The methods for accumulating data on DBE participation in County contracts varies, depending upon the specific type of goal noted previously in **Table 3**. For construction contracting and the two types of professional service contracting, the information is accumulated by CBDP. For procurement (which also includes Transit purchases) and Airport concessions, the information is accumulated by the specific departments administering those functions and reported to CBDP.

As detailed in the following subsections, we noted problems with the accuracy and reliability of the data as it is accumulated. These problems not only hamper CBDP’s ability to accurately report on overall goal achievement, but also to monitor progress through the year. Thus, current, accurate information is not available to determine if actions are needed to improve year-end achievements.

**Problems were noted with the accuracy and reliability of contracting data.**

### **Construction and Construction-Related Professional Service Contracting (Goal for each – 25%)**

Expenditures in construction and construction-related professional services contracts generally consist of public works projects (bricks and mortar type work) and associated professional services (architects, engineers, etc.). CBDP has done a good job in accumulating data on payments to DBE

**CBDP has done a good job of monitoring DBE participation in construction contracting and related professional services.**

vendors in these two areas, primarily because Department of Parks and Public Infrastructure (DPPI) construction project managers and contracted construction firms have had much experience in following established CBDP procedures. Procedures that contribute to goal achievement include (1) a standard contract requirement for non-DBE firms awarded contracts to subcontract at least 25% of the award amount to DBE firms, (2) contracted firms must include in their request for payments a form that details payments made to DBE firms, (3) construction managers must inform CBDP of any change orders that increase contract payments so that it can assess the need to increase DBE participation, and (4) DBE firms must provide affidavits attesting to the total payments received.

**Several factors have contributed to a culture in which DBE usage is consistently considered for construction contracting.**

Another positive factor has been the consistency provided by having one CBDP staff person overseeing DBE participation in construction contracting. There is consistency in the manner that contract and payment is entered in associated computer files, resulting in information that is both current and accurately represents payments rather than contract information. These factors contributed to a culture of considering DBE participation in contracting, resulting in actual DBE participation in construction contracting of \$6,255,462 (28.6%) and \$2,005,070 (24.5%) for construction related professional services for 2003, as reported by CBDP.

#### **Professional Services – Non-Construction (Goal – 17%)**

**Numerous problems were noted in how DBE participation data was collected, maintained and reported for non-construction related professional services**

Similar contracting and data collection procedures exist with non-construction related professional services. However, numerous problems were noted in both the manner in which data was collected, maintained and later reported by CBDP, noted below:

Data Collection – Chapter 42 of the Ordinances states what departmental administrators are to do to help ensure DBE firms are considered for all professional services contracts. Included

in the Ordinance is the intention “that each department attain the minimum goal as established by the County either at or through the prime or subcontracted level.” So that CDBP can help departmental administrators reach their required goal, Chapter 42 includes several specific requirements for departments:

**County Ordinances provide instruction on what departments are supposed to do concerning professional services contracting.**

- At the beginning of the year, submit an annual DBE utilization plan to include information on the number of, dollar value, type of contracts, how it plans to secure DBE participation in each contract, and other information to help CDBP evaluate if the plan conforms to the requirements of the Ordinances.
- Notify CDBP in writing prior to initiation of and prior to the appropriate selection process for award of a professional service contract.
- Work with CDBP to use DBE firms as subcontractors, if applicable, if a DBE firm is not selected.
- Assist CDBP by submitting quarterly reports that will enable CDBP to monitor compliance at the prime and subcontracted level, including a signed affidavit verifying that the DBE requirement has been met.

As with construction contracting, CDBP has developed forms to help administrators provide the information CDBP needs to comply with these requirements. However, departments have not been consistent in providing CDBP with necessary information. This was a particularly significant problem in 2003, when CDBP did not contact departments to remind them of their responsibilities to submit reports, such as the annual DBE utilization plan or the quarterly reports on actual DBE participation on current contracts. As a result, no annual reports were submitted to CDBP, and only one department’s quarterly reports were on file at CDBP.

