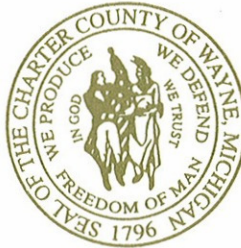


Office of Legislative  
**Auditor General**

**WILLIE MAYO, CPA, CIA, CICA**  
AUDITOR GENERAL



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November 18, 2011

**FINAL REPORT TRANSMITTAL LETTER**

Wayne County Commission  
County of Wayne, Michigan

Find enclosed the Office of Legislative Auditor General's (OAG) Agreed-Upon Procedures Audit report on the Wayne County Commission, County of Wayne, Michigan for the period January 1, 2009 through December 31, 2010. The report is dated, August 31, 2011; DAP No. 2010-57-815. The agreed-upon procedures audit was performed and conducted in accordance with Chapter 65-8 of the Code of Wayne County Ordinances and the duly adopted Ordinance 94-139. The OAG contracted with the certified public accounting firm, Montgomery and Company, PLLC, to perform the audit.

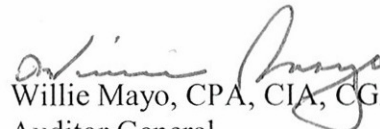
The objectives of the audit, which were conveyed to the commission's Committee of the Whole on April 5, 2011, are in compliance with county laws noted above, and included assessing the Commission's: 1) internal controls; 2) management practices; 3) payroll and human resources; 4) compliance with laws, ordinances, and rules of the Wayne County Commission; and 5) prior findings that were not addressed in the previous Commission engagement.

Because the audit resulted in numerous recommendations, due to control deficiencies or opportunities to strengthen the commission's operations, a corrective action plan will be requested from Commission management. Also, we are pleased to inform you that Commission leadership, management and staff offered their full cooperation during the conduct of the audit examination.



This report is intended for your information and should not be used for any other purpose.

Respectfully submitted,

  
Willie Mayo, CPA, CIA, CGAP, CICA  
Auditor General

## **REPORT DISTRIBUTION**

**Wayne County Commissioners**

**Honorable Robert A. Ficano, County Executive**

**Carla E. Sledge, Chief Financial Officer**

**Wayne County Commission  
Charter County of Wayne, Michigan**

**Independent Accountant's Report on Applying  
Agreed-Upon Procedures**

**For the Period January 1, 2009 through December 31, 2010**

**August 31, 2011**

**DAP No. 2010-57-815**

Wayne County Commission  
Charter County of Wayne, Michigan

**Independent Accountant's Report on Applying  
Agreed-Upon Procedures**

Table of Contents

Page(s)

LEGISLATIVE AUDITOR GENERAL – EXECUTIVE SUMMARY ..... 3

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING  
AGREED-UPON PROCEDURES ..... 6

PROCEDURES AND FINDINGS

I. Internal Control Structure: Policies and Procedures - ..... 6  
Agreed-Upon Procedures

II. Human Resource Costs and Management, Internal Controls - ..... 16  
Agreed-Upon Procedures

III. Compliance with Laws, Ordinances and Rules of Procedures ..... 18  
of the Commission - Agreed-Upon Procedures

IV. Management Practices of the Commission - ..... 21  
Agreed-Upon Procedures

V. Status of Prior Engagement Recommendations - ..... 23

VI. Appendix – Classification of Findings ..... 27



## **Independent Accountant's Report on Applying Agreed-Upon Procedures**

### **Legislative Auditor General Executive Summary**

#### Type of Engagement, Scope, and Methodology

This engagement was mandated by Wayne County Enrolled Ordinance No. 92-678, as amended by Ordinance No. 94 -139, which requires that beginning December 31, 1994, and at least once every two years thereafter, "the legislative auditor general or a certified public accountant appointed by the legislative auditor general shall conduct an operational audit of the Wayne County Commission."

The firm of Montgomery and Company, PLLC was selected to perform an operational agreed-upon procedures engagement as discussed below related to the operations of the Wayne County Commission, County of Wayne, Michigan for the period January 1, 2009 through December 31, 2010. The scope and objectives of this engagement services were established by the firm in collaboration with the Wayne County Legislative Auditor General and Commission leadership.

The agreed-upon procedures were conducted in accordance with applicable Generally Accepted Auditing Standards issued by the American Institute of Certified Public Accountants and Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States of America.

The objectives for the agreed-upon procedures focused on: (1) internal controls, (2) management practices, (3) payroll and human resource management, (4) compliance with laws, ordinances and rules of the Wayne County Commission, and (5) prior findings that were not addressed in the previous Commission engagement.

The procedures performed for this engagement do not constitute an audit, the objective of which is to express an opinion. Accordingly, the firm is not expressing such an opinion. In addition, the sufficiency of these procedures is solely the responsibility of the Legislative Auditor General (OAG) and the Commission.

It is important to note that former Commissioner Ed Boike, Jr. was the Chairman of the Commission for the period, in which this Agreed-Upon Procedures engagement was performed.

# **Independent Accountant's Report on Applying**

## **Agreed-Upon Procedures**

Legislative Auditor General

Executive Summary

### Methodology

The principal methodology used for this engagement was limited to inquiries, observations, examination of books and records, documents, analytical procedures, and on-site visits with Commission personnel. In addition, the OAG and the external auditing firm met with the Office of Administration staff and discussed the findings and obtained their input, in some instances, their concurrence with the findings and recommendations.

### Summary of Results

There are three classifications of findings as defined by the AICPA standards and they are ranked in terms of seriousness: material weakness (high risk), significant deficiency (medium risk) and control deficiency – design and operational (low risk).

