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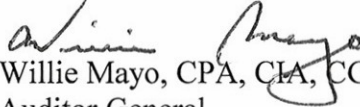
December 15, 2011

FINAL REPORT TRANSMITTAL LETTER

Honorable Wayne County Commissioners:

Enclosed is our final copy of the Office of Legislative Auditor General's Operational Assessment Review for Wayne County Community Development Block Grant, Economic Development Growth Engine. Our report is dated November 7, 2011; DAP No. 2010-57-851. The report was accepted by the Audit Committee December 6, 2011, and formally received by the Wayne County Commission on December 15, 2011.

If you have any questions, concerns, or desire to discuss the report in greater detail, we would be happy to do so at your convenience. This report is intended for your information and should not be used for any other purpose. Copies of all Office of Legislative Auditor General's final reports can be found on our website at: <http://www.waynecounty.com/commission/lagreports.htm>


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Auditor General

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County of Wayne, Michigan
Office of Legislative Auditor General
Operational Assessment Review

**Community Development Block Grant
Economic Development Growth Engine –
(EDGE)**

DAP NO. 2010-57-851

November 7, 2011

Executive Summary

Type of Engagement, Scope, and Methodology

This is an Operational Assessment Review engagement designed to identify risks to this department/program and to assess whether management has adequate internal controls and processes in place to sufficiently manage or mitigate risk. We conducted a preliminary review of CDBG operations in order to gain an understanding of their processes and controls. In addition, the Office of Legislative Auditor General undertook a review of the department's compliance with laws, regulations, and ordinances. Also a financial review of the department at the business level was conducted. Finally, we met with CDBG personnel and management to discuss the results of this report and provided them an opportunity to address the various concerns and recommendations presented in this report.

The fieldwork was completed on November 7, 2011, and the scope of our work encompassed the period from October 1, 2009 through January 31, 2011. However, for our financial review we used the period of October 1, 2009 through August 31, 2011.

The principal methodology used for this engagement was primarily limited to interviews with management personnel, questionnaires, analytical procedures, observations, and the assessment of responses provided by the process owners.

Introduction

The purpose of the Community Development Block Grant (CDBG) program is to provide communities with resources to address a wide range of unique community development needs. CDBG is funded by the U.S. Department of Housing and Urban Development (HUD). The intention of the program is to preserve low and moderate income neighborhoods, offering a range of housing choices, constructing urban infrastructure, improving the appearance of urban and rural communities, increasing the quality of neighborhood-based living, and decreasing negative environmental impacts.

Summary of Issues

There are seven (7) areas of concern and recommendations related to this report. All of the recommendations were considered to be design and operational control deficiencies which are classified in this report as relatively low risk.

We have outlined the significant areas in the executive summary and others can be found in the detail of the report.

Risk Management and Controls Activities

We concluded that CDBG has deviated from several HUD guidelines by failing to document monitoring strategies for sub-recipients, failure to document corrective

Executive Summary - continued

action taken to address previous report/audit findings, failure to adhere to the HUD retention policy, and failure to submit the 2008 Consolidated Annual Performance and Evaluation Report (CAPER) to HUD in a timely manner.

Financial Activity

We also believe that controls over financial activity could be strengthened to ensure that budgeted revenue is amended to more actually reflect that amount that will be received.

Conclusion

In summary, all of the recommendations were considered to be design and operational control deficiencies which are classified in this report as relatively low risk.

Based on our closing conference meeting with CDBG management it was disclosed they agreed with the majority of the recommendations and had already begun to take corrective action to address the concerns raised in this report.

However, due to time constraints we were not able to assess corrective action being taken by management during the course of performing this engagement and we will perform a separate engagement in the near future to review corrective action taken by management.