**CBDP did not prompt departments to submit their reports, so nearly all did not.**

The results can be seen in the incomplete information on non-construction related professional services on file with CDBP. In **Exhibit 2**, we note that CDBP accounts for \$32.6 million in non-construction related professionals services contracting in its records. However, the County’s financial system notes nearly

**CBDP records accounted for only about two-third of all professional services payments.**

\$48 million in payments for professional services. For example, CBDP records do not include information on a \$500,000 contract entered into by the Department on Aging with a firm to provide accounting services. Similarly, they do not include a contract for \$325,000 entered into by the Department of Audit for a firm to conduct the annual Countywide audit.

We realize that many other significant contracts are not included in CBDP records. Thus, we were unable to perform a comprehensive analysis of how well individual departments did in achieving their goals for professional services. Using CBDP data alone, seven departments achieved the 17% goal. That figure rises to eight when a contract with significant DBE participation, which does not appear in the CBDP data, is included. The remaining 23 departments and major divisions did not, including 12 showing no professional services contracts. Again, these results need to be qualified, for of the \$15.4 million not included in CBDP records, we noted that \$8.1 million represents payments made by the 12 departments having no contract activity per CBDP records.

**It appears that the County has improved in obtaining DBE participation in professional services contracting.**

It should be pointed out that, notwithstanding the incomplete nature of the professional services contract records, it appears that the County has improved in getting DBE participation in this area. In an audit we issued in 1995, we reported DBE participation in professional services contracting of less than one percent for each year from 1991 – 1993. When we take into consideration a suggested change in the method in which the rate is computed (**Section 3**), we see that the resulting percentage is much improved. With improved monitoring and record keeping, this improvement should be sustained.

Ability to Enforce Departmental Procedures by CBDP – As noted above, departments were not diligent in fulfilling their reporting requirements in great measure because CBDP had not been doing the necessary prompting. Prior to 2003, a CBDP staff

**Retirements have reduced CBDP's ability to effectively monitor professional services contracting.**

person had responsibility to work with departments to obtain compliance with DBE requirements. However, the person retired in 2002 and was not replaced, so the work was shifted in 2003 to the same staff person in charge of construction contracting. According to this person, time is generally spent on professional services only after construction contracting duties have been addressed. As a result, little time was devoted to working with department heads to ensure DBE participation was considered for all professional services contracts, or for maintaining accurate records on a departmental level to monitor activity and overall goal achievement.

**CBDP has not maintained data nor reported DBE goal achievement at the departmental level.**

Reporting DBE Participation by Department - While resources for monitoring performance and enforcing requirements have been limited recently, some problems related to non-construction professional services contracting have existed since our prior CBDP audit in March 1995. For example, CBDP has always been heavily reliant on operating departments to provide DBE payment data, and other information necessary to effectively monitor non-construction related professional services. Obtaining a 100% response rate from all departments can be a nearly impossible task. Also, CBDP has not maintained data on a departmental basis, so it cannot determine at a given point in time how well a department is doing to achieve its goal and whether additional actions were needed.

We therefore recommend that CBDP:

- 1. Take steps to ensure that operating departments provide annual utilization reports, contract information and quarterly payment information for non-construction related professional services on a timely basis. Further, maintain this information on a departmental basis to be used in annual reporting of goal achievement, highlighting departments and divisions that fail to provide required information.*

It may be possible that the County's financial software (Advantage) can be programmed to allow payment and DBE

**Perhaps the County's financial software can be used to reduce CDBP and departmental paperwork.**

participation information, including payments made to subcontractors, to be entered as invoices are processed. This would alleviate the need for prompting departments to provide quarterly reports, and the labor-intensive task of processing dozens of departments' quarterly reports to extract contract and DBE payment information. We recommend that CDBP:

2. *Work with IMSD and DAS – Accounts Payable to determine the feasibility for having DAS enter contractor and DBE payment information from invoices normally processed by DAS – Accounts Payable, and for IMSD to provide periodic reports summarizing the data for monitoring and subsequent reporting purposes.*

#### **Procurement (Goal – 17%)**

**CBDP is not required to track DBE participation in County procurement on an ongoing basis.**

CBDP is not required to track purchases made by the DAS Procurement Division or by the Milwaukee Transit System (MTS) throughout the year to monitor if DBE procurement contracting goals are being met. Rather, it receives year-end notification of both how much purchasing was done and the amount paid to DBE firms. This prevents CBDP from noting any red flags as to current problems from either of these two purchasing units.

