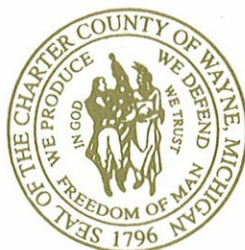


Office of Legislative
Auditor General



WILLIE MAYO, CPA, CIA, CICA
AUDITOR GENERAL

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

February 14, 2012

FINAL TRANSMITTAL LETTER

Honorable Wayne County Commissioners:

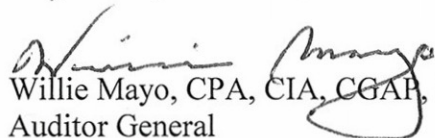
Enclosed is the final copy of the 2011 Annual Report from the Wayne County Office of Legislative Auditor General (OAG). The report is dated January 14, 2012: DAP No. 2012-57-800. The report was accepted by the Audit Committee at its meeting held on January 24, 2012 and formally received by the Wayne County Commission on February 2, 2012.

The report is submitted in accordance with the Rules of Procedures of the Commission, applicable standards of the Institute of Internal Auditors and best practices. The report covers the period of January 1, 2011 – December 31, 2011 and describes the significant activities, efforts and accomplishments of the OAG during that period.

Should you have any questions, concerns, or desire to discuss the report in greater detail, I am available to do so at your convenience. Copies of all final reports of the Office of Legislative Auditor General can be found at our website at:

<http://www.waynecounty.com/commission/lagreports.htm>

Respectfully submitted,


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

Report Distribution

County Executive

County-Wide Elected Officials

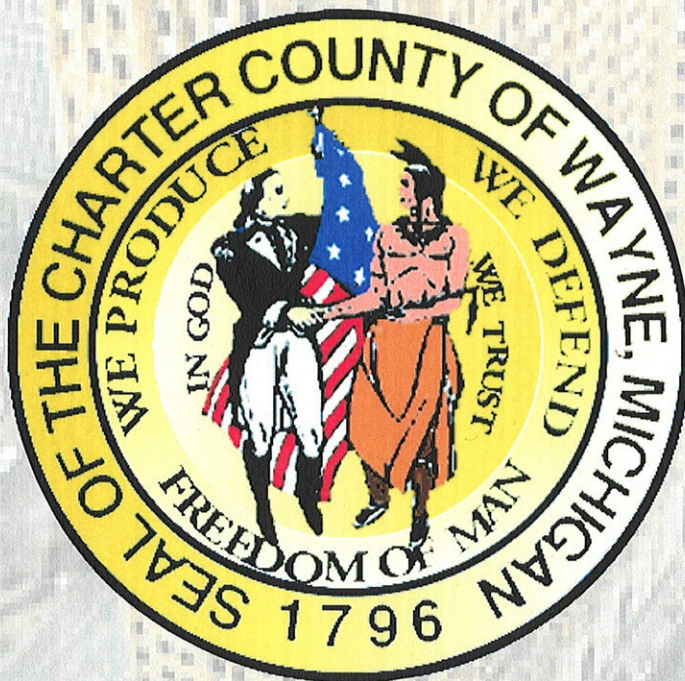
County Department/Agency Heads



2011 Annual Report

Office of Legislative Auditor General County of Wayne, Michigan

*"... strengthening the internal control environment by identifying and assisting
in managing and mitigating risks..."*



January 2012

**Office of Legislative Auditor General
County of Wayne, Michigan
2011 Annual Report**

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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

Letter of Transmittal

January 14, 2012

DAP No.: 2012-57-800

Honorable Gary Woronchak, Chairman
Wayne County Commission,
Honorable Ilona Varga, Chairwoman
Wayne County Committee on Audit,
Members of the Wayne County Commission, and
Honorable Robert A. Ficano, Chief Executive Officer,
County of Wayne, Michigan

Ladies and Gentlemen:

On behalf of the dedicated staff members of the Wayne County Office of Legislative Auditor General (OAG), I am honored and proud to submit our 2011 Annual Report (report). The report highlights the collective efforts and results of the OAG primarily during the 2011 calendar year. The report is submitted in accordance with Section 3.119 of the Wayne County Home Rule Charter, applicable section(s) of the County Code of Ordinances, and Rules of Procedures of the Commission.

Of the many successes and accomplishments achieved during the year, foremost is the peer review we underwent for both Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing. Others include: the completion of 39 reports/projects which included 179 recommendations, with a financial impact to the county of over \$58 million. We are also proud to report that 80 percent of the previously issued recommendations we followed-up on had been implemented by management.

Management's implementation rate is a clear indication of their shared commitment to reduce and mitigate known and reported risk, and to improve the internal control environment here in the county.

The staff and I of the OAG remain committed to providing high-quality audits, reviews, and special projects that present objective examinations conducted in accordance with professional auditing standards. You can be assured that throughout the audit process we will continue to work diligently to add value for commissioners and county management in your efforts to

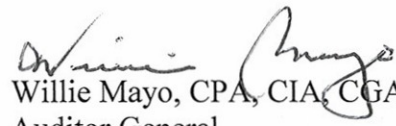


Honorable Gary Woronchak,
Honorable Ilona Varga,
Members of the Wayne County Commission, and
Honorable Robert A. Ficano
DAP No. 2012-57-800
January 14, 2012
Page 2

improve accountability in county government, and to enhance the delivery of services to the citizens of this great county.