There were five objectives for this agreed upon procedure engagement that resulted in 14 findings and recommendations: three are considered significant deficiencies and 11 are considered to be control deficiencies.

The significant deficiencies are identified as recommendation #2011-04 which relates to no written policies or procedures existing related to the preparation, review, safeguarding and distribution of Commissioners' Monthly Allocation Expense Reports; recommendation #2011-09 related to Commissioners failing to adhere to Commission Legislative Aides policy and procedure for time reporting; and recommendation #2011-12 is due to a lack of Internal Revenue Code justification for the treatment of certain vendors as independent contractors.

We have provided a brief overview of the findings and recommendations by objective in the executive summary and more detail can be found in the report detail.

Commission leadership provided responses to all 14 recommendations and has agreed with 9 of the 14 recommendations. Commission leadership either partially agreed or did not believe it was necessary to consider the other five recommendations for various reasons.

**Objective 1** – Internal control structure (pages 6 – 16): There were a total of seven recommendations based on procedures performed - one is classified as a significant deficiency risk and the other six are classified as operational and design control deficiencies and low risk.



# **Independent Accountant's Report on Applying Agreed-Upon Procedures**

## **Legislative Auditor General Executive Summary**

**Objective 2** – Human resources and management (pages 16 – 18): There were a total of two recommendations based on procedures performed – both of which are classified as operational and design control deficiencies and low risk.

**Objective 3** – Compliance with Commission rules (pages 18 – 20): There were a total of two recommendations based on procedures performed - one was classified as a significant deficiency and the other was classified as an operational and design control deficiency and low risk.

**Objective 4** – Management practices (pages 21 – 23): There were a total of three recommendations based on procedures performed - two were classified as control deficiencies and low risk, and one was classified as a significant deficiency and medium risk.

**Objective 5** – Status of prior year findings (pages 23 – 26): There were a total of 16 recommendations based on the agreed upon procedures performed for the calendar years 2007 – 2008. Eleven of the recommendations were resolved and five are still unresolved as of the date of this report.

### **Corrective Action Plan**

A corrective action plan will be requested for this report by the Office of the Legislative Auditor General 30 days after it is received and filed by the full board.

## **Montgomery & Company, PLLC**

Certified Public Accountants

20755 Greenfield, Suite 905

Southfield, Michigan 48075

(248) 557-2881 (248) 557-8726 FAX

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### **Independent Accountant's Report On Applying Agreed-Upon Procedures**

Wayne County Commission  
County of Wayne, Michigan

We have performed agreed-upon procedures as discussed below, which were agreed to by the Wayne County Commission, County of Wayne, Michigan, solely to be in compliance with Wayne County Enrolled Ordinance No. 92-676, as amended by Ordinance No. 94-139, which requires that beginning December 31, 1994, and at least once every two years thereafter, an operational audit be conducted of the Wayne County Commission (Commission). The scope for this engagement will cover the two year period of January 1, 2009 – December 31, 2010.

The requirements are broad, stating that each operational engagement shall address internal controls, management practices, and compliance with laws, ordinances and rules and procedures of the Commission. The scope of services was established by the firm in collaboration with the Wayne County Legislative Auditor General (OAG) and focused on internal controls, management practices, compliance with laws, ordinances and rules and procedures of the Commission and prior engagement findings related to an independent report on agreed upon procedures for the two year period – January 1, 2007 – December 31, 2008.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States of America. The sufficiency of these procedures is solely the responsibility of the specified user of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

#### **Procedures and Findings**

##### **I. Internal Control Structure: Policies and Procedures - Agreed Upon-Procedures**

The Commission is responsible for establishing and maintaining a system of internal controls over its operations. In fulfilling this responsibility, estimates and judgments by



Commission leadership and management are required to assess the expected benefits and related costs of internal control processes and procedures.

The objective of a system of internal control is to provide management with reasonable, but not absolute, assurance that financial reporting is reliable; operations are performed effectively, economically, and efficiently. A system should also ensure compliance with laws, policies, rules, objectives, goals and intended actions of those in leadership.

Because of the inherent limitations in any system of internal control, misstatements or fraud may occur and not be detected. Also, projections of any evaluation of internal controls to future periods are subject to risk that internal controls may become inadequate because of changes in conditions or the degree of effectiveness and compliance with policies, procedures and processes.

The following procedures and findings are presented for specific internal control areas related to the agreed-upon procedures performed: purchasing, monitoring, reporting budget, expenditure activity, timeliness of processing of invoices, travel, mailings, and petty cash.

Also, separate agreed-upon procedures were performed on certain areas of the OAG because the office functions are administratively and operationally independent of the Commission.

### **Purchasing**

### **Commission**

#### ***Condition(s)***

We performed certain agreed-upon procedures to 29 disbursement transactions processed by the Commission and OAG during the scope period of our engagement and found 26 or 90 percent of the transactions were properly processed in accordance with relevant procurement ordinances and policies of the County and Commission.

However, we identified instances where contracts and related disbursements were made that were not in compliance with the county – wide procurement ordinance and internal control processes. Specifically, we found the following:

1. The Commission entered into two separate contracts with a particular vendor during fiscal year ended September 30, 2010, for a combined amount of \$99,900, as reflected in the table below.
2. The initial contract with the vendor was \$49,950 and was authorized under the small purchases provision of the ordinance; therefore, it did not require full Commission approval. However, a second contract with the vendor was also entered into during the same fiscal year, in the same amount and purpose, and it did not receive full Commission approval as required by Section 120-125 of the Wayne County

## Procurement Ordinance.

This section of the ordinance requires that contract amounts be viewed cumulatively in any given fiscal year when determining whether they can be processed as a small purchase, or amounts under \$50,000.

