

Office of Legislative
Auditor General

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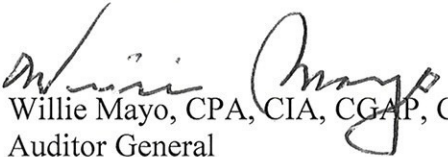
May 14, 2012

FINAL REPORT TRANSMITTAL LETTER

Honorable Wayne County Commissioners:

Enclosed is our final copy of the Office of Legislative Auditor General's attestation engagement on the Wayne County Department of Public Services-Equipment Division-Inventory Personal Property Management Unit. Our report is dated April 12, 2012; DAP No. 2012-57-004. The contents of this final report did not change from the draft report previously issued. The report was accepted by the Audit Committee April 24, 2012, and formally received by the Wayne County Commission on May 3, 2012.

We are pleased to inform you officials from the Department of Public Services provided their full cooperation. 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>.


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

REPORT DISTRIBUTION

Wayne County Department of Public Services

Hassan A. Saab, Director
Keith Lee, Director, Division of Equipment

Department of Management & Budget

Carla E. Sledge, Chief Financial Officer
Stacie Durant, Deputy Chief Financial Officer
Terry L. Hasse, Director, Grants and Contracts Administration
Rosalind Downer, Assistant Director, DPS-Finance Division

Wayne County Executive



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April 12, 2012

DAP No. 2012-57-004

Honorable Ilona Varga, Chairwoman
Audit Committee
Wayne County Commission
County of Wayne
500 Griswold
Detroit, MI 48226

Subject: **Corrective Action Plan**, including the Auditor General's Assessment, dated March 28, 2012 for the Wayne County Department of Public Services, Equipment Division/Inventory Personal Property Management Unit.

Dear Chairwoman Varga:


In accordance with Government Auditing Standards issued by the Comptroller General of the United States, and the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, the Office of Legislative Auditor General (OAG) requested the Wayne County Department of Public Services (DPS)-Equipment Division-Inventory Personal Property Management Unit (IPPM) to submit a Corrective Action Plan (CAP) for the recommendations identified in the Attestation report on the DPS-Equipment Division-IPPM Unit, dated January 30, 2012.

IPPM officials provided the CAP as requested. Attached is a Summary and Assessment of the CAP prepared by the OAG. The summary schedule includes: the recommendations; management's comments on the findings and recommendations; management's action taken or planned; whether management has or intends to implement the recommendation; responsible person(s)/area; implementation or targeted implementation date; and the Auditor General's assessment.

Our assessment of the ten recommendations found that management has or intends to take sufficient action to address all ten of the recommendations in the report. However, a follow-up review may be necessary in the near future to verify whether the actions intended or described have occurred.



Respectfully submitted,


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

P.C. Hassan A. Saab, Director, Department of Public Services
Keith Lee, Director, Division of Equipment
Carla E. Sledge, Chief Financial Officer
Stacie Durant, Deputy Chief Financial Officer
Terry L. Hasse, Director, Grant Compliance and Contracts Administration
Rosalind Downer, Assistant Director, DPS-Finance Division

Attachment

Inventory Personal Property Management Unit
Wayne County Department of Public Services
Attestation Engagement