We would like to thank Chairman Woronchak, Audit Committee Chair Varga, the Audit Committee members and all Commissioners for their unwavering support of the internal audit function here at the county. We also recognize that any effectiveness we were able to accomplish was largely possible only through the support and cooperation of the executive branch, led by County Executive, Mr. Ficano, his executive management team, and the other county-wide elected officeholders; we thank them as well.

Respectfully Submitted,



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

**Office of Legislative Auditor General
County of Wayne, Michigan
500 Griswold, Ste. 848
Detroit, Michigan 48226
Phone: (313) 224-0924
Facsimile: (313) 224-7974**

Website: http://www.waynecounty.com/comm_depts_auditor.htm

STAFF DIRECTORY

<u>STAFF MEMBERS</u>	<u>POSITION*</u>	<u>E-MAIL ADDRESS</u>	<u>PHONE</u>
Willie Mayo	Auditor General	wmayo@co.wayne.mi.us	(313) 224-7375
Marcella Cora	Deputy Auditor General/ Audit Mgr/Admin	mcora@co.wayne.mi.us	(313) 224-8354
Wilbur D. Hamner	Audit Manager	whamner@co.wayne.mi.us	(313) 224-6358
Michael Sosnowski	Supervisory Auditor	msosnows@co.wayne.mi.us	(313) 224-7368
John C. Kellett	Supervisory Auditor	jkellett@co.wayne.mi.us	(313) 224-7978
Crystal Davie Thomas	Principal Senior Auditor	cdavie@co.wayne.mi.us	(313) 224-6706
Jacklen Salwa Hermes	Senior Auditor	shermes@co.wayne.mi.us	(313) 224-7395
Vivian Shelton	Senior Auditor	vshelton@co.wayne.mi.us	(313) 224-8355
David Stubbs	Senior Auditor	dstubbs@co.wayne.mi.us	(313) 224-7382
Andrew Rea	Senior Auditor	area@co.wayne.mi.us	(313) 224-7972

* As of January 13, 2012

2011 OAG Annual Report

Executive Summary

This Annual Report covers the period from January 1, through December 31, 2011. Much was accomplished during the year, foremost was the completion of 39 audit and review reports and special projects. Many of them were noteworthy affecting a wide range of programs, operations and services offered by the county. The issued reports and special projects identified or addressed 179 recommendations with a financial impact of over \$58 million on county operations. Equally noteworthy, is the 80 percent implementation rate of 78 previously conveyed recommendations that we followed-up on during the year through our corrective and remedial action plans and other engagements. The implementation rate is a testament that county elected officials and managers share our commitment to strengthening the internal control environment by identifying, managing, and mitigating risk here in the county.

“... identified or addressed 179 recommendations with a financial impact of over \$58 million on operations ... 80 percent implementation rate of previously conveyed recommendations ...”

This report also includes brief biographical sketches for each of the OAG staff members. The value we are able to bring to the county is totally dependent on the quality of the personnel we are able to attract and retain. We believe the county is fortunate that we have been successful in assembling an excellent team of professionals with differing and complementary backgrounds and professional expertise.

We experienced personnel changes during the year, the departure of Bryan Bays, Principal Senior and Jun Liu, Principal Senior.

OAG staff also gives back to the communities where they work and live. We highlighted a program where one of our staff members volunteer their time to serve others.

The report describes seven noteworthy accomplishments achieved in 2011. In addition to the productivity performance and implementation of recommendations, we note the following: continued professional education (CPE) where staff's professional competency is enhanced; our office's fourth peer review, the OAG received a clean or unqualified opinion from the Association of Local Government Auditors (ALGA) for both standards; our continued efforts in promoting a paperless working environment; to improve our audit and administrative effectiveness, efficiencies and economy; and our unyielding commitment and success in achieving the professional continuing education and training for our staff required by the authoritative auditing standards we pledge to adhere to in the performance of our engagements. ■

Office of Legislative Auditor General (OAG)

Mission:

Striving to be a world-class internal audit organization, offering value to county managers, officials responsible for governance, and citizens.



**2011 OAG
Annual Report**

The establishment of the Wayne County Legislative Auditor General and related office (OAG) are provided for by Wayne County Home-Rule Charter, Section 3.119, within the Legislative Branch of County government. The duties and functions of the OAG were strengthened through a citizen approved revision to the Home-Rule Charter in 1996. The mission of the OAG is striving to be a world-class internal audit organization, offering value to county managers, officials responsible for governance, and citizens. Our purpose is to examine and evaluate county activities in order to achieve transparency and accountability of public funds, and improve the operations of county government for the benefit of Wayne County citizens and the customers of its services.

The OAG reports and other work products have resulted in changes and improvements to programs that benefit county taxpayers, programs and services, and assist the Commission in its oversight of county operations and resources. The OAG has the responsibility to conduct financial, operational, compliance, specific scope audits, and special projects of all county departments/agencies.

Wayne County government officials and employees are accountable to the citizens of Wayne County for the proper handling of public funds and are responsible for managing county resources effectively, efficiently, and economically.