3. Payments processed by the Commission in the amount of \$16,550 to a vendor during fiscal year ended September 30, 2010, related to a personal/professional service contract that did not comply with the county-wide Procurement Ordinance, Article VII, Section 120-125 (general limit on delegated authority).

### **Analysis of Contracts Subject Vendor April 1, 2010 through December 31, 2010**

Contracts				Amount Paid Related to Fiscal Year 09/30/10
Control #	Purchase Order #	Term	Amount	
2010-05-001	21004358-000 OP	4/1/10 - 08/15/10	\$49,950	\$49,950
2010-05-002	21069935-000 OB	8/16/10 - 12/31/10	\$49,950	\$16,600*
Totals			\$99,900	\$66,550^

\* Per Blanket Order Release # 21005897-000 OP

^\$16,550, of the amount listed was improperly approved and disbursed during the fiscal year 9/30/10.

The above two contracts were not modifications of original contracts. They are two separate contracts. Modifications to contracts usually have a "M" associated with the contract number. These contracts did not go through the county's PC3 contract approval process; therefore a contract number was not assigned.

4. Of the 29 transactions examined which, were processed by the Commission, one (1) disbursement package did not include a letter/memo requesting a service/good or invoice be paid, as required by the Commission. The same issue was noted in the prior agreed-upon procedures report (dated November 9, 2009).
5. A payment was made to a vendor using the vendor's statement and not an invoice. The county's department of management of budget policy/procedures statements # 13002 and 13004, require that payments be based upon an invoice.
6. We also found an instance where the term period on the purchase order did not agree with the term period in the related contract.

### **Criteria**

All contracts, related purchases, and disbursements should be made in compliance with the county-wide Procurement Ordinance No. 2006-1101 as well as other related procurement policies, procedures, and processes of the County, Commission and OAG.



### *Cause(s)*

Department did not establish control activity to determine the applicability of Article VII, Section 120-125 of the procurement ordinance to contracts. Staff reductions and realignments due to reduced budget appropriation also have contributed to control activity not being performed.

### *Consequence(s)*

Contracts and purchases could be issued and disbursements could be made that are not in compliance with the county-wide Procurement Ordinance, policies, procedures and processes.

### **Recommendation 2011-01 – Commission – Control Deficiency**

We recommend that contracting and purchasing policies, procedures and processes be formally written, and at a minimum, should include the following:

1. Methods of identifying vendors awarded more than one contract in the same fiscal year and for the same purpose under the small purchases provision of the procurement ordinance that cumulatively exceed \$50,000 or more.
2. Require that all requests for services / goods and processing of an invoice be accompanied with a letter or memo from the requesting Commissioner or appropriate Commission staff.

### ***Auditee's Response***

We agree that the Commission administration should formalize written contracting and purchasing procedures. However, the issue of vendors awarded multiple contracts is addressed in the Wayne County Procurement Ordinance.

Commission Counsel disagrees with the Auditor's interpretation of the procurement ordinance and the PC3 process. These contracts were not required to go through the PC3 system and the Commission did not violate the procurement ordinance.

The audit appears to have turned up an anecdotal example of a request from a Commissioner that was not accompanied by a written letter.

It also appears a "statement" was received from a vendor that was processed as an "invoice." Our contention is that the "statement" made reference to an "invoice." We think these are isolated incidents and do not constitute a pattern.

### **Recommendation 2011-02 – Commission – Control Deficiency**

We recommend the Commission: (1) perform an assessment of contracting and purchasing processes to determine if procedures meet the conditions of the ordinances; (2) assign personnel to perform processes and provide adequate training; and, (3) develop a system of monitoring to assess compliance with internal controls and processes.

### ***Auditee's Response***

We agree. The chairman will assess the process to determine what changes, if any, are needed. Our contention is that the current Commission staff is properly trained to meet the day-to-day requirements of the process.

### **OAG**

#### ***Condition***

We found that the OAG does not use a date stamp on invoices to note the date the invoice is received.

#### ***Criteria***

Best practices would include date stamping of invoices received.

#### ***Cause***

The process of date stamping invoices had been inadvertently overlooked.

#### ***Consequences***

Failure to use a date stamp hinders the ability to determine the timeliness of processing of invoices (from receipt to payment) and compliance with Section 120-49 (h) of the county-wide Procurement Ordinance (also known as prompt-payment section).

### **Recommendation 2011-03 – OAG – Control Deficiency**

We recommend that the OAG revise its invoice payment process to include date stamping of all invoices.

### ***Auditee's Response***

The OAG is in agreement with the recommendation and will modify the procedures to date stamp invoices upon receipt and establish a requirement that the packing slip must be signed to provide supporting evidence that all merchandise was actually received.

### **Monitoring and Reporting: Budget and Expenditure Activity**

#### **Commission**

#### ***Condition(s)***

For fiscal years ended September 30, 2009 and 2010, the Commission operated within their appropriated budget amounts.