Detail Report

Objectives, Scope and Methodology

Objectives

The Office of Legislative Auditor General has performed an Operational Assessment Review of the ***Community Development Block Grant, Economic Development Growth Engine***. The purpose of our review was to identify key risks to this activity and assess whether management has adequate internal controls and processes in place to sufficiently manage or mitigate such risk(s). Our specific objectives for the engagement were to identify and assess key risk in the following areas:

- I. Governance Processes;
- II. Risk Management and Control Processes;
- III. Compliance with Laws, Regulations and Ordinances; and
- IV. Financial Activity

Scope

The primary period of review for this engagement was October 1, 2009 – January 31, 2011. However, the scope for the financial review was October 1, 2009 – August 31, 2011. The fieldwork for this engagement was performed at Community Development Block Grant offices and completed on November 7, 2011.

IIA Consulting Standards

This engagement was performed in accordance with Consulting Standards defined by the International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors (IIA). The IIA defines consulting engagements as advisory and related service activities, the nature and scope of which is to add value.

Methodology

The procedures performed for this engagement were limited and were not sufficient to constitute an audit in accordance with Government Auditing Standards issued by the Comptroller General of the United States. The procedures performed were primarily limited to inquiry of appropriate personnel and officials of the Community Development Block Grant and others, review of certain documents to corroborate assertions and walk-through of key strategic business processes.

Purpose and Organizational Structure

The Community Development Block Grant (CDBG) program is a program that provides communities with resources to address a wide range of unique community development needs. Community Development Block Grant (CDBG) is funded by the U.S. Department of Housing and Urban Development (HUD). The program's purpose is to preserve low and moderate income neighborhoods, offering a range of housing choices, constructing urban infrastructure, improving the appearance of urban and rural communities, increasing the quality of neighborhood-based living, and decreasing negative environmental impacts.

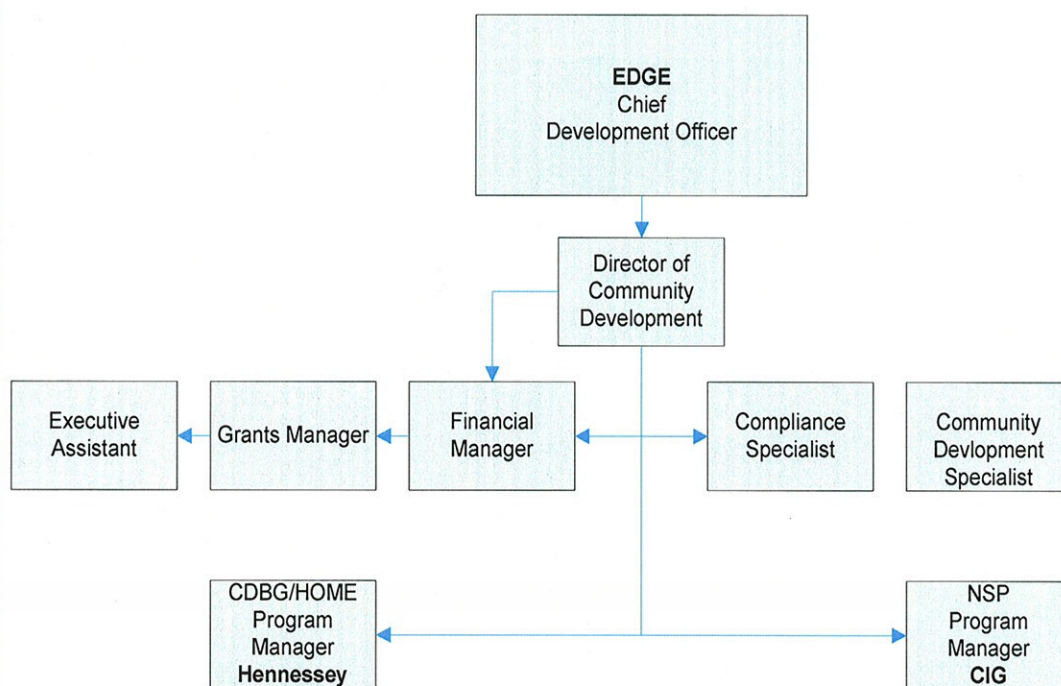
Community Development Block Grant (CDBG) has partnered with other organizations to assist in meeting their objectives and goals for the program. Those other organizations are:

- Services for Older Citizens
- Wayne Metropolitan Community Service Organization
- Pointe Area Assisted Transit
- First Step
- Lutheran Social Services
- Fair Housing Center for Metropolitan Detroit

The participating communities that are currently sub-recipients of CDBG funds are:

Allen Park, Belleville, Brownstown Township, Ecorse, Flat Rock, Garden City, Gibraltar, Grosse Ile Township, Grosse Pointe, Grosse Pointe Farms, Grosse Pointe Park, Grosse Pointe Shores, Grosse Pointe Woods, Hamtramck, Harper Woods, Highland Park, Huron Township, Inkster, Melvindale, Northville, Northville Township, Plymouth, Plymouth Township, River Rouge, Riverview, Rockwood, Romulus, Southgate, Sumpter Township, Trenton, Van Buren Township, Wayne, Woodhaven, and Wyandotte.

EDGE Community Development Organizational Chart



Key:
 Hennessey – Hennessey Engineers
 CIG – Community Improvement Group

I. Governance Processes

The governance process is considered one of the most important elements of internal controls. According to auditing/accounting literature, governance (also known as the control environment) is the foundation for all other components of internal controls. The control environment sets the tone for an organization, program, or activity, providing discipline and structure influencing the control consciousness of its employees. Control environment factors include: integrity, ethical values and competency of the organization's employees; management's philosophy and operating style; the way management assigns authority and responsibility, and organizes and develops its employees.

The absence of a sound governance structure and lack of adherence to basic governance or management principles increases the risk of: loss, fraudulent financial reporting, misappropriation of assets and resources, inability to achieve organizational goals and objectives. Good governance is one of the key controls to reduce the risk of management overrides.

Conclusion

Based on our inquiries, discussions, documentation review and observations, we generally concluded that the governance process, including control environment, organizational structure, philosophy, and communication, of CDBG needs to be strengthened to adequately achieve the program's mission,

goals, and objectives.

Specifically, the CDBG program has contracted with a vendor with the responsibility to oversee day to day activities of the CDBG program among other programs within EDGE. However, based on our discussion with program officials and review of job descriptions during our engagement, the county has employees responsible for the same duties.

While this engagement did not include a review of the contract with the program manager for monitoring, compliance and performance, the OAG is performing a review of vendor contracts of which the objectives would include such a review. For this engagement, our concern was related to the possible overlapping of program responsibilities and the lack of communication between Management & Budget finance officials and program officials.

| Area of Concern | Condition(s) |
|-------------------------------------|---|
| Overlapping Responsibilities | <p>Community Development Block Grant (CDBG) entered into a contract with Hennessey Engineers on February 4, 2010, in the amount of \$1,125,000 with an amendment to increase the contract to \$1,615,000 to perform the functions of a program manager over the Community Development Block Grant (CDBG) program, HOME Investment (HOME) and the Homeless Prevention and Rapid Re-Housing Program (HPRP). However, the scope of services included within Hennessey Engineers contract reflects some of the same functions of Wayne County employees within Community Development.</p> <p>In addition, we were informed that our contact person within Management & Budget for Community Development Block Grant (CDBG) was released for reasons that included not properly completing the Consolidated Annual Performance Evaluation Report (CAPER) Report that is due annually in accordance with HUD regulations. However, during our review of the Hennessey Engineering contract scope of services, Hennessey Engineering is responsible for the completion of this report as well as all other reports required of the CDBG, HOME, and HPRP programs.</p> <p><u>Impact</u></p> <p>Not fully communicating the expected responsibilities and duties for staff and contracted vendors and defining the organizational structure could result in duplication of efforts, inefficient use of resources and non-compliance with the scope of services for contractors and HUD regulations.</p> |

