Office of Legislative

Auditor General

WILLIE MAYO, CPA, CIA, CICA
AUDITOR GENERAL

500 GRISWOLD STREET
STE. 848; GUARDIAN BLDG.
DETROIT, MICHIGAN 48226
TELEPHONE: (313) 224-0924

December 20, 2012

FINAL REPORT TRANSMITTAL LETTER

Wayne County Commissioners:

Enclosed is our final draft of the Corrective Action Plan (CAP) and Auditor General's Assessment for the Attestation Report on the Examination of Billing Processes, Department of Children & Family Services and Department of Management & Budget – Children & Family Services Finance Division. The report is dated December 3, 2012; DAP No. 2012-57-014. The contents of this final report did not substantially change from the draft report previously issued. The report was accepted by the Audit Committee on December 6, 2012 and formally received by the Wayne County Commission on December 20, 2012.

We are pleased to inform you that management and staff in the Department of Children & Family Services and Department of Management & Budget – Children & Family Services Finance Division offered their full and complete cooperation during the review. If you have any questions, concerns, or desire to discuss the CAP and summary in greater detail, we would be happy to do so at your convenience. The 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
Willie Mayo, CPA, CIA, CGAP, CICA
Auditor General

REPORT DISTRIBUTION

Department of Management & Budget
Carla E. Sledge, Chief Financial Officer
Stacie Durant, Deputy Chief Financial Officer
Terry L. Hasse, Director, Grants Compliance and Contract Management
Michael O'Connell, Finance Director, DCFS

Department of Children & Family Services
Tadarial Sturdivant, Director
Dinah Moore, Deputy Director

Wayne County Executive

Office of Legislative
Auditor General

WILLIE MAYO, CPA, CIA, CICA
AUDITOR GENERAL

500 GRISWOLD STREET
STE. 848; GUARDIAN BLDG.
DETROIT, MICHIGAN 48226
TELEPHONE: (313) 224-0924

December 3, 2012

DAP No. 2012-57-014

Honorable Ilona Varga, Chairwoman
Audit Committee
Wayne County Commission
County of Wayne, Michigan
500 Griswold Ave., Suite 766
Detroit, MI 48226

Subject: **Corrective Action Plan,** including the Auditor General's Assessment, dated November 19, 2012 for the Attestation Report on the Examination of Billing Processes, Departments of Children & Family Services and Department of Management & Budget – Children & Family Services Finance Division

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 Department of Children & Family Services and Department of Management & Budget – Children Family Services Finance Division to submit a Corrective Action Plan (CAP) for recommendations identified in the Attestation engagement dated August 24, 2012.

The Department of Management & Budget officials provided the CAP as requested. Attached is a Summary and Assessment of the CAP prepared by the OAG with five (5) recommendations. 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 recommendations; responsible person(s)/area; implementation or targeted implementation date; and, the Auditor General's assessment.

Our assessment of the five (5) recommendations found that management has taken sufficient action to address all five recommendations identified in the report. However, a follow-up report may be required in the future to ensure the intended action is addressing the recommendation.

Respectfully submitted,

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

Pc:

Carla E. Sledge, Chief Financial Officer, M&B
Stacie Durant, Deputy Chief Financial Officer, M&B
Terry L. Hasse, Director, Grants Compliance and Contracts Management, M&B
Michael O'Connell, Children & Family Services – Finance Director, M&B
Tadarial Sturdivant, Director, Dept. of Children & Family Services
Dinah Moore, Deputy Director, Dept. of Children & Family Services

Attachment

Examination of Billing Processes
Wayne County Departments of Children & Family Services and Management & Budget – Children & Family Services Division
Attestation Engagement Report

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	Implementation or Targeted Implementation Date	Auditor General's Assessment
12-01	We recommend processes be improved to ensure that submissions to the 3rd Circuit Court allow time for errors to be corrected and subsequent submission to the MI-DHS by the 23rd of the month following service. Staff should work with the 3rd Circuit Court to minimize the number of times the reports are submitted to the Court for approval.	Agree	The Department of Management & Budget (M&B) – Children & Family Service (CFS) Finance and the Court have agreed to a schedule that will allow for a more timely review of the 207 and 206B reports. CFS Finance will submit Form 207 to the Court by the 20th of the month. The Court has agreed it will review and approve within three business days. All submissions, reviews, and approvals will occur before the 23rd of the month following service.	Yes	M&B - CFS Finance Director	Implemented	We confirmed through discussions with the Chief Financial Officer and the Deputy Chief Financial Officer the existence of the agreement to submit billings by the 20th and the agreement of the Court to review and approve before the 23rd of the month following service. Based on limited review of the action taken, it appears management has taken sufficient action to address the recommendation.
12-02	We recommend greater effort be exercised to provide assurance that staff members that are responsible for completing the DCFS billings attend the State training sessions. Also, M&B-CFS should consider establishing periodic training sessions in-house along with cross	Agree	Children & Family Services – Finance already attends the State training sessions. However, the State is in the process of completely rewriting and greatly expanding its Child Care Fund Handbook. This new handbook will incorporate the new process for processing bills to the Childcare Fund. When it is completed, CFS-Finance, as well as the Court, will attend the training. Both offices will have on site	Yes	Chief Financial Officer and CFS – Finance Director	Early 2013	We confirmed that staff members responsible for completing the DCFS billings will attend the State training sessions and cross train staff. If the planned action is implemented as described, the actions