Our review of the Commissioners' Monthly Allocation Expense Reports and other processes undertaken to monitor the Commission and Commissioners budgets and reporting of expenditure or spending activity identified numerous matters that came to our attention. Specifically, we found the following:

No written policies or procedures exist related to the preparation, review, safeguarding and distribution of Commissioners Monthly Allocation Expense Reports. As a result:

1. The reports are not completed nor provided to individual Commissioners at a consistent time interval after the month ends. We understand in at least one instance, a monthly report was not provided until 60 days after the month ended.
2. The reports are compiled and completed by a single individual and no documented evidence exist that an independent review is performed by a person qualified to determine the completeness and thoroughness of the reports.
3. No documentation was provided that expenditure amounts on the reports were reconciled to general ledger account balances to ensure the amounts on the report are accurate and complete.

### ***Criteria***

Best business practices would dictate that a written policy and procedure exist describing the specific requirements related to preparation, review, safeguarding, and distribution of reports.

### ***Cause***

The absence of a written policy and procedure related to the Monthly Allocation and Expense Report.

### ***Consequence(s)***

Commissioners could overspend their budget allocations and it may not be known. Overspending could also lead to public embarrassment of a Commissioner and the Commission as a whole. Also, manipulation of reports could occur and it may not be detected timely.

### **Recommendation 2011-04 – Commission – Significant Deficiency**

We recommend the Commission prepare a comprehensive written policy and procedure (P&P) surrounding the preparation, review, safeguarding and distribution of the monthly allocation expense reports. The P&P should include, but not be limited to, the following: (1) identify which costs are to be included in the allocation to Commissioners; (2) determine a specific time frame after month end when the report should be given to Commissioners; (3) reconcile amounts in the report to the general ledger; (4) designate a

qualified person to review the report before it is issued; and, (5) develop written safeguards for data and files that are used to prepare reports.

### ***Auditee's Response***

The monthly Commission allocation report is an informal, internal and informational document used to help update the Commissioners on their expenditures. These reports are not used in the formal preparation and reconciliation of the overall Commission budget.

The Commission budget and expenses are reconciled to the general ledger by an assigned member of the fiscal staff and verified by the Budget Director. The monthly expense reports are reviewed and signed by the Chair of the Commission each month.

The general ledger is stored and backed up each day on both the county server and hard drives.

The Commission agrees to review current procedures and implement formal written policies where appropriate.

## **OAG**

### ***Condition***

For fiscal years ended September 30, 2009 and 2010, the OAG operated within their appropriated budget amounts. We also found the internal controls of the OAG related to monitoring and reporting of budget and expenditure or spending activity to be sufficient and operating effectively. However, there was no documentation regarding the internal control policy, procedure or processes.

### ***Criteria***

Best practices would require that all key and essential processes be documented.

### ***Cause***

Reductions in staffing during the past year at the senior management and administrative levels have been a contributing factor in the office not preparing written processes outlining exactly what it does to monitor and report expenditure activity. Historically, the office has followed the guidelines established by the department of management and budget for monitoring its expenditure activity, but those guidelines have varied and changed over the past few years.

### ***Consequences***

Not documenting the processes could cause disruptions to the OAG's operations if the individual currently performing most of the processes is away from work or separates



from the office.

### **Recommendation 2011 – 05 – OAG – Control Deficiency**

We recommend that the OAG document the processes it undertakes to monitor and report its expenditure activity in the form of a policy, procedure or process.

### **Auditee's Response**

The OAG agrees with the recommendation. The OAG follows the Department of Management and Budget's (M&B) policy/procedure statement no. 12002, revised April 10, 2009. The statement is titled, Monthly Closing Procedures and Interim Financial Statement. In addition, we will formally document the processes we use each month in preparing the OAG budget vs actual report that is submitted to the Auditor General for his review and approval.

### **Timeliness of Processing of Invoices**

We performed certain agreed-upon procedures related to the timeliness of processing of invoices for the Commission and OAG. The agreed-upon procedures undertaken were not performed to determine compliance with the County's Procurement Ordinance, Article III, Division IV, Section 120-46, (Performance certification, past due payment, and premature performance or payment — also known as, the prompt payment section).

We performed agreed-upon procedures on 20 disbursement transactions; 18 processed by the Commission, and two by the OAG. The results were:

#### **Approval Process**

1. The average lapsed days from the date the office of Commission administration receives a request to process an invoice to the date it is approved for payment averaged six days. The longest period of days lapsed was 28, the shortest was zero.

#### **Check Issuance**

2. The average time from the date the invoice is approved for payment to the date the check was issued was determined to be 12 days. The longest period of time was 34 days, and the shortest was two days for both the Commission and OAG.

### **Travel**

#### **Condition(s)**

We performed certain agreed-upon procedures related to the Commission and OAG's travel expenditures. Those procedures were performed on 10 travel related transactions that occurred during the scope period of our engagement. Seven of the ten, or 70 percent of the travel disbursements reviewed were in compliance with the Commission and County's travel policies, related ordinance, and internal control process activities. Travel transactions of the Commission did identify incidents where the ordinance, policies and

procedures or internal controls process activities were not followed. We found the following:

1. Two incidents where the required "Travel Authorization Form" signed by the chair of the Commission, for travel outside the state of Michigan was not present in the documents provided, and could not be located when requested.
2. One incident where the required "Wayne County Travel Expense Report", and approved voucher package was not present in the documents provided, and could not be located when requested.
3. One incident where two Commissioners in-state travel was properly authorized in accordance with the travel policy, but the required Travel Authorization Form was not included in the documents provided to us, and could not be provided when requested.

### ***Criteria***

All travel and related activity should be conducted in accordance with the county and the Commission's travel ordinances and related policies and procedures.

### ***Cause***

Lack of comprehensive written processes related to the travel ordinance of the Commission and a corresponding checklist to ensure all key aspects of the policy is properly adhered to.