| | Recommendation(s) |
|--|--|
| | <p><u>2010-01 – Design Control Deficiency</u></p> <p>We recommend that CDBG clearly define the organizational structure, job duties and role of the contractor as well as employees within Community Development so there is no overlapping of responsibilities.</p> |
| | Management's Response: |
| | <p>Management officials indicated that the overlap of duties pertaining to the production of the CAPER was intentional, due to the unique circumstances at the time to complete both the 2008 and 2009 CAPER. In addition, they have continually re-evaluated processes to streamline efficiencies. Job descriptions are constantly being modified to ensure staff and contractors are being utilized to their utmost utility. Therefore, redundancies have been removed from the processes through constant analysis of workflow.</p> |

II. Risk Management and Control Activities

Risk Management Processes

Risk Management is another critical internal control component. Every organization faces a variety of risks from external and internal sources that must be identified, and assessed with appropriate mechanisms in place to minimize high-risk activity. Risk Management is the identification and analysis of relevant risk, which exists within the organization as a whole, as well as within its individual components (departments, divisions, programs, etc.) regarding the achievement of the organization's objectives. After an assessment is formalized, a basis for determining how the risks should be managed and mitigated to a reasonable level of acceptance should be established.

The identification of risk is a necessary component to installing appropriate and sufficient compensating controls, where required, to enhance the probability of achieving the organizations' objectives and protecting the interest of all stakeholders.

Conclusion

CDBG appears to be effectively identifying risk and establishing necessary controls over key processes to mitigate risks. The U.S. Department of Housing Urban Development (HUD) is working in conjunction with Wayne County CDBG to establish performance measures and operational efficiencies through HUD regulations and guidebook(s) for grantees on sub-recipient oversight. At least once a year, management discusses the goals and objectives of CDBG and identifies the methodology to use to ensure the goals and objectives are met. During this time, they also address the areas of risk and controls in place to mitigate the risk.

Control Processes

Control processes are policies, procedures, practices, techniques, and mechanisms that help ensure that management's directives are carried out. They help ensure that necessary actions are taken to address risks that may affect the achievement of the organization's objectives. Control processes occur throughout the organization, at all levels, and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operations and performance, security of assets, and segregation of duties.

Control processes can be preventive or detective. Preventive activities are designed to deter the occurrence of an undesirable event, while detective activities are designed to identify undesirable events that do occur and alert management about what has happened. This enables management to take corrective action promptly.

Conclusion

Community Development Block Grant has comprehensive policies and procedures in place which are updated on an as needed basis. Management also routinely evaluates the effectiveness of the operations as part of its compliance process. Therefore, we can generally conclude that CDBG has established the necessary policies and procedures, practices, and techniques to adequately manage the identified risk.

III. Compliance, Laws, Regulations and Ordinances

In general, compliance means conforming to a law, regulation, ordinance or contractual obligation. A compliance system is an organization-wide tool that links legislative and management rules to organizational policies and processes. The objective of such a system is to promote a self sustaining level of operations that minimizes the losses caused to the organization through breaches of laws, regulations, ordinances, and contractual obligations.

Community Development Block Grant is monitored and reviewed by the U.S. Department of Housing and Urban Development (HUD) annually to determine compliance with HUD regulations related to CDBG providing grant funds, assistance, and monitoring to nineteen (19) communities.

Conclusion

Based on our review, CDBG provided reasonable assurance that the program is achieving its goals and objectives through compliance with required regulations, policies and procedures, and the establishment of monitoring practices. However, in our review of compliance, we found a several areas where controls and processes could be strengthened to comply with all HUD regulations and the Wayne County Procurement Ordinance section 120.223 (a).

| Area of Concern | Condition(s) |
|---|--|
| Conflict of Interest Statement Filing Support Not Maintained | Community Development Block Grant is subject to the provision of the Procurement Ordinance section 120.223 (a). CDBG management indicated they filed the Disclosure Conflict of Interest Statement for employees who are responsible for contracting with county vendors. However, they were unable to provide us with copies of the filed forms at the time of our engagement. In |

addition, we reviewed the most recent filings with the Clerk's Office and were not able to obtain evidence that county contracting officials for CDBG program filed the form for 2010; however, we were able to verify that the 2011 form was filed with the Clerk's Office.