The reports and other products issued by the OAG provide the citizens of Wayne County with a measure of accountability. Our work products also assist elected officials and department administrators by providing an independent and objective

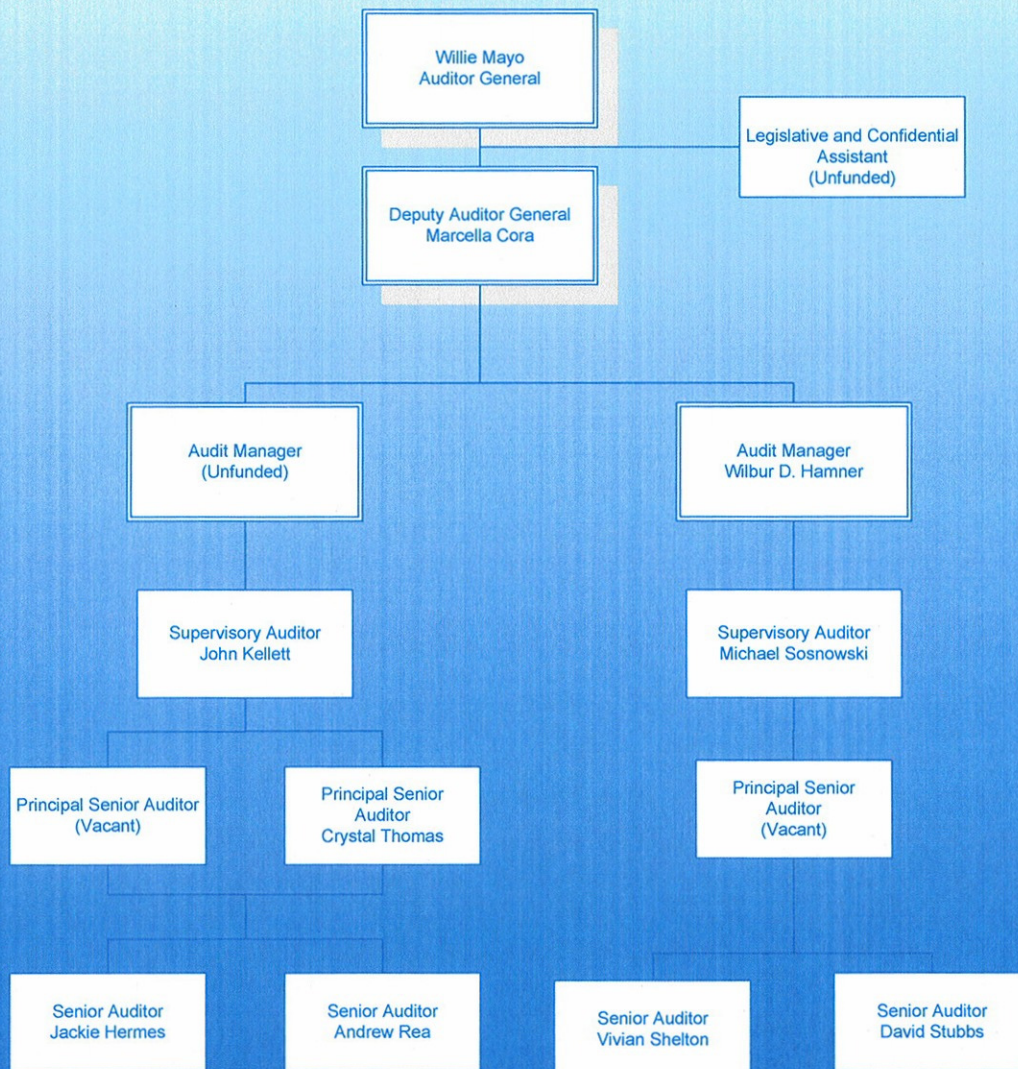
evaluation of their operations. The OAG's foremost goal is to improve accountability and financial reporting practices while promoting effectiveness, efficiency, and economy in county government.

The reports and other products issued by the OAG are performed in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States and/or International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors (IIA).

The OAG has established 12 Codes of Principles and Conduct to assist and guide our professional staff members in performing their duties and responsibilities in an ethical and appropriate manner. These items require staff members to pledge their allegiance not only to the standards promulgated by GAGAS and IIA but also to the 12 codes of principle and conduct. The principles and conduct require auditors to (be):

- **Focused**
- **Helpful**
- **Straight Down the Line**
- **Determined**
- **Firm**
- **Decisive**
- **Balanced**
- **Objectivity**
- **Confidentiality**
- **Competent**
- **Integrity**
- **Independent ■**

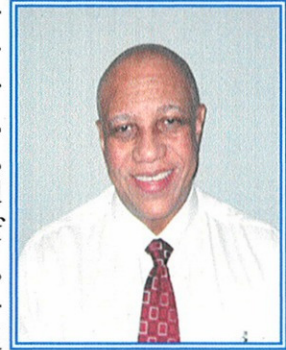
Wayne County Office of Legislative Auditor General
Organizational Chart
As of January 4, 2012



Staff Biographical Sketches

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

Mr. Willie Mayo was appointed Auditor General on December 4, 2004, and became the fourth individual appointed to serve as the county's Legislative Auditor General. He joined the county after more than 30 years of a successful accounting and auditing career in the private sector. Before joining the county, Mr. Mayo served as president and chief audit executive for Willie Mayo & Co., P.C. (Mayo & Co.) of Southfield, Michigan, a full service public accounting and consulting firm. He founded the firm in 1981. The firm had a client base of over 200, and specialized in government, non-profit, educational institutions, healthcare, and small business entities. Mayo & Co. was one of the first minority firms in Michigan to be peer reviewed by the American Institute of Certified Public Accountants. Under Mr. Mayo's leadership the firm underwent a peer review every three years and received clean opinions.