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	Implementation or Targeted Implementation Date	Auditor General's Assessment
	training other staff to perform this important function. M&B-CFS should consult with the Wayne County Department of Technology as to the feasibility of acquiring additional automated technology to further enhance the current technology being used for the DCFS billing processes.		a copy of the revised handbook for their reference. As the County continues to lose human resources, it is more critical than ever that training happens more frequently. It is also important that cross training continues to be a part of M&B's internal process. It is good for managers, as it provides more flexibility in managing the workforce to get the job done and for staff it lets them learn new skills, make them more valuable, and combat worker boredom. The CFO will review its training schedule and update as appropriate.				appear to sufficiently address the recommendation. However, a follow up review may need to be performed in the future to ensure that corrective action has taken place.
12-03	We recommend that M&B-CFS ensure that policies and procedures are developed that include deadlines for the submission of billings and journal vouchers to the County each month. The policies and procedures should clearly outline the specific submission deadlines, documents required, and any approvals.	Agree	The Department of Management & Budget Financial Reporting Division has a County-wide monthly closing schedule which requires input of all journal entries and accruals by the 10th business day of the following month. Therefore, we do not believe a separate policy statement is necessary. Also, the Prosecuting Attorney's Office (PAO) has aligned staff duties in an effort to address the delay in submission of reports. As a result of these changes, the PAO has submitted its reports within the deadlines. All contracts with service providers identify a submission date for invoices.	Yes	Director of Financial Reporting	Implemented	We reviewed the fiscal year monthly closing schedule deadlines and confirmed the input of all journal entries and accruals by the 10th of the month following services. Based on limited review of the action taken, it appears management has taken sufficient action to address the recommendation.

Examination of Billing Processes
Wayne County Departments of Children & Family Services and Management & Budget – Children & Family Services Division
Attestation Engagement Report

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	Implementation or Targeted Implementation Date	Auditor General's Assessment
12-04	We recommend that M&B change their County-wide period of revenue recognition policy from 60 to 90 days for all revenue collections with the exception of property taxes. Based on discussion with M&B leadership, they are in agreement with this recommendation and the new policy is expected to state: "the county considers all revenues to be available if collected within 90 days of the end of the current fiscal year, with the exception of property taxes which must be collected within 60 days to be recognized as revenue in the current period after year end."	Agree	The new policy will be reflected in the footnotes to the financial statements with a retroactive effective date of October 1, 2011.	Yes	Deputy Chief Financial Officer	Retroactive to October 1, 2011	We confirmed that Management & Budget is in the process of changing their county-wide revenue recognition policy from 60 days to 90 days. The policy will be retroactive effective October 1, 2011. If the planned action is implemented as described, the actions appear to sufficiently address the recommendation. However, a follow up review may need to be performed in the future to ensure that corrective action has taken place.
12-05	We recommend that the CFO or his/her designee increase his/her oversight and monitoring over the DCFS billing processes in order to provide assurance that each monthly billing, especially August of each year, is submitted to the	Agree	The Chief Financial Officer has met with Chief Justice Maura Corrigan, Director of the Michigan Department of Human Services (MDHS) as well as the previous Michigan Department of Human Services about this issue. The 2012 July/August/September payment of approximately $17 million	Yes	Chief Financial Officer	Implemented	We confirmed that the July, August, and September billing payments were received in October 2012. We also confirmed with the State that to meet new deadlines for accounting, the State

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	Implementation or Targeted Implementation Date	Auditor General's Assessment
	state on a timely basis in an effort to improve the county's cash flow. Also, we recommend the CFO should require confirmation from the M&B-CFS finance director that invoices for August of each year have been submitted timely in order to receive reimbursement in October of that same year.		was received in October 2012. Whether the State will continue to process the August/September payments timely remains to be seen. We will also encourage MDHS to incorporate the use of technology to transmit the 206B reports to Lansing, the same way the 207 reports are currently done. The CFS Director of Finance submits monthly reports to the CFO and attends monthly staff meetings whereby issues are discussed at that time. In addition, the CFO has always maintained an open door policy with staff and as issues arise throughout the month, they are communicated and addressed in a timely fashion. As with all satellite office finance directors, the CFO has delegated authority and power to act on her behalf.				will be pushing offsets out in October for all Counties. However, we continue to believe that the CFO or her designee should increase oversight and monitoring over this important function to ensure the County is reimbursed timely. Based on limited review the of the action taken, it appears management has taken sufficient action to address the recommendation