Impact

While not necessarily in violation of the procurement ordinance, having a copy of the annual disclosure form on-site, along with the transmittal letter(s) to the Clerk and Purchasing Director, would have provided sufficient evidence of CDBG's compliance with this ordinance.

Possible non-compliance with a critical safeguard such as a Disclosure Conflict of Interest Statement exposes CDBG and county officials to avoidable risk of entering into contracts with businesses where related-party transactions could exist and not be properly disclosed. Non-compliance could also expose the county to negative media reports if any related party contracts were awarded and appropriate safeguards were not adhered to. Also, it is important to note that the Procurement Ordinance has been amended to require a copy of the annual disclosure form be maintained in the department files.

Recommendation(s)

2010-02 – Operational Control Deficiency

We recommend CDBG ensure that all management officials that have an influence over the procurement of contracts file an annual conflict of interest disclosure form and establish procedures to retain copies of the Disclosure Conflict of Interest Statement, along with the transmittal, within the Division in order to demonstrate compliance with this critical provision of the Procurement Ordinance.

Management's Response:

EDGE Department Administration is responsible for the yearly collection of the Disclosure Conflict of Interest Statements from all employees and the delivery to the Wayne County Clerk's Office for all employees in EDGE. With the change in the procurement ordinance, CDBG will follow the ordinance.

| Area of Concern | Observation(s) |
|---|---|
| Failure to Timely Report Consolidated Annual Performance and Evaluation Report (CAPER) | <p>In 2009, CDBG failed to file the CAPER for FY 2008 with HUD by the submission date of September 30, 2009. The 2008 CAPER Report was filed on August 9, 2010. Management stated the FY 2009 CAPER Report and all subsequent CAPER Reports were filed on time.</p> <p><u>Impact</u> Failure to cross train and/or provide CDBG employees with written procedures for key processes and requirements of HUD regulations exposes CDBG to possible risk of non-compliance. Moreover, this could also result in a decrease or loss of grant funding in the future. However, there were no penalties and/or sanctions for filing the FY 2008 CAPER late.</p> |
| | <p>Recommendation(s)</p> |
| | <p><u>2010-03 Operational Control Deficiency</u> We recommend that CDBG provide adequate in-house cross training on the requirements and processes for reporting to HUD. Also, CDBG should establish written procedures for all key processes to ensure the reporting process can be handled and completed timely.</p> |
| | <p>Management's Response:</p> <p>Community Development understands the need to cross train, while balancing the need to reduce duplication of efforts. A third party program manager was procured to assist in the day-to-day management of CDBG and other programs. Since their procurement, all CAPERS have been filed timely. In addition, written procedures for completing the CAPER have been incorporated into the CDBG policies and procedures.</p> |
| Area of Concern | Condition(s) |
| Failure to Document Corrective Action taken to Address HUD Findings | <p>As a result of HUD monitoring, Community Development Block Grant (CDBG) received two (2) findings within the Monitoring Report dated August 25-28, 2009. During our review of the report, we found one (1) finding was resolved. The finding which remained unresolved was the failure to comply with fair and open procurement regulations. In addition, we noted CDBG did not document its corrective and remedial actions taken when addressing HUD's recommendations (unless a follow up is performed by HUD.) More specifically, HUD did not conduct an annual monitoring of CDBG for FY 2010; therefore, we are unable to determine if corrective action was taken on the recommendation in the Monitoring</p> |