**Reports from MTS and DAS Procurement Division both included non-certified DBE firms in their DBE statistics.**

For 2003, both units' reports of DBE contracting included firms that were not DBE certified, thus inflating the reported DBE participation. Reviews of information provided by the DAS Procurement Division showed its DBE participation rate was inflated from 1.9% to 3.4% based on purchases of \$65 million by including payments made to non-certified DBE firms.

MTS also reported payments made to non-certified firms, though its report did identify and segregate those payments. Based on purchases of \$5 million, MTS reported DBE percentages of 5.6% using certified DBE firms and 10.5% if potential DBE firms were included. It should be noted that the report did not name either the certified or non-certified DBE firms, so CBDP cannot be assured that the 5.6% figure does not also include non-certified firms.

**The overall DBE participation in County procurements was 2.2% in 2003.**

Overall, the DBE participation rate on combined DAS Procurement Division and MTS purchasing using only certified DBE firms is 2.2%

### **Concessions – Airport (Goal – 14%)**

As with procurement contracting, CBDP does not have current information on revenues for Airport concessions to determine if County goals relating to concession revenues are being met. Unlike procurement contracting, however, the Airport has been diligent in working with CBDP at the beginning of the year when concession contracts are entered into. While ongoing revenue reports are lacking, at least CBDP can use the upfront contract information and revenue estimates to determine if goals will be met initially.

**CBDP does not maintain current data on DBE participation in Airport concessions.**

CBDP needs current information presented in a manner that allows it to monitor and verify reported DBE participation in County procurements and Airport concession. We recommend that CBDP:

- 3. Work with DAS Procurement Division, MTS and Airport administration to obtain periodic reports on total procurement and DBE participation information, including the DBE firms involved, to provide the ability to effectively monitor and verify reported and total procurement data.*

### **Verifying DBE Status**

Another example of how limited staff has undermined the effectiveness of CBDP relates to the verification of DBE status of certified firms. According to CBDP staff, it used to have the time to confirm DBE status to make sure companies were not getting contracts under false pretenses. However, given the limitations of staff, these have not been done for more than two years.

**CBDP staff have not had time to verify DBE status of certified firms, as was done in the past.**

In April 2004, the Federal Aviation Administration issued a letter to airports receiving federal funding pointing out some issues that had come to light in recent reviews. In particular, it noted how some firms were improperly claiming DBE status when

closer scrutiny of the firms showed that was not the case. This type of situation highlights the need for staff to maintain its former role in ensuring DBE program integrity.

Current staff limitations will likely preclude CDBP from performing this and other tasks essential for program monitoring and maintaining program integrity. We therefore recommend that CDBP:

4. *Determine the additional number of staff to perform the functions mandated by County Ordinances and federal regulations, and request County Board authorization to fill them.*
5. *The County Board may also wish to consider reciprocal certification with other jurisdictions performing certification activities, and shift current certification resources to monitoring and development functions.*

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## Section 3: Calculation of DBE Participation Percentages

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**In the past, waived contracts were not included in the calculation of DBE participation rates.**

In the past, DBE participation percentages in construction and professional services contracting were calculated by dividing total DBE payments into total contract dollars. However, before the calculation was made, total contract dollars were reduced for those contracts waived from DBE participation by CBDP. Waivers were generally granted because either there were no DBE firms available to participate in the contract, the contracts were with sole source providers such as governmental entities that did not provide an ability for DBE subcontracting, or the contracts were so small as to make subcontracting impractical.

The theory behind this method is that it is not fair to hold departmental contract administrators responsible for achieving the DBE goal if they could not exercise control over DBE participation in contracts waived for appropriate reasons. This problem primarily exists with contracts for non-construction related professional services.

**CBDP's reporting of DBE participation for 2003 included waived contracts.**

In contrast, the calculation of DBE percentages in CBDP's report of DBE participation in contracting for 2003 included those waived from having a DBE requirement. According to the CBDP Director, the state of DBE participation in County contracting would be significantly overstated if waived contracts were excluded from the calculation. Also, it was believed that by doing it in this manner, departmental contracting administrators would feel more pressure to channel other contracting opportunities in the department to DBE firms in order to achieve the departmental DBE goal for the year.

We believe the current method has flaws that could inadvertently give some departments the appearance of poor DBE participation through no fault of the departmental contracting administrator. For example, the County Health Related

Programs administered eight professional services contracts totaling \$3 million for 2003. Each were contracts with governmental entities administering the paramedic program. All were waived. To highlight the differences in the methods, assume that the department also entered into another professional services program awarded to a DBE contractor for \$10,000.