Mr. Mayo is a graduate of Wayne State University, Detroit, Michigan, where he earned a Bachelor of Science Degree in Accounting. Mr. Mayo has been a licensed Certified Public Accountant in the State of Michigan since October, 1980, and he also has earned the Certified Internal Auditor, Certified Government Auditing Professional, and Certified Internal Controls Auditor designations. His professional memberships include the American Institute of Certified Public Accountants (AICPA), Michigan Association of Certified Public Accountants (MACPA), the Institute of Internal Auditors, the Government Finance Officers Association (GFOA), and the Information Systems Audit and Control Association (ISACA). He presently serves as a member of the MACPA's Government Accounting and Auditing Task Force and on the board of the Detroit Chapter of the National Association of Black Accountants – Division of Firms.

Mr. Mayo also serves as a Discussion Leader and Instructional Trainer to Certified Public Accountants across the country for the AICPA on an availability basis; in addition, he has provided training to the MACPA participants and other organizations over the last several years. In addition, he is a certified instructor with the Department of Personnel/ Human Resources' "Training Brigade".

TEAM – CORA Responsible for the following:	
Departments/Agencies	Component Units
Chief Executive Office	Brownfield Redevelopment Authority
Office of County Clerk	Wayne County – Detroit CDE, Inc.
County Commission	Development Corporation of Wayne County
Economic Development Growth Engine	Economic Development Corporation of Wayne County
Health and Human Services (including the Mental Health Agency)	Health Choice of Michigan
Management & Budget	Wayne County Land Bank Corporation
Senior Citizens / Veteran Affairs	Metropolitan Growth and Development Corporation
Office of Sheriff	Wayne County Regional Jobs and Economic Growth Foundation
Technology	The Greater Wayne County Economic Development Corporation
	Third Circuit & Probate Courts

Marcella Cora, CPA, CIA, CICA – Deputy Auditor General / Audit Manager

Mrs. Cora began her career with the OAG in April 1999, after five years with the Army Audit Agency, Defense Department, United States. In FY 2005, Mrs. Cora was promoted to audit manager and was appointed Deputy Auditor General January 2011. In her current audit duties, she is responsible for oversight of the administrative functions of the office while also continuing to serve as an audit manager. Since joining the OAG, Mrs. Cora has been responsible for many key operational and compliance audits, and special projects, notably the audits/reviews of the Pinnacle Race Track Development, Central Accounts Receivable/Billing and Collection Activity, and the Wayne County Land Bank Corporation. Mrs. Cora has played a key role in the implementation and numerous enhancements to the audit management software package, TeamMate. Mrs. Cora is also proficient in many computer aided auditing techniques and tools, including ACL.



She is a graduate of Davenport University. She is a licensed Certified Public Accountant in the State of Michigan, a Certified Internal Auditor and Certified Internal Controls Auditor. She has memberships in several professional organizations including the American Institute of Certified Public Accountants, Michigan Association of Certified Public Accountants, Institute of Internal Auditors, Government Finance Officers Association, and the Association of Certified Fraud Examiners. She is extremely community minded and spent twelve years as a member of the River Rouge Board of Education.

John C. Kellett - Supervisory Auditor

Mr. Kellett joined the Auditor General's staff in April 1999. His most recent promotion was in October of 2010 when he was promoted to Supervisory Auditor. During his time with the office, Mr. Kellett has worked on many types of audits and special projects and recently the IT Business Processes and Ethics-Procurement Ordinance Reports. He also spearheaded the implementation of the TeamMate R9 software update. Over the last eight years he has been a member of the Auditor General's Technical Assistance Group providing critical technical support for our computer aided auditing techniques and tools (CAATT) software. These CAATT help the office become more efficient and streamline audit processes.



Mr. Kellett earned his Bachelor's Degree from Eastern Michigan University and is a graduate of Walsh College where he received his Master's of Arts Degree in Economics. Mr. Kellett is also pursuing his Certified Internal Auditor certification. Mr. Kellett is also a member of the Institute of Internal Auditors.

Crystal L. Thomas – Principal Senior Auditor

Mrs. Crystal Thomas joined the Office of Legislative Auditor General's Staff in April 2005 as the Legislative Staff Assistant and Confidential Secretary 1. She was promoted to Office Manager, and later to Senior Auditor in 2008 after earning her bachelor's degree. Mrs. Thomas was promoted to Principal Senior Auditor in the fall of 2010. Mrs. Thomas has been the lead auditor on OAG engagements such as: Wayne County Land Bank—Operational Assessment Review, Pinnacle Race Track—Attestation, and Accounts Receivable—Operational Assessment Review. She is a recipient of the Recognition of Achievement Award issued by Wayne County in 2006 and one of the recipients of the Meritorious Team Achievement Award in 2008.