### ***Consequence(s)***

Not being able to easily provide travel authorization and expense documents when requested (i.e., Freedom of Information Request) could be publicly embarrassing to a Commissioner and the Commission. Also, travel could occur that is not properly authorized.

### **Recommendation 2011-06 – Commission – Control Deficiency**

We recommend that the Commission prepare and implement a comprehensive written process, procedure and checklist related to travel activities that includes all key aspects of the travel ordinance and related policies and procedures.

### ***Auditee's Response***

The Commission operates under a travel policy (Resolution 2000-707) which clearly spells out all key aspects related to travel.

The audit found two examples whereas a Travel Voucher Authorization form was not



included with the request. We contest that finding and believe it is a case of a misplaced document rather than an omission. We are in the process of securing those documents. There has never been an instance when Management & Budget processed such a request without the proper authorization.

### **Mailings**

#### ***Condition(s)***

We performed certain agreed-upon procedures to 13 Commission and Commissioners' mailings. The procedures performed did not identify any mailings not in compliance with the Commission's Rules of Procedure or the State of Michigan's Campaign Finance Act. However, we found that no documented processes exist that are utilized by the office of Commission administration that provides validation that all mailings are in accordance with the Commission's Rules of Procedure and the State of Michigan's Campaign Finance Act.

#### ***Criteria***

All Commission and Commissioners' mailings are made in accordance with the Commission's Rules of Procedure and the State of Michigan's Campaign Finance Act.

#### ***Cause***

Recent budget and staff related deductions have prevented Commission officials from preparing written processes and procedures to ensure that mailings comply with both Commission's Rules of Procedure and the State of Michigan's Campaign Finance Act.

#### ***Consequence***

This could result in a public embarrassment to a Commissioner or the Commission as a whole if improper mailings occur. Further, there is the risk of a claim or penalty from the State of Michigan if mailings occur in violation of the State of Michigan's Campaign Finance Act.

### **Recommendation 2011-07 – Commission – Control Deficiency**

We recommend that the Commission prepare and implement either a comprehensive written process or checklist that would ensure that all key aspects of the Commission's Rules of Procedure and State of Michigan's Campaign Finance Act, related to mailings are properly adhered to.

#### ***Auditee's Response***

The Commission has a "bulk mail process and approval" form that requires sign-offs by Public Information, Commission Counsel and Office of Administration at various stages of the mailing process. The form also provides mailings instructions.

The form does not include a checklist of all key aspects of the Rules of Procedure and the Campaign Finance Act, because a checklist is not practical. However, staff is trained regarding their signatory responsibilities.

The Commission is currently developing a uniform policy for all mailings.

## **II. Human Resource Costs and Management: Internal Controls - Agreed-Upon Procedures**

The Commission is responsible for establishing and maintaining a system of internal controls over its human resource costs and management. In fulfilling this responsibility, estimates and judgments by Commission leadership and management are required to assess the expected benefits and related costs of internal control processes and procedures.

The objectives of a system of internal control are to provide management with reasonable, but not absolute, assurance that financial reporting is reliable, operations are effective and efficient, compliance with laws, policies and rules exist, and objectives, goals and intended actions are fulfilled.

Because of the inherent limitations in any system of internal control, misstatements or fraud may occur and not be detected. Also, projections of any evaluation of the internal control to future periods are subject to risk that internal controls may become inadequate because of changes in conditions or the degree of effectiveness and compliance with policies, processes and procedures may deteriorate.

The following procedures and findings are presented related to human resource costs and management. Procedures were also performed on the OAG's human resource costs and management; any findings would be identified separately since the office is operationally independent of the Commission.

### **Commission**

#### ***Condition***

We performed certain agreed-upon procedures related to the Commission's processing of human resource (personnel) cost for employees considered central staff and those deemed legislative (contractual) aides/personnel that report directly to individual Commissioners.

The procedures performed did identify noncompliance with County policy, internal control weaknesses, and opportunities to strengthen the internal control environment surrounding human resource costs and management.



Specifically, we found the following:

1. Of the nine (9) central staff employee time sheets examined, none contained evidence that the employee's supervisor approved the hours worked and leave time paid as required by the county's department of management and budget's policy/procedure statement no. 12003, titled Time Reporting.
2. Of the 24 Commission legislative aides timesheets tested for approval, we observed four (4) instances where the number of specific hours worked was not listed. Instead, the wording, "... the employee listed below has worked their maximum contractual hours..." was included.
3. As requested by the Legislative Auditor General, we interviewed and made inquiries of the Commission and staff related to potential fraud and abuse. This procedure did not result in matters coming to our attention that are required by auditing standards to be reported.
4. Also, we did not receive evidence that Commissioners complied with certain aspects of the policies and procedures established for accounting for legislative aides, dated January 14, 2009. That policy requires Commissioners' office staff to prepare a standard time sheet on a daily basis. It also requires Commissioners' community outreach workers to prepare a special time sheet. These documents were not included in the support documents provided to pay legislative (contractual) aides.

### ***Criteria***

Adherence to the county's Department of Management and Budget policy/procedure statement no. 12003, and Commission policy dated, January 14, 2009 (Commission Legislative Aides-Procedures for Time Reporting) related to payroll and time keeping.

### ***Cause***

Lack of written processes and training that would ensure compliance with county policies and procedures.

### ***Consequence***

Employees could be paid for hours not worked or unauthorized leave time. Public embarrassment of a Commissioner or the Commission as a whole, if under Freedom of Information Request, it is unable to provide documentation that employee(s) pay or compensation was for legitimate, authorized and allowable activities.