Under the prior computation method, County Health Related Program would be credited with 100% participation ( $\$10,000 / \$10,000$ ). Under the current method, it would have reached a 0.33% rate ( $\$10,000 / \$3,010,000$ ). And since there was no other contracting opportunity to increase its percentage, the department would look bad when in fact it did all it could to maximize its DBE involvement in its professional services contracting.

**The effect of this change in calculation reduced DBE participation in professional services contracting from 23.4% to 7.8%.**

Details of how departments did in achieving DBE goals are presented in **Exhibit 2**. For 2003, CBDP calculated the DBE percentage for non-construction professional services contracts as 7.8%. Had waived contracts been excluded, the percentage would have increased to 23.4%. It should again be stressed that CBDP statistical information is not complete. To the extent to which it does not include contracts in which the DBE requirement had not been waived, the overall DBE percentage would drop.

We believe that waived contracts, whether the waiver be for contracts to government entities or simply due to a lack of certified DBE firms, should be excluded from the calculation of overall DBE percentages. Departmental contracting administrators should not be held to what could be an unattainable goal because significant contracting dollars are earmarked for government entities or other sole source providers for which opportunities for DBE participation is limited or nonexistent. CBDP should continue to identify contracts carved

out in this manner to explore opportunities for DBE participation.

We recommend that CBDP:

6. *Revise its procedures for calculating DBE participation to carve out waived contracts, including contracts with government entities, so that the resulting percentage properly reflects departmental efforts at reaching DBE goals. Further, continue to work with these contracted governmental entities to explore opportunities for DBE firms to participate within the contract.*

It is important for CBDP not only to gather the data and calculate the DBE percentages more accurately, but also to improve its reporting of the data. The report should include all information necessary to evaluate departmental performance against each established goal. We recommend that CBDP:

7. *Starting with 2004 activity, prepare an annual report summarizing activity for construction, procurement and Airport concessions contracting to provide meaningful baseline information on DBE participation. For non-construction related professional services contracting, break down activity by County department and major division, showing total contract amount, amount waived and associated reason (if applicable) and actual total payments and DBE payments.*

## Section 4: Program Outreach Efforts

**To help foster DBE participation in County contracts, CBDP needs to increase the number of certified firms.**

One of the responsibilities of Community Business Development Partners, as the name itself indicates, is to foster participation by DBE firms on County public works, professional services and other contracting opportunities. This is not limited to working with County departmental contractors to have them take a more active role in assuring DBE participation in County contracts. It also includes taking steps to promote DBE opportunities in the community so that a ready pool of interested DBE contractors is available when contracting opportunities become available.

One of the performance measures used in past CBDP budgets was to increase the number of certified DBE firms, with no specific increase indicated. Our review of the certification activity over the last three years showed that the number of newly certified DBE firms has fallen.

**Table 4  
DBE Certification Activity  
2001 – 2003**

	<b>Number of Applications</b>			
	<b><u>Processed</u></b>	<b><u>Firms Re-Certified</u></b>	<b><u>Newly Certified</u></b>	<b><u>Firms Denied</u></b>
<b>2001</b>	321	137	130	54
<b>2002</b>	268	197	51	20
<b>2003</b>	247	171	46	30

Source: CBDP certification records.

**The number of newly certified firms has fallen over the last three years.**

The data indicates that the number of certifications, including the number of new certifications, has been falling over the three year period. CBDP staff attribute the decreases to the new guidelines set under the Wisconsin Unified DBE Certification Program that limit Milwaukee County to a six county area for processing

applications (Milwaukee, Ozaukee, Washington, Waukesha, Racine and Kenosha).

**Certification efforts have been limited to working with firms initiating the certification review.**

Having a sufficient pool of available, certified DBE firms is critical to increasing DBE participation in County contracting, especially in the professional services area. According to CBDP management and certification staff, efforts of the certification unit are limited to certifying and re-certifying firms that come through the door.

### **Waiver Analysis**

Previously, we noted the extent to which CBDP waived DBE requirements on County contracts. Only three construction contracts were waived by CBDP in 2003. Analysis of these waivers showed that two contracts were too small to allow for subcontracting, and the third was a highly specialized area for which there were no DBE firms available.