Mrs. Thomas currently holds an Associate of Arts degree and a Bachelor of Science Degree. She currently is pursuing certification as a Control Self-Assessment Auditor, Certified Fraud Examiner and a Masters Degree in Management with a concentration in finance at Walsh College.

Mrs. Thomas is a member of the Institute of Certified Internal Auditors and Association of Certified Fraud Examiners.

Jacklen Hermes – Senior Auditor

Ms. Hermes joined the Auditor General's staff in October 2005. She joined after six years with the SAYO-Inc-Company where, in addition to her responsibilities as an accountant, she served in several other departments. Ms. Hermes also worked two years as an accountant for a local CPA firm.



In 2008, Ms. Hermes was promoted to senior auditor where part of her responsibilities are to determine whether departments and agencies in the county are performing their operations in compliance with county policy and procedures, best management practices and in a manner consistent with the department's mission, objectives and goals.

Ms. Hermes received her Bachelor's of Arts Degree in Business Management – Accounting from Al-Mustansiriya University in Baghdad, Iraq. She is currently enrolled in the Masters Degree Program at Walsh College with a specialization in Business Management. In addition, Ms. Hermes is currently pursuing her Certified Internal Auditor designation. She is a member of the Institute of Internal Auditors.

Andrew Rea – Senior Auditor

Mr. Andrew Rea joined the Office of Legislative Auditor General's staff in June 2009. Mr. Rea brought to the OAG 5 years of experience in the public/private sector. He also brought experience in investigative techniques acquired through his formal education. In recognition of his efforts, he was promoted to Senior Auditor in 2010. As an auditor, he has played a large role in several important engagements throughout 2011, notably, the audits/reviews of the Pinnacle Race Track Development, Central Accounts Receivable/Billing and Collection Activity, and the Wayne County Land Bank Corporation.



Mr. Rea attended Michigan State University where he obtained a Bachelor of Arts Degree. His future goals include obtaining a Master's Degree and pursuing the Certified Internal Auditor certification. Mr. Rea is a member of the Institute of Internal Auditors.

TEAM – HAMNER Responsible for the following:	
Departments/Agencies	Component Units
Homeland Security and Emergency Management	Wayne County Airport Authority
Children and Family Services	Wayne County Building Authority
Corporation Counsel	Chapter 8, 20 and 21 Drainage Districts
Environment	Detroit-Wayne County Stadium Authority
Personnel / Human Resources	Sewage Disposal Systems
Prosecuting Attorney	
Public Service	
Register of Deeds	
Treasurer	

Wilbur D. Hamner, CICA, EA – Audit Manager

Mr. Hamner joined the Auditor General's staff in September 1998. He brought with him over 12 years of financial accounting experience in the legal and health care fields. Since joining the office, Mr. Hamner has excelled and in 2007, he was promoted to his current position of Audit Manager. Mr. Hamner has played a vital role in the development and implementation of the OAG's risk-based audit approach, implementation of audit management software (TeamMate) and accompanying operational processes. He was a key member in the preparation of the ALGA quality control documentation that resulted in the OAG obtaining a successful "orange book" peer review.



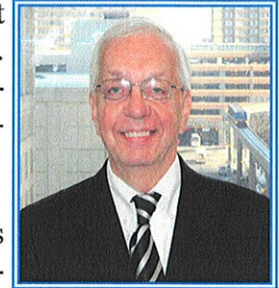
Mr. Hamner has performed numerous operational, attestation, consulting, financial, and compliance audits. Mr. Hamner has been instrumental in conducting an annual agreed-upon procedures audit that has assisted the Treasurer's Office in identifying a number of county businesses that were not remitting a mandated excise tax (Stadium Excise Tax) to the County Treasurer. As a result, the County Treasurer's Office has increased its annual collections of excise tax revenues. Mr. Hamner was selected as a Peer Review team member by the Association of Local Government Auditors (ALGA) to conduct a peer review of a governmental internal audit division and attest to their compliance with IIA auditing standards.

Mr. Hamner is a graduate of Wayne State University and holds a Bachelor's of Science Degree in Accounting. He is a Certified Internal Controls Auditor and an Enrolled Agent with the Internal Revenue Service. Mr. Hamner has passed two of four parts of the Certified Internal Auditor certification. He

holds professional memberships with the Institute of Internal Auditors and the Association of Government Accountants.

Michael Sosnowski, CIA - Supervisory Auditor

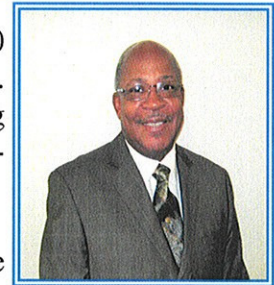
Mr. Sosnowski joined the Auditor General's staff in January 2007. He brought with him 30 years of business experience, 18 of which were spent at AT&T. While there, he worked in Internal Audit, Finance, Operational Planning & Support, and IT. A major accomplishment with AT&T was the development of a corporate wide cross-functional change management request process.