### **Recommendation 2011-08 – Commission – Control Deficiency**

We recommend the Commission's Office of Administration assess its timesheet approval process for central staff personnel and revise it appropriately to ensure that evidence of supervisory approval has occurred and is evident on each timesheet.

#### ***Auditee's Response***

This matter has been resolved. In 2011, Wayne County implemented a new online timesheet approval process that provides stronger internal controls.

### **Recommendation 2011-09 – Commission – Significant Deficiency**

We recommend the Commission's Office of Administration provide appropriate assistance and monitoring to Commissioners to ensure each complies fully with all aspects of the policy dated January 14, 2009, titled, Commission Legislative Aides-Procedures for Time Reporting.

#### ***Response***

The Office of Administration, with concurrence from the Commission Chairman, has provided a framework for maintaining time records for Commission contractual staff. Each Commissioner is responsible for assigning and monitoring the work schedule of the employees they hire and manage. Anything else is beyond the purview of the Office of Administration. However, the chairman and the Office of Administration will review the policy based on this recommendation.

### **III. Compliance with Laws, Ordinances, and Rules of Procedures of the Commission — Agreed-Upon Procedures**

In accordance with agreed-upon procedures, we assessed compliance with Rules 12, 14, 21, 22, 34 and 50 of the Commission's Rules of Procedure for the calendar years 2009 and 2010, amended April 14, 2009.

Our determination of compliance or non-compliance was based primarily on inquiries of appropriate Commission and other officials and personnel, and the review and examination of documents to validate assertions and statements provided. In summary, we found that the Commission was in compliance with Rules 12, 21, 22, and 50. It was not in compliance with Rules 14, and 34.

#### **Rule 12— Appointment of Employees by Chairperson**

The rules and procedures of the Commission requires that the chair of the Commission appoints all employees of the Commission.

#### ***Compliance Status: Compliance noted***



**Rule 14— Appointment (Clerk of Commission)**

In summary, the rule states that the Clerk of the Commission shall be appointed by and may be removed by a majority vote of the Commissioners serving. Also, the Clerk is responsible for maintaining official records of the Commission.

During the scope period of our engagement, the Commission did not appoint a clerk. An acting clerk was used that was not voted on by the Commission. In June 2010, another acting clerk was appointed and not voted on by the Commission, as well. As a result, the Commission has operated with an acting clerk for the past four years.

***Compliance Status:*** Not in compliance

**Recommendation – 2011-10 – Commission – Control Deficiency**

We recommend that the Commission comply with Rule 14.

***Auditee's Response***

Rule 14 only sets forth the method or procedure for appointing a Commission Clerk. It does not require that a Clerk be appointed. When the Commission appoints a Clerk, the Commission will do so in accordance with Rule 14.

**Rule 21 — Excused and Temporary Absences**

The rule states that a Commissioner should notify the Chairperson and the Clerk's office prior to a scheduled meeting to request an excused absence. It further states that the Clerk shall notify the Chairperson of the request at a quorum call. A member (Commissioner) may request an excused absence for another Commissioner.

***Compliance Status:*** Compliance noted

**Rule 22— Conduct in Debate**

The rule outlines the order and decorum in which debate should be conducted during meetings of the Commission. It requires the following:

1. Commissioners shall respectfully address the Chairperson before speaking.
2. Commissioners shall confine their comments to the questions under debate.
3. Commissioners that desire to speak on a matter be allowed to before the same Commissioner is allowed to speak to the question a second time.
4. Commissioners are not allowed to speak more than five minutes at any one time without leave from the Commission by a majority vote of the Commissioners present.

***Compliance Status:*** Compliance noted

**Rule 34—Sergeant At Arms**

The rule requires that a uniform law officer shall be in attendance as Sergeant at Arms (SAA) at all sessions of the Commission.

To determine compliance with this rule we relied on assertions and the recall of county personnel that generally attend meetings of the Commission. Testimony was provided by more than one individual that no uniform law officer attends every session of the full Commission.

***Compliance Status:***    **Not in compliance**

**Recommendation 2011-11 - Commission– Control Deficiency**

We recommend that the Commission comply with Rule 34.

***Auditee's Response***

Due to budget restraints in the Office of the Sheriff, it was determined that having a Sheriff at every meeting is not the best use of County resources. It was determined to be more efficient use of County Resources that the Commission requests a Sheriff Deputy be present at its Full Board Meetings on an as-needed basis. However, the rule change will be considered at the next Rules Committee meeting.

**Rule 50— Budget and Appropriations Ordinance Procedures**

The rule outlines and establishes specific dates and/or timeframes in which the Commission must act related to numerous aspects of processing the fiscal year budget appropriation ordinance and amendments thereto. The rule specifies:

1. The Commission must introduce the ordinance within 15 days after submission by the CEO.
2. The budget must be referred to the Committee on Ways and Means.
3. The Committee on Ways and Means shall hold hearings on department budgets.
4. The Commission shall hold public hearings and provide opportunities for people to testify.
5. Notice of public hearings must be published at least twice, no more than 14 days and no less than 6 days before a hearing.
6. Public hearing must be completed 45 days after the ordinance is received from the CEO.
7. The Commission must adopt the ordinance within 75 days after it is introduced.
8. The Commission must hold a public hearing on the ordinance at the full Commission meeting at which it is approved.
9. The Committee on Ways and Means must recommend action on all proposed amendments to the ordinance.