**For professional services contracting, 79% of the contracts maintained by CBDP were waived from requiring DBE participation.**

In contrast, 153 of 193 (79%) non-construction related professional services contracts were waived. Specific reasons for waivers are not noted by CBDP when it allows for the waiver, but reasons can be gleaned from documentation provided by departments when contracts are forwarded to CBDP. Documentation of waiver requests by departments were noted in 109 of the 153 contracts. For 56 of these 109 contracts (51%), waivers were requested because the work was to be performed in fields for which certified DBE firms did not exist or the work was highly specialized. CBDP staff estimated that 80% of all non-construction related professional services contracts submitted to CBDP with waiver requests, and ultimately waived, are done so after the fact without up-front CBDP involvement.

**Documentation indicates about half of waived contracts were due to a lack of DBE firms.**

In discussions with CBDP management, we noted that limited resources prevented CBDP from doing more to promote DBE opportunities to non-certified firms. Instead, current efforts focused on networking existing contractors and County

**CBDP outreach efforts have focused on networking contract administrators, prime contractors and DBE firms.**

department contract administrators. One such example is the annual CBDP Business Opportunity Conference and Expo most recently held on November 11, 2004. Also, CBDP hosts 'mixers' which attempt to bring together prime contractors and DBE contractors in specific fields which historically have been lacking in DBE participation, such as legal contracting.

**DBE Revolving Loan Program**

One tool that could help new DBE businesses participate more readily in County contracts is the revolving loan fund. The revolving loan program provides DBE firms with low interest, short term working capital loans for labor and materials which help enable them to participate in Milwaukee County contracting. There are three accounts, two of which were transferred (totaling \$295,300) to the Milwaukee Transit System in 2001. The following table shows the activity in this program over the last 10 years.

<u>Year</u>	<u>Number of Loans</u>	<u>Number of Vendors</u>	<u>Total Loans</u>
1995	12	7	\$ 177,900
1996	58	6	455,400
1997	17	5	252,200
1998	5	4	131,500
1999	11	6	196,500
2000	24	9	316,775
2001 (1)	1	1	36,000
2002	10	3	132,603
2003	1	1	25,000
2004	0	0	0

Note (1): Two of the three revolving loan funds administered by CBDP for transit-related contracts was transferred to Transit in 2001. The statistics for 2001 – 2004 reflect only the loan activity for the remaining loan fund administered by CBDP since that point.

Source: CBDP files.

**The revolving loan fund administered by CBDP has been used sparingly in recent years.**

The fund currently administered by CBDP is set at about \$322,000, As the above activity shows, the revolving loan fund administered by CBDP has been used sparingly by DBE vendors

over the past four years. This indicates that current DBE firms are either not aware of it, do not need the short-term working capital it provides, find that the application process is too cumbersome to go through, or a combination of the above. According to CBDP, the loan process is very slow, in part due to the controls that have been instituted to reduce abuses of the fund that have been noted in the past.

Knowledge of the fund availability could help encourage the formation of more DBE firms, especially in those contracting disciplines where a shortage of DBE firms exist. We recommend that CBDP:

8. *Take steps to more fully utilize the available funds by increased marketing of the fund.*

#### **Outreach Efforts**

Outreach efforts need to be extended beyond what has been done in the past. Such efforts could include visiting area high schools and colleges to educate students of business opportunities that exist for potential future DBE entrepreneurs and perhaps help give direction to their development. Perhaps efforts of this type or other outreach activities could be performed in conjunction with outreach efforts of other entities, such as the Milwaukee County Department of Administrative Services – Economic and Community Development Division, or the Federal Small Business Administration. Contacts into the community could also include providing technical and economic support as warranted.