Mr. Sosnowski earned a Bachelor of Arts Degree in Accounting from St. Thomas University, St. Paul, MN. He received his Master's Degree in Business Administration from Wayne State University. He is a Certified Internal Auditor. Mr. Sosnowski is a member of the Institute of Internal Auditors, and Non-CPA affiliate member of the Michigan Association of Certified Public Accountants. Mr. Sosnowski also serves as an adjunct instructor at two local universities.

David Stubbs – Senior Auditor

Mr. Stubbs joined the OAG staff in August 2005. He brought more than 20 years of accounting and auditing experience from the public and private sectors. Prior to joining the county, Mr. Stubbs worked as an external auditor, examining federal institutions, governmental agencies, non-profit organizations, educational institutions, and private business entities.



As a Senior Auditor, Mr. Stubbs has worked on a variety of projects such as the Financial Assessment – Attestation Review Report for the Wayne County Comprehensive Annual Financial Report (CAFR) and this year the Operational Audit for the Wayne County Employee Retirement System.

Mr. Stubbs earned a Bachelors and a Masters Degree in Business Administration from the University of Phoenix, both with a concentration in Accounting and Finance. His future plans include the pursuit of his Certified Internal Auditor designation, the completion of his Doctorate and to become a published author. He is a member of the Institute of Internal Auditors.

Vivian Shelton – Senior Auditor

Ms. Shelton joined the staff of the Office of Legislative Auditor General in August 2005. She brought with her nearly 20 years of experience as an administrator and audit professional with a local CPA firm. While there, Ms. Shelton was responsible for a variety of administrative, bookkeeping and accounting functions.



As the OAG's office manager, Ms. Shelton was responsible for the office's administrative matters and served as audit coordinator. As audit coordinator, she

was responsible for monitoring completion of audits, reviews, other report projects and work product file maintenance. As a result of hard work and dedication, Ms. Shelton was promoted to Senior Auditor in December 2007. In this role, she conducts operational, financial, and compliance audits. Ms. Shelton is presently pursuing higher education goals and is a member of the Institute of Internal Auditors.■

Personnel Changes

During the year, the OAG experienced some personnel changes. Mr. Bryan Bays, Principal Senior Auditor left the Office of Legislative Auditor General to pursue other career opportunities, and Ms. Jun Liu, Principal Senior Auditor, left the Office of Legislative Auditor General to join her husband who took a temporary assignment outside of Michigan. We extend our best wishes to them for continued success.■

Strategic Audit Group

The Strategic Audit Group (SAG) was established in 2007. The responsibilities of this group are to review, develop and revise audit policies and procedures and design appropriate audit/project procedures and processes to ensure the audit and other work products of the OAG are in compliance with authoritative professional standards and best practices. The members of the SAG team consist of the following OAG team members:

- Willie Mayo, Auditor General
- Marcella Cora, Deputy Auditor General
- Wil Hamner, Audit Manager
- John Kellett, Supervisory Auditor. ■

Technical Assistance Group

The OAG established the Technical Assistance Group (TAG) several years ago. The members of the TAG team consist of the following individuals:

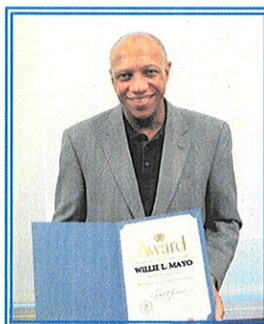
- Marcella Cora, Deputy Auditor General
- John Kellett, Supervisory Auditor
- Andrew Rea, Senior Auditor

This group has been very instrumental in providing leadership and technical support in the area of office technology including the selection, installation, implementation and daily support for the OAG's computer systems, software, and related peripherals. It also develops policies and procedures for use and care of computer hardware, software and peripherals. The group is comprised of a team with diverse disciplines committed to ensuring the OAG utilizes the most effective and efficient computer aided auditing tools and technologies, or CAATT, in our audit and administrative processes. The group also is responsible for development and maintenance of the office's webpage. The group has allowed the OAG to eliminate many of the routine service calls that otherwise may have gone to the county's help desk. ■

Employee Achievement

Management Achievements

During the year, Willie Mayo, Auditor General pursued a prestigious specialty designation as a Certified Governmental Audit Professional offered by the Institute of Internal Auditors. In August 2011, Mr. Mayo received his designation as a CGAP Professional. ■



Willie Mayo with his CGAP designation certification.

Giving Back to Our Community

During the year, a staff member in the OAG volunteered their time, talents and professional expertise to assist in a community charitable initiative on behalf of Wayne County and themselves. A list and brief description of the organization they volunteered to serve are below:

- The Compassionate Friends



The Compassionate Friends

Ms. Vivian Shelton, Senior Auditor, volunteers her time to the Detroit Chapter for The Compassionate Friends (TCF). TCF is a nationally recognized non-profit organization which offers friendship, support, understanding and hope to families grieving the death of a child.