In order to determine compliance, we limited our assessment to Commission activity related to processing of the appropriation ordinance for the fiscal year end September 30, 2010 that occurred during the 2009 calendar year. We found that the Commission was in compliance with the rule.

***Compliance Status:***    **Compliance noted**



#### **IV. Management Practices of Commission — Agreed-Upon Procedures**

In accordance with agreed-upon procedures, we conducted interviews with the Chairman of the Commission and certain other leadership/management officials and personnel of the Commission to obtain an understanding of management practices during the scope period of our engagement.

For purposes of this engagement, management practices have been generally defined to include, but not necessarily limited to: managing financial and human resources, maintenance and retention of documents and files, and activity of the committees. In accordance with the Home-Rule Charter for the County of Wayne, the Commission has established Rules of Procedure that direct or govern its activities.

The Rules of Procedure in effect during our scope period and through the issuance date of this report generally provide the Chairman of the Commission with the ultimate authority and responsibility to establish the operating and management decisions and activities for the Commission.

##### **Employee vs Independent Contractor**

During the scope period of this engagement, as well as prior and subsequent to, we noted the Commission entered into personal services contracts with one individual to perform the same services that individual provided as an employee. The Commission currently treats these individuals as independent contractors and not employees, and as such, do not pay employer related taxes and do not withhold taxes from their compensation.

Our review of the applicable contract agreements and understanding of the conditions surrounding how these individuals work may expose the Commission and County to risk of violating certain Internal Revenue Service (IRS) regulations pertaining to employee vs independent contractors. If the Commission is found to be in violation of this important regulation, the County could be exposed to thousands of dollars in fines, penalties and back taxes.

##### **Recommendation 2011-12- Commission – Significant Deficiency**

We recommend that the Commission's Office of Administration and Commission Counsel seek an independent determination on whether its current and future personal/professional service contracts with individuals qualify as either an employee or independent contractor in accordance with applicable IRS regulations.

##### ***Auditee's Response***

The Commission will consult with the Wayne County Department of Personnel and Human Resources to address this item.

### **Files and Records Retention — Former Commissioners**

Commission administration does not have a written policy or practice for former Commissioners that details which documents must be retained and given to the Commission administration. We noted specific issues with providing documents to support payments (hours worked) to contract staff. Not being able to document payments to contract staff members could be public embarrassment to the Commission.

### **Recommendation 2011-13 – Commission – Control Deficiency**

We recommend that the Commission's Office of Administration and Commission Counsel establish an appropriate policy and related process controls to identify specifically what financial related and other documents Commissioners leaving office must turn over to the administration for safekeeping.

### ***Auditee's Response***

Copies of all pertinent financial information received by members of the Commission are retained in the Office of Administration, and therefore, it is not appropriate for this office to impose additional record retention procedures on independently elected public officials. However, the Chairman will review the current policy and make changes where needed.

### **Activities of the Public Information Function**

We found the Public Information function of the Commission does not utilize logs to track and document service requests and work performed for the Commission or individual Commissioners. We understand that this area is responsible for media relations of the Commission, and to assist Commissioners with newsletters and other communications to their constituents.

Failure to utilize activity logs or other methods to track requests for services and work performed hinder the ability to develop and provide periodic comprehensive reports on types of services performed that could be used to assess the utilization and value of this area.

Maintenance of utilization logs could also be used to comply with Rule 11. That rule (sub-section 10) states in part, "the Chairperson may also require an annual report from each department and division head of the accomplishments of that department or division."

### **Recommendation 2011-14 – Commission – Control Deficiency**

We recommend that the Commission require the Public Information function to maintain utilization logs or other methods to track service request and other prudent data essential to assess the utilization and value-added of this activity.



### ***Auditee's Response***

The Chairman will review the processes related to the public information utilization function and make changes where needed.

## **V. Status of Recommendations, Prior Agreed-Upon Procedures Engagement**

In accordance with the agreed-upon procedures, we followed-up on the recommendations contained in the Wayne County Commission's prior agreed-upon procedures engagement report, dated November 9, 2009, to determine the status of the recommendation, except no. 2009-09, that recommendation was fully addressed in the prior report.

In summary, we found that ten recommendations from the prior report are resolved, four are not resolved and reported as repeats in this engagement, one is no longer applicable, and one we were unable to determine because documents needed to determine the status were requested, but not provided by Commission administration. The specific results are as follows:

### **Recommendation No. 2009-01 – Purchasing – Control Deficiency**

Purchases should not be made without documentation from the department or Commissioner making the request. A requisition memorandum from the originating department or Commissioner is a source document which authenticates the need for the requested item.

***Status:*** Not resolved, see recommendation no. 2011-01

### **Recommendation No. 2009-02 - Budgetary Control – Control Deficiency**

We recommend that the Commission implement procedures to ensure all expenses incurred by each Commissioner are charged to his/her budget allocation and reported on the Monthly Expense Report.

***Status:*** Not resolved, see recommendation no. 2011-03

### **Recommendation No. 2009-03 — Financial Reporting – Control Deficiency**

The Commission should implement policies, procedures and appropriate monitoring to ensure that accounting data and all other Commission records and documents cannot be destroyed or altered by any employee prior to leaving the Commission. A comprehensive plan to transition the responsibilities from the departing employee to other employee(s) should be implemented as soon as management becomes aware of any change (voluntary or involuntary) in employment status. The plan must be designed

to minimize the effect of the transition on day to day operations and secure the integrity of the information to be handed over.

***Status:* Not resolved, see recommendation no. 2011-03**

**Recommendation No. 2009-04 — General Ledgers Control Deficiency**

We recommend that the Commission implement procedures to reconcile all subsidiary ledgers to the general ledger on a monthly basis.