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|---|--|
| | Report dated August 25-28, 2009. |
| | <p><u>Impact</u></p> <p>A result of not documenting the corrective action taken to address the finding(s) cited by HUD within the Monitoring Report, would lead one to believe that no corrective action has taken place to address the findings. Moreover, CDBG is completely funded by HUD; therefore, the risk of losing funding exists if the finding(s) are not addressed or the proper corrective action is not set in place to mitigate the risk of non-compliance.</p> |
| | Recommendation(s) |
| | <p><u>2010-04 Operational Control Deficiency</u></p> <p>We recommend CDBG comply with federal regulation addressing corrective action and formulate a policy which requires CDBG to formally address and document corrective action to all HUD findings.</p> |
| | Management's Response: |
| | <p>Community Development made two separate written attempts to verify that the finding should have been resolved with the documentation provided during the monitoring visit. The division has recently received a written communication indicating the required steps to clear the findings. In addition, the CDBG Monitoring Policy was revised to address procedures for HUD monitoring and corrective action. The policy outlines timeframes for development of corrective action plans.</p> |
| Area of Concern | Condition(s) |
| Lack of Documenting Monitoring Strategies for Sub-Recipients | <p>In general, CDBG has complied with the regulations set by HUD as it relates to monitoring sub-recipients. However, CDBG failed to document their monitoring process over sub-recipients for validation and determination of risk. Consequently, no documentation such as a risk assessment and/or monitoring reports were completed to identify how they determined which sub-recipients are high risk and require closer monitoring.</p> <p><u>Impact</u></p> <p>Failure to document the monitoring process could result in the county's inability to complete the sub-recipient monitoring review as recommended by HUD to mitigate the risk of sub-recipient non-compliance with HUD regulations, which could lead to sanctions and/or penalties.</p> |

| | |
|--|--|
| | Recommendation(s) |
| | <p><u>2010-05 Operational Control Deficiency</u> We recommend CDBG comply with HUD's regulations as they relate to documenting monitoring strategies for sub-recipients.</p> |
| | <p>Management's Response:</p> <p>Monitoring is conducted in accordance with program guidelines and approved by HUD. Nonetheless, the CDBG Monitoring Policy was updated to clearly define processes for risk analysis and is currently being implemented by the program managers. In addition, language was added to the policy reflecting written communication on validation of efforts.</p> |
| Area of Concern | Condition(s) |
| Failure to Adhere to HUD Guidelines for Retention & Access Requirements for Records | <p>CDBG failed to implement a procedure or retention schedule to maintain prior year monitoring reports conducted by Housing and Urban Development (HUD). In addition, CDBG did not have the report readily available when requested by the auditors. OAG staff was first referred to M&B; however, they were able to locate and provide us with a copy at a later date.</p> <p><u>Impact</u> CDBG is at risk of non-compliance with HUD regulation as it relates to maintaining a retention schedule and/or readily available access to required records and reports.</p> |
| | Recommendation(s) |
| | <p><u>2010-06 Design Control Deficiency</u> We recommend CDBG adhere to all HUD guidelines and develop a policy and retention schedule that requires CDBG to maintain records on file for a minimum period of three years in accordance with HUD regulation.</p> |
| | Management's Response: |
| | <p>At the time of the review, the staff person assigned to assist the OAG was unable to produce documents that were clearly labeled in filing cabinets. When it came to the attention of CDBG officials that the documentation was not provided, the documents were provided. In addition, CDBG Policies and Procedures were updated to include language on record retention and access in accordance with the OAG's recommendation.</p> |

IV. Financial Activity

The objective of financial statements is to provide information about the financial position, performance and changes in the financial position of an organization or segment that is useful for a wide range of users, and in making economic decisions. Financial statements and related information are intended to be understandable, relevant, reliable, and comparable to prior periods. Reported assets, liabilities, and equity is directly related to an organization's financial position; while receipts and expenditures are directly related to an organization's financial performance over a specific period of time.

Condition(s)

The CDBG program had a budget of \$23.6 million and according to the general ledger allocated chargeback expenses of \$368,000 to this program for the fiscal year 2011.