We recommend that CBDP, with input and counsel of the applicable County Board oversight committee:

9. *Extend current outreach efforts to more effectively promote the certification of firms in disciplines where the existing pool of DBE firms is not sufficient to meet the needs of County departments.*

**CBDP needs to try different outreach approaches to help build up the number of DBE firms in areas that lack DBE representation.**

## Audit Scope

As directed by County Board resolution (File No. 04-160), we performed an audit of the Community Business Development Partners for the purpose of assessing the current state of the Milwaukee County Disadvantaged Business Enterprise (DBE) program and helping to identify any potential areas of improvement. The audit was conducted in accordance with standards set forth in the U. S. Government Accountability Office Government Audit Standards (2003 Revision), with the exception of the standard relating to periodic peer review. We limited our review to the items specified in this Scope Section. During the course of the audit we performed the following:

- Reviewed County Ordinances and Federal regulations, along with related CBDP policies and procedures manuals, governing DBE participation in County and federal contracting;
- Evaluated the manner in which DBE participation percentages were computed for construction and professional services contracting;
- Reviewed contract files for construction projects;
- Reviewed professional services contract files, for evidence of compliance with established contracting procedures;
- Analyzed professional service contracts where DBE requirements were waived to determine reasons for such;
- Analyzed loan activity from three DBE revolving loan funds over a 10-year period;
- Evaluated the process by which firms receive their DBE certification;
- Interviewed current and former CBDP employees concerning current and past practices;
- Reviewed CBDP efforts to promote County contracting opportunities; and
- Attended the 2004 CBDP Business Opportunity Conference and Expo, an outreach and networking event held on November 11, 2004.

**Comparison of CBDP Records for  
Non-Construction Related Professional Services Contracts  
With County Financial Records for 2003**

<u>Department</u>	<u>No. of Contracts</u>	<u>Total Contract Amount</u>	<u>Reported DBE Amount</u>	<u>DBE % Including Waived Contracts</u>	<u>Waived Contract Amount</u>	<u>DBE % Excluding Waived Contracts</u>
Administrative Services	13	\$320,532	\$13,200	4.1%	\$228,682	14.4%
Aging (2)	8	\$96,730	\$45,930	47.5%	\$46,600	91.6%
Audit (2)	1	\$5,900	\$0	0%	\$5,900	N/A
Circuit Courts	7	\$14,473,480	\$0	0%	\$14,473,480	N/A
Corporation Counsel	3	\$20,900	\$0	0%	\$20,900	N/A
District Attorney	3	\$9,100	\$0	0%	\$9,100	N/A
Election Commission	1	\$1,000	\$0	0%	\$1,000	N/A
House of Correction	1	\$733,000	\$131,207	17.9%	\$0	17.9%
Health and Human Services (DHHS)	42	\$1,811,142	\$320,418	17.7%	\$1,041,002	41.6%
DHHS - Behavioral Health Division	19	\$2,977,423	\$325,849	10.9%	\$1,045,630	16.9%
DHHS - County Health Programs	8	\$3,000,000	\$0	0%	\$3,000,000	N/A
DHHS - Delinquency and Court Services	3	\$3,600	\$0	0%	\$3,600	N/A
Medical Examiner	5	\$75,000	\$0	0%	\$75,000	N/A
Parks and Public Infrastructure (DPPI)	36	\$4,666,398	\$943,904	20.2%	\$951,729	25.4%
DPPI - Airport	13	\$3,925,594	\$770,846	19.6%	\$278,380	21.1%
DPPI - Parks Operations	3	\$276,436	\$0	0%	\$276,436	N/A
Personnel Review Board	1	\$6,000	\$6,000	100.0%	\$0	100.0%
Sheriff	2	\$30,500	\$0	0%	\$30,500	N/A
Zoo	24	\$145,669	\$0	0%	\$145,669	N/A
<b>Totals per CBDP Records</b>	<b><u>193</u></b>	<b><u>\$32,578,404</u></b>	<b><u>\$2,557,354</u></b>	<b><u>7.8%</u></b>	<b><u>\$21,633,608</u></b>	<b><u>23.4%</u></b>

**Non-Construction Professional Services  
Per County Accounting Records** **\$47,986,950**

**Difference (Non-Construction Professional  
Services Not Included in CBDP records)** **\$15,408,546**

**Difference Attributable to Departments In  
Which CBDP Records Reflect No  
Professional Services Activity (1)** **\$8,075,662**

Note 1 – The purpose of this exhibit is to present the extent to which CBDP records do not reflect all non-construction professional services contracts for 2003. CBDP records indicate \$32.6 million in payments, whereas County financial records indicate payments of \$48 million, a difference of \$15.4 million. Of that difference, over half (\$8.1 million) is attributable to the following departments shown on CBDP records as having no non-construction related professional services contracting: Child Support Enforcement, Civil Service Commission, Clerk of Circuit Court, Combined Court Related Operations, County Clerk, County Treasurer, Family Court Commissioner, CBDP, Register in Probate, Register of Deeds, UW – Extension, and Veterans Services.