***Status:* Not resolved, see recommendation no. 2011-03**

**Recommendation No. 2009-05 — Travel**

We recommend that the Commission update the Per Diem Rate Table in the Travel Policy and Procedures Manual to state that reimbursement will be at the Internal Revenue Service prevailing rate.

***Status:* No longer applicable**

**Recommendation No. 2009-06 — Safeguarding of Assets - Control Deficiency**

We recommend that the Commission implement procedures, including monitoring, to ensure that the Employee Release and Return Checklist are completed by the departing employee and witnessed and signed by a current employee of the Commission's Office of Administration.

***Status:* Unable to determine. Information needed was requested, but not provided.**

**Recommendation No. 2009-07 — Opportunity to Experience Cost Savings**

We recommend that the cost/benefit of increasing utilization of existing electronic capabilities and any required additions of equipment and software be assessed with a goal of minimizing costs incurred for copying documents multiple times.

***Status:* Resolved**

**Recommendation No. 2009-08 — Noncompliance with 14 Day Rule for Legislative Research Review of Documents**

We recommend that compliance with the 14 Day Rule in 2009 be reviewed to determine whether the rule is reasonable for what occurs in the review process. If the 2008 trend of noncompliance continues, the 14 Day Rule itself may need to be examined for appropriateness.

***Status:* Resolved**



#### **Recommendation No. 2009-10 — Commission Expenditure Concerns**

We recommend more transparency regarding Commission spending and reporting of that spending as a way of ensuring accountability of Commission activities and to keep pressure on all Commissioners to lead the County's fiscal responsibility charge.

***Status: Resolved***

#### **Recommendation No. 2009-11 — Excess Spending by Commissioners**

Again, transparency could enhance accountability by not enabling overspending Commissioners to hide behind the "secrecy" of spending by individual Commissioners. We recommend that the Commission provide full disclosure of spending to all Commissioners.

***Status: Resolved***

#### **Recommendation No. 2009-12 — Rule 9-Signing of Documents and Referrals**

Similar to the 14 Day Rule noncompliance, management should review the 2009 trend for moving documents from the Chairman's office to the various Commission committees to determine if there is a lack of understanding of the flow of documents or that some other activity occurs that renders the existing rules ineffective.

***Status: Resolved***

#### **Recommendation No. 2009-13— Rule 10-Emergency /Exigent Approvals**

We recommend county management work to minimize approval of contracts that have begun prior to Commission approval.

***Status: Resolved***

#### **Recommendation No. 2009-14 — Rule 11-Duties of Chairperson as the Administrator**

The need for transparency within the Commission environment and for the public is in concert with good governance. We recommend that a letter similar to the one provided to Commissioners regarding their personal allocations be provided to all Commissioners to meet the objective of Rule 11.

***Status: Resolved***

#### **Recommendation No. 2009-15 — Rule 16-Publications and Correction of the Journal**

If it appears that budgets in the foreseeable future will not improve, we recommend that the rule be changed to provide for exceptions to annual printing of journals or to provide that posting to the internet and to the Commission's website satisfies the publishing requirements of Commission journals.

**Status: Resolved**

**Recommendation Nos. 2009-16 (A) and (B) — Rule 52-Budget and Appropriations Ordinance Procedure**

(A) The Commission should go on record that the Budget or Appropriation Ordinance is not being brought timely before the Commission by the County Executive. The continued breach of this requirement (law) weakens the system of internal control over the budget process by decreasing the Commission's time for review of the budget and timely acceptance of the same by the Commission.

**Status: Resolved**

(B) We recommend compliance with Rule 52.

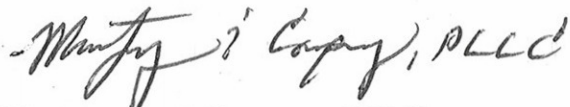
**Status: Resolved**

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We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the compliance with Wayne County Enrolled Ordinance No. 92-676, and as amended by Ordinance 94-139. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

In accordance with Commission Resolution No. 2005-920, adopted in October 2005, a corrective action plan will be requested for this report by the Office of the Legislative Auditor General, 30 days after it is received and filed by the full board.

This report is intended solely for the use of the Wayne County Commission and the Wayne County Legislative Auditor General and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. This restriction is not intended to limit distribution of the report, which is a matter of public record.



Montgomery & Company, PLLC  
August 31, 2011



## **Appendix - Classification of Findings**

### **Control Deficiency (low risk)**

A control exists when the internal control design or operation does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect or correct errors in assertions made by management on a timely basis. A **deficiency in design** exists when (1) a control necessary to meet the control objective is missing or (2) an existing control is not properly designed is that, even if the control operates as designed, the control objective is not met.

A **deficiency in operation** exists when a properly designed control does not operate as intended, or when the person(s) performing the control does not possess the necessary authority or qualifications to perform the control effectively.

### **Significant Deficiency (medium risk)**

A matter that represents either an opportunity for improvement or significant deficiency in management's ability to operate a program or department in an effective and efficient manner. A significant deficiency in internal control, or combination of deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process or report data reliably in accordance with applicable criteria or framework such that is more than a remote likelihood that a misstatement of the subject matter that is more than inconsequential will not be prevented or detected.

### **Material Weakness (high risk)**

A significant deficiency that could impair the ability of management to operate the department in an effective and efficient manner and/or affect the judgment of an interested person concerning the effectiveness and efficiency of the department. A significant or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of subject matter will not be prevented or detected.