Community Development Block Grant is one of the programs within Economic Development Growth Engine that provide grants to participating communities and non-profit agencies for the implementation of eligible local projects. The financial activity of these grants is recorded in the county's general ledger based on the year of the initial grant award.

All of the award year expenditures are then recorded in special revenue fund number 275 along with the Neighborhood Stabilization Program financial activity.

Each year according to program officials, a budget is prepared based on remaining grant funds available at that time to be spent. In any given year, several years of grant budgets could be budgeted. For example, each grant year has its own business unit, for example 82202 contains 2002 available grant funds, 82203 contains 2003 available grant funds, etc. However, we believe monitoring procedures over financial activity could be strengthened to ensure that revenue budgeted more actually reflects the amount that will be received.

Conclusion

Based on our preliminary review of the financial records we were able to satisfactorily determine that management was properly allocating chargeback expenses to this program. However, we believe closer monitoring over billing for grant revenues should be exercised by management to more accurately reflect actual grant revenue the program is realistically expected to receive in any given year.

| Area of Concern | Condition(s) |
|---|---|
| Revenues Budgeted Do Not Always Reflect Amounts to Be Received | For FY 2010, almost \$12.9 million was budgeted for federal grant revenue for the various CDBG projects with the various communities; however, only \$6 million in revenue was actually received as a result of expenditures submitted for reimbursement. This has resulted in almost \$6.9 million of budgeted expenditures that were not incurred and therefore not submitted for |

reimbursement. In addition, it appears FY 2011 could be at least \$6.9 million, if not more.

As of September 30, 2011, of the \$13 million budgeted only \$2.8 million had been reimbursed. According to program officials, the amount remaining is what the communities either have not spent or have not yet submitted for reimbursement.

It was beyond the scope of this engagement to make a determination if expenditures were allocated based on budgeted revenues expected to be received.

Impact

Not budgeting anticipated revenue accurately could result in budgets that are inflated. In addition, not ensuring that CDBG projects are completed and expenditures submitted for reimbursement could result in the loss of grant revenue. According to program officials grant revenue has not been lost due to projects not being completed timely; however, there exists the possibility that it could happen.

Recommendation(s)

2010-07 Operational Control Deficiency

We recommend CDBG management:

- Ensure that amounts budgeted for the program more accurately reflect the amount expected to be reimbursed.
- Closely monitor the programs to ensure projects in the communities are being completed timely and any delays are immediately being addressed.

Management's Response:

Community Development Division has never been allowed to participate in the budgeting process. This was handled exclusively by the Chief Development Officer with no input from the Division. If allowed to participate, a better estimate on revenues and expenditures would be available.

Conclusion

Overall conclusion - Based on our limited review, management appears to have identified some key areas of risk within the division and looks to establish reasonable control activity to manage and mitigate such risk. All of the recommendations were considered to be design and operational control deficiencies which are classified in this report as relatively low risk.

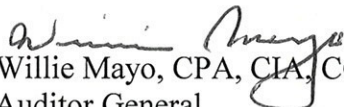
Based on our closing conference meeting with CDBG management it was disclosed they agreed with the majority of the recommendations and had already begun to take corrective action to address the concerns raised in this report.

However, the OAG is considering a more detailed review of the program, including the monitoring of activities with the communities in the near future to satisfactorily determine that all available revenue is being spent timely.

Corrective Action Plan (CAP) – Due to time constraints we were not able to assess corrective action being taken by management during the course of performing this engagement and we will perform a separate engagement in the near future to review corrective action taken by management. If sufficient corrective action is not taken, a follow-up review may be necessary.

This report is intended solely for the information and use of Community Development Block Grant (CDBG), Economic Development Growth Engine (EDGE), and the County Commission and should not be used for any other purpose. This restriction is not intended to limit distribution of the report which is a matter of public record.

Sincerely,


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

Appendix

Control Deficiency (low risk)

A control deficiency 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 in 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, in the auditor's judgment, 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 Deficiency (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.