2011 OAG Annual Report

2011 Significant Accomplishments

OAG Peer Reviewed

In January 2011 the Office of Legislative Auditor General (OAG) began the process of preparing for a peer review required by the County Charter and Code of Ordinances. In addition to undergoing a fourth peer review for adherence to Generally Accepted Government Auditing Standards (GAGAS) as required by applicable sections of both the County Charter and Code of Ordinances, the OAG was also peer reviewed for the second time for adherence to International Standards for Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors (IIA). The OAG received a clean or unqualified opinion from the Association of Local Government Auditors (ALGA) for both standards.

The OAG is clearly among a very select and elite group of government internal audit shops throughout the United States and the world that has achieved such a milestone. Additionally, it is important to note that in these difficult economic times that due to a collaborative relationship with ALGA the costs for the peer review were limited to travel and out-of-pocket expenses. The cost to cover expenses was about \$6,100; while we are told the fair value of these services could cost as much as \$40,000 if we were not a member of ALGA. *(Please reference the appendix section C of the report for press release.)*

Completed 39 Audit or Review Reports / Projects

Our 2011 audit work plan identified 50 reports/projects to be completed for the year. The OAG completed and issued 39 audit or review reports/projects as well as 14 administrative projects. The completed audit or review reports/projects consisted of (10) Assurance/Attestation, (15) Consulting/Compliance, (9) Non-Audit Services, and (5) Special Projects. While we did not fully meet our productivity goal, we achieved a 78 percent completion rate which is certainly a noteworthy accomplishment considering for a considerable part of the year we had unfilled vacancies.

Majority of Recommendations Implemented

Arguably, the single most measure of effectiveness of any internal audit organization is the level or rate of implementation of the recommendations contained in issued reports. We are extremely proud to report in 2011 that 10 completed corrective action plans, follow-up review reports examined a total of 78 previously issued recommendations. Management had sufficiently implemented or are in the process of addressing 62 recommendations, or 80 percent of them. Moreover, we recognize that the implementation rate achieved is a testament to elected

Focused

officials and management's desire and willingness to improve the risk environment here in the County despite reduced resources.

Helpful

Listed below is a summary status of the recommendations addressed during 2011.

*Straight down
the line*

Total Number of Recommendations Examined	Status				
	Resolved	Partially Resolved	In Process	No Longer Applicable	Not Yet Resolved
78	51	4	7	2	14

Determined

Paperless Reporting

Firm

During the year, we have continued our efforts to promote our "green initiative" by continuing a paperless audit report transmittal process. The expected benefits for making this move to paperless reporting are not only cost savings in the form of printing cost and reduced time for filing and maintaining paper reports, but also improvements in operations and efficiency and more timely communication.

Decisive

Training Goals Achieved

Balanced

Ensuring that each audit professional staff member receives the required continuing professional education credits and training is essential for any effective internal audit organization; especially those peer reviewed such as the OAG. During the year, the OAG provided education and training opportunities to each professional audit staff member this ensured training their continued professional proficiency and that they receive the 80 hours (every two years) of continuing professional education required under the Generally Accepted Government Auditing Standards (GAGAS), issued by the Comptroller General of the United States. During the year we also ensured staff obtain the required training to perform audits in accordance with the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and the American Institute of Certified Public Accountants.

Objectivity

Confidentiality

Competent

Integrity

We believe staff development is a continuous process that benefits both the staff and county by ensuring staff enhance their skills and stay abreast of current industry guidance and best practices. See appendix A for a detailed listing of seminars and conferences attended by staff during the year. Much of the training received during the year was obtained through webinars, webcasts and on-line tutorials. This was done to control our expenditures in this area.

Independent

Focused

Helpful

*Straight down
the line*

Determined

Firm

Decisive

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Objectivity

Confidentiality

Competent

Integrity

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Another method in which the OAG provides staff development is through the support of staff members and their efforts to obtain professional certifications, including, but not limited to:

- Certified Public Accountant
- Certified Internal Auditor
- Certified Government Financial Manager
- Certified Fraud Examiner
- Certified Information Systems Auditor
- Certified Internal Controls Auditor
- Certified Government Audit Professional



OAG staff at 2011 Annual NABA Conference

The OAG professional development goal is to maximize the value of the Auditor General's work by continuing to promote quality, professionalism, and productivity. The OAG continuously encourages all staff to pursue professional certifications and maintain memberships in various professional organizations. These memberships allow staff to interact and network with professional colleagues and stay abreast of the latest trends and best practices in the industry. In addition, through these various professional organizations, members of the OAG are able to demonstrate their leadership skills by serving on various committees. The Auditor General currently serves on the Michigan Association of Certified Public Accountant's Governmental Accounting & Auditing Task Force. He also served as co-chair for the Detroit Chapter of the National Association of Black Accountants – Division of Firm's, Annual Professional Development Conference. Other members of the OAG also serve in leadership positions in various professional organizations. ■