**Summary and Assessment of
CORRECTIVE ACTION PLAN**

Auditor General's Recommendation	Management's Comments on Findings and Recommendations	Management's Action Taken or Planned	Management has or Intends to Implement the Recommendation Yes/No	Responsible Person(s)/ Area	Implemented or Targeted Implementation Date	Auditor General's Assessment
11-01 We recommend DPS-IPPM Unit management implement a procedure that will require the storekeeper receiving goods to count all shipments received and document his/her review, and ensure another employee or supervisor approves the count.	Agree	Management concurs with the recommendation and has advised staff of revised Standard Operating Procedure (SOP) 4.12 – Receiving, Inspection and Testing, page 1 - General Requirements, and page 2 – Inspection of Stock.	Yes	Dept. Mgr. II – IPPM	Implemented	IPPM management provided our office with a copy of the revised SOP. We reviewed the SOP and determined the storekeeper will need to document/sign off on the purchase order (see Inspection of Stock, Step 3) or some other form to attest to the quantity received will be required. We spoke to IPPM management and they made the revision. The SOP did indicate a supervisor would verify the receiving personnel's inspection.
11-02 We recommend that IPPM management develop and implement controls that would provide management with reasonable assurance that county assets are safeguarded at all times.	Agree	Management now requires that a supervisor be present within IPPM when a Storekeeper is assigned to work overtime.	Yes	Director of Equipment Division - DPS	Implemented	Based on our limited review of the action taken, management appears to have taken sufficient action to address the recommendation. We spoke to the Director of the Equipment Division. He stated he received approval to schedule a supervisor whenever a storekeeper is required to work overtime and has implemented this practice. We suggested he formalize the approved practice into policy. He agreed. If the planned action is implemented as described, the action appears to sufficiently address the recommendation. A follow-up review may be necessary in the near future to verify the described action is occurring.

Inventory Personal Property Management Unit
Wayne County Department of Public Services
Attestation Engagement

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<p>11-03 We recommend DPS-IPPM management:</p> <p>A. Implement procedures that will separate the receiving, inspecting and stocking duties currently performed by the Clerical Specialist / Storekeeper and require that the tasks of inventory stocking are completed by more than one individual.</p> <p>B. Implement procedures to ensure the supervisor's inspection is performed on a consistent basis.</p> <p>C. Revise the Standard Operating Procedures Manual, Section 4.12 to ensure any newly implemented procedures are documented and formalized into the department's policies.</p>		<p>Management indicated staff was advised of revised SOP 4.12 requirements regarding the receiving, inspecting and stocking of inventory.</p>	Yes	Dept. Mgr. II - IPPM	Implemented	<p>We reviewed the applicable sections in the revised SOP 4.12 and determined an adequate segregation of duties between receiving, inspecting and stocking inventory has been established into policy.</p> <p>Based on our limited review of the action taken, management appears to have taken sufficient action to address the recommendation.</p>

Inventory Personal Property Management Unit
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11-04 We recommend any inventory recounts conducted by the person who is responsible for entering inventory adjustments into the perpetual system have a documented review and approval by someone other than the person performing the recount.	Agree	Management concurs with the recommendation and has developed an approval form to track inventory adjustments and approvals.	Yes	Dept. Mgr. II - IPPM	Implemented	We received the newly created form "Approval for Inventory Adjustments" and determined a secondary sign-off was established on the form to approve inventory adjustments. Based on our limited review of the action taken, management appears to have taken sufficient action to address the recommendation.
11-05 We recommend IPPM revise its current fuel usage reports to ensure they contain accurate data and provide useful data for the departmental review process. In addition, the report should be generated monthly and distributed to appropriate divisions/departments for review and approval of fuel usage/activity.	Agree	Management stated Fuel Usage Reports have been revised to make them easier to review. In addition, beginning October 1, 2011, electronic reports have been distributed monthly to all fuel customers for their review. These reports include driver detail, vehicle detail and vehicle summary. Further, any questions from customers/departments will be followed up by IPPM supervisory personnel.	Yes	Dept. Mgr. II - IPPM	Implemented	We reviewed the revised "Fuel Usage Reports" presently being sent to county departments. There are three usage reports: Vehicle/Equipment Summary; Driver & Equipment Detail; Vehicle Detail. The reports included detailed information on fuel usage, assigned personnel, odometer readings, and equipment location. Based on our limited review of the action taken, management appears to have taken sufficient action to address the recommendation.