Note 2 – The overall DBE participation percentage would only be affected by missing contracts that had been not been waived. If the contract had actual DBE participation, the effect on the rate would depend on the extent of the involvement. For example, if a contract by the Department of Audit for Countywide audit services had been properly included, the departmental percentage would have risen to 34% based on a contract of \$325,000 and DBE payments of \$110,500, and the overall percentage would have increased to 23.7%. On the other hand, if DBE participation had not been waived and there had been no DBE participation, the percentage would fall. For example, if a \$500,000 contract by the Office on Aging to provide accounting services, with no DBE participation, had not been waived, the DBE percentage for the department would have fallen from 91.6 % to 8.3%, and the overall DBE rate decreased to 22.7% (a calculation that also includes the missing Audit Department contract).

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

DATE: December 6, 2004

TO: Jerome J. Heer, Director of Audits

FROM: Freida Webb, Director, Community Business Development Partners (CBDP)

SUBJECT: CBDP Response to "Audit of Office of Community Business Development Partners Recommendations"

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First and foremost, Community Business Development Partners (CBDP) staff wishes to acknowledge the professional, fair and consistent manner in which the audit was conducted by Milwaukee County Department of Audit staff.

Second, we must emphasize that CBDP lacks the resources, both human and technological, to implement many of the elements required by Milwaukee County Ordinance Chapter 42 and CFR 49 Part 26 for monitoring and enforcing DBE participation and certification program requirements.

Following is a response to the list of recommendations made by Audit staff regarding improvements to the Community Business Development Partners (CBDP) Disadvantaged Business Enterprise (DBE) program.

**Recommendation No. 1:**

*Take steps to ensure that operating departments provide annual utilization reports, contract information and quarterly payment information for non-construction related professional services on a timely basis. Further, maintain this information on a departmental basis to be used in annual reporting of goal achievement, highlighting departments and divisions that fail to provide required information.*

CBDP staff concurs that we need to take the necessary steps, once both staff and technological resources are made available, to ensure that County departments submit the necessary information to comply with reporting requirements as requested by County ordinances. We believe that it's imperative that Departments should be made accountable for submitting the information in a timely manner to allow for CBDP staff to maintain the information on a departmental basis to be used in annual reporting of goal achievement.

**Recommendation No. 2**

*Work with IMSD and DAS – Accounts Payable to determine the feasibility for having DAS enter contractor and DBE payment information from invoices normally processed by DAS – Accounts Payable, and for IMSD to provide periodic reports summarizing the data for monitor and subsequent reporting purposes.*

CBDP staff concurs with this recommendation to work with DAS, including IMSD and Accounts Payable, in order to arrive at a method that would provide CBDP with contractor and DBE payment information from invoices DAS processes. In addition, minor modifications to Form 1684 will further assist the departments in gathering necessary information to provide periodic reports to CBDP.

### **Recommendation No. 3**

*Work with DAS Procurement Division, MTS and Airport administration to obtain periodic reports on total procurement and DBE participation information, including the DBE firms involved, to provide the ability to effectively monitor and verify reported and total procurement data.*

CBDP staff concurs with the above recommendation. See above response.

Reporting of payment information as well as DBE participation and goal attainment should be centralized in CBDP. All accountable County Departments and Divisions should be reporting data directly to CBDP.

In cooperation with IMSD we are preparing to issue an RFP for a web based database that will address both DBE and non-DBE registration, tracking, monitoring, compliance and reporting from all County Departments. This database will be funded with FTA grant monies.