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<p>11-06 To enhance controls over the chip key database, we recommend:</p> <p>A. IPPM implement formalized policies and procedures regarding the process to request and approve the issuance of chip keys.</p> <p>B. Ensure a timely independent review of the issuance of new chip keys, as well as assigned keys is performed on a regular, periodic basis to ensure that chip keys are still in the possession of assigned individuals.</p>	<p>Agree</p>	<p>Management has established formalized policies and procedures regarding the process to request, approve and provide personal and equipment fuel chip keys.</p> <p>Management stated a recent audit was completed in December 2011. Each personal and equipment key was verified. In addition, for future chip key audits, department managers will be required to verify employee information at the beginning of each calendar year.</p>	<p>Yes</p>	<p>Director of Equipment Division - DPS</p>	<p>Implemented</p>	<p>Management provided a copy of SOP 4.12, section – Fuel Issuance Controls. Based on our review of the established policy, the outlined procedures should strengthen internal controls regarding the issuance of fuel chip keys. We also requested and received a copy of the recent fuel chip key audit report, dated Jan. 9, 2012. The report identified several corrective measures, including the disabling of unidentified keys, for both personal and equipment fuel chip keys assigned. However, while management stated in the report future audits will begin January 2013, this was not included in the policy. We recommended management revise the policy to insert this clause. Management revised the policy to include this clause.</p> <p>Based on our limited review of the action taken, management appears to have taken sufficient action to address the recommendation.</p>

Inventory Personal Property Management Unit
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11-07 We recommend that DPS-IPPM management officials comply with the requirements of Policy No. 12003 and implement policies that require the supervisors and managers to complete a time report, time sheet, or time record.	Agree	DPS-IPPM management is now required to submit personal timesheets each day.	Yes	Director of Equipment Division - DPS	Implemented	We spoke to IPPM management, and they stated daily timesheets are now being completed by department managers. Management forwarded us copies of the daily time sheets. Our review disclosed that time is being recorded daily and contain a sign off.
11-08 We recommend management within the IPPM Unit establish procedures to annually file and retain copies of the filed annual conflict of interest form(s) within the department to provide evidence of compliance with the county's procurement ordinance.	Agree	The Director of the Equipment Division stated all applicable IPPM supervisory personnel will complete forms as required.	Yes	Director of Equipment Division - DPS	Implemented	Based on our limited review of the action taken, management appears to have taken sufficient action to address the recommendation. We obtained and reviewed the Director's, Project Consultant's, and Department Manager's completed forms. The Director stated he receives the annual form; however, he previously had to request these forms for other division personnel involved in procuring contracts. Personnel is currently developing an electronic process to disseminate these forms to appropriate personnel.
11-09 We recommend that the IPPM Unit adhere to its policies and procedures for processing store requisitions	Agree	Management stated staff was reminded of the requirements for processing store requisitions. In addition, Management will	Yes	Dept. Mgr. II - IPPM	Implemented	Based on our limited review of the action taken, management appears to have taken sufficient action to address the recommendation. We reviewed SOP 4.12, Requisition Authorization policy and the "Updating Stores Authorization Listing form." Both the policy and

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and ensure that departmental requestors of inventory stock are checked to the authorized signers' lists.		require requesting county agencies/departments to update and submit the "Authorized Signers Form" to IPPM in February of each year. This was formalized into policy.				form states each department is required to update their stores authorization listing each time an individual is added or deleted. Also, the policy outlines the annual procedures to request each customer agency provide an updated listing of authorized signers for stock requisitions. Based on our limited review of the action taken, management appears to have taken sufficient action to address the recommendation.
11-10 We recommend DPS-IPPM Unit management create policies & procedures that require the department's manager to review and approve any adjustment to be made to the inventory records.	Agree	Management formalized into policy the procedures related to review and approval of inventory adjustments such as damage, defect, and shrinkage and advised staff of the policy.	Yes	Director of Equipment Division - DPS	Implemented	Management provided a copy of the new policy. Our review determined the policy adequately outlines the review and approval process for inventory adjustments. Based on our limited review of the action taken, management appears to have taken sufficient action to address the recommendation.