### **Recommendation No. 4**

*Determine the additional number of staff to perform the functions mandated by County Ordinances and federal regulations, and request County Board authorization to fill them.*

Based on the current CBDP staff workload and federal mandate requirements, it is CBDP recommendation to (a) replace one vacant Certification Analyst position, (b) to hire one skilled experienced administrative assistant to perform the following:

- Initial input and maintenance of the database
- Generate electronic reports to departments and the administration
- Perform high level fiscal duties, i.e. journal vouchers, work authorizations, quarterly reports and to provide general budgeting assistance
- General clerical support duties

And (c) one Outreach/Business Development Consultant (see recommendation #9)

### **Recommendation No. 5**

*The County Board may also wish to consider reciprocal certification with other jurisdictions performing certification activities, and shift current certification resources to monitoring and development functions.*

The Code of Federal Regulations 49 CFR 26 requires that recipients of US DOT funds in excess of \$250,000, whether from FHWA, FTA or FAA, must have an approved DBE program and conform with all requirements to be compliant. DBE programs must include a DBE policy statement; have a DBE liaison officer who has direct, independent access to the Chief Executive Officer concerning DBE matters; must establish prompt payment mechanisms; establish and implement measures to ensure compliance through monitoring and have enforcement procedures to verify DBE commitments; adopt the revised Certification Standards and Procedures set forth in 49 CFR 26;

establish a statewide Unified Certification Program (UCP) approved by the US DOT; and establish a narrowly tailored method for setting goals, measuring good faith efforts, and counting DBE participation.

Reciprocity with other jurisdictions is only possible if the same standards and procedures are used in operating their respective DBE programs. Presently, the City of Milwaukee uses a local ordinance 360 to identify and certify DBE firms. The Wisconsin Department of Commerce utilizes state statutes to certify minority firms only. The Wisconsin Department of Transportation (WisDOT), City of Madison, and Dane County are the only local jurisdictions that also utilize 49 CFR Part 26. Further, Milwaukee County along with WisDOT, City of Madison, and Dane County are signatories to a Wisconsin Unified Certification Program Agreement that was formally approved by the United States Department of Transportation March 25, 2003, and is currently implementing all elements of the Operating Agreement which makes the certification process uniform for all parties to the UCP Agreement.

Milwaukee County is the most unique of the Wisconsin UCP members because it chose to adopt the federal regulations (49 CFR Part 26) for all its locally funded contracting. Therefore, all the elements of the federal program are also used for contract and procurements that are funded with County dollars. These unique features make reciprocal certification with other jurisdictions untenable.

#### Recommendation No. 6

*Revise its procedures for calculating DBE participation to carve out waived contracts, including contracts with government entities, so that the resulting percentage properly reflects departmental efforts at reaching DBE goals. Further, continue to work with these contracted governmental entities to explore opportunities for DBE firms to participate within the contract.*

CBDP staff concurs with the above recommendation. We will identify waivers separately and identify government entities whose dollars have been excluded from DBE participation and work with these entities to identify other opportunities for participation.

#### Recommendation No. 7

*Starting with 2004 activity, prepare an annual report summarizing activity for construction, procurement and Airport concessions contracting to provide meaningful baseline information on DBE participation. For non-construction related professional services contracting, break down activity by County department and major division, showing total contract amount, amount waived and associated reason (if applicable) and actual total payments and DBE payments.*

CBDP staff concurs with the above recommendation that starting with 2004 activity CBDP will submit an annual report with the above referenced information as long as the accountable departments, including Procurement, MCTS and GMIA (concessions) are required to gather and submit related information, such as total contract amounts, names of primes and DBEs and actual total payments to both primes and DBEs.

It's the recommendation of the CBDP office that Department and Division Administrators should be held accountable for submitting the annual DBE utilization plan and reports as well as meeting the annual overall DBE participation goal established by the County.

**Recommendation No. 8**

*Take steps to more fully utilize the available funds by increased marketing of the fund.*

CBDP is recommending revising the loan procedures to streamline the loan review process in order to facilitate greater utilization of loan funds. In order to expedite the loan approval process, it is our recommendation that an internal Loan Review Committee be formed to include one (1) member from CBDP, one member from DPPI, and a third member to be named later. Furthermore, loan decisions should be completed in no more than three (3) calendar days. The Committee's loan decisions shall be binding. In addition, we are also recommending, that the County Board Chairman may approve loans without consultation to the loan review committee in cases where time is of the essence.

**Recommendation No. 9**

*Extend current outreach efforts to more effectively promote the certification of firms in disciplines where the existing pool of DBE firms is not sufficient to meet the needs of County departments.*

CBDP concurs that extensive outreach and business development efforts are needed to increase DBE participation in underrepresented contract areas to meet the needs of County departments.

Therefore, we are recommending that a consultant who can focus on outreach and recruitment be retained to develop new and work to expand capacity of existing DBE businesses, with emphasis in professional services non-construction related.