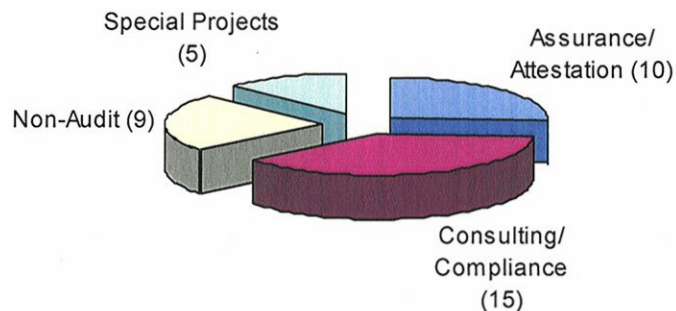
2011 OAG Annual Report

2011 Productivity in Review

Our 2011 audit work plan identified 50 reports/projects to be completed for the year. The OAG completed and issued 39 audit or review reports/projects as well as 14 administrative projects. The completed audit or review reports/projects consisted of (10) Assurance/Attestation, (15) Consulting/Compliance, (9) Non-Audit Service, and (5) Special Projects. The five engagements highlighted in our report contained 42 recommendations and had an impact of over \$51.4 million on county operations. The types of impact included, but not limited to: revenue opportunities, cost avoidance/savings, inappropriate/questionable expenditures related to operations and programs, and recovery of cost for services. Based on our productivity goal of 50 completed reports/projects for 2011, we achieved 78 percent of the goal. Of the 179 recommendations, 101 were new and the 78 involved previously issued recommendations where we determined the status of their implementation.

The following pie chart illustrates the breakdown of completed reports/projects by type. We also included a synopsis of a few key reports/projects that could have a measurable impact on county operations if the recommendations contained in the reports are fully implemented. See Appendix B for a detailed listing of all completed 2011 reports/projects.

Summary of Completed Audits or Review Reports/Projects

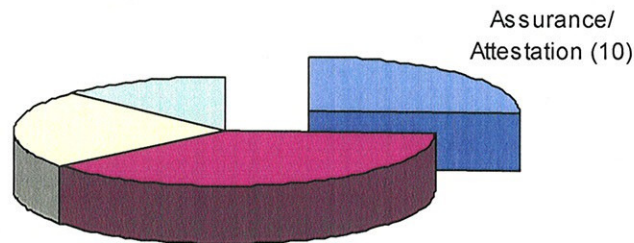


2011 OAG Annual Report

Assurance/Attestation

During the year, 26 percent of our completed reports/projects were Assurance/Attestation engagements. These types of engagement included Assurance, Agreed-Upon Procedures, Operational Risk. These engagements involve an internal auditor's objective assessment of evidence to provide an independent opinion or conclusion(s) regarding a process, system, or other subject matter. There are generally three parties involved in an assurance/attestation engagement: (1) the person or group directly involved with the process, system, or subject matter—the process owner; (2) the person or group making the assessment—the internal auditor; and (3) the person or group using the assessment—the user.

During this period, 10 or 26 percent of our total audit reports/projects were Assurance/Attestation engagements.



Four assurance engagements that had an impact on county operations are summarized below.

Central Accounts Receivable—Billing & Collections Activity

The OAG performed an assurance engagement to assess and express an opinion on the effectiveness and efficiency of Central Accounts Receivable. Our review identified many areas where policies and procedures could be strengthened or they were not being adhered to. We also concluded that the billing performance and ultimate collections of accounts receivable balances are moderately effective including areas that could be improved to increase the efficiency of the billing and collection activity.

We determined that from the period of FY 2007 – 2009, more than \$8.5 million in accounts receivable had been written off. As of September 30, 2009 the accounts receivable balance was \$19.3 million of which 95 percent is related to the

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Sheriff and Roads. In our review of over \$2 million in write offs for the Sheriff's Office, it appears that as much as \$1.7 million should not have been billed. We also determined that as much as \$261,274 could have been collected had additional support been provided. The report concluded that it is imperative that all parties work together to reduce the amount of inaccurate billings and ensure timely collections of receivables.

Department of Technology (DOT)

The Office of Legislative Auditor General (OAG) performed an assurance engagement with a purpose of assessing and expressing an opinion regarding the effectiveness and efficiency of Department of Technology (DoT) business processes and control environment. DoT provides information technology services to all county department and elected officials, including establishing, implementing and enforcing county-wide standards, policies and procedures related to IT management. A primary responsibility is ensuring vital and major county operations are able to be restored and functioning effectively in case of a disaster or catastrophic event.

Based on our examination, we determined most of the IT services managed and provided by DoT are provided adequately, efficiently and effectively. We did find internal control deficiencies that were significant and will need to be addressed by DoT in the near term. Another significant deficiency related to timesheets for executive appointees assigned to the department that did list the DoT projects the employee worked on. As a result, we determined an estimated \$1.63 million in executive appointee personnel costs were paid from the department's budget.

In conclusion, we determined DoT has made great strides in its pursuit to improve county operations by introducing and implementing innovative IT systems and tools.

Pinnacle Race Track Development, Wayne County Land Bank

The OAG performed an attestation/assurance engagement for the purpose of responding to a request from the Wayne County Commission to determine whether the type and quantity of jobs related to the Pinnacle Race Track Development were created as outlined and required in the related Development Agreement. Based on our examination we were unable to validate or determine whether the developer created the quantity and types of jobs required of them in the Development Agreement due to a host of factors. The report identified a cost to the county of more than \$35.2 million; \$26.6 million in improvement bonds and \$8.6 million in county marketable property.

In addition, we found that a key objective for this development was to return dormant county property to the tax rolls. However, as indicated in the report, that objective has not been achieved and as much as \$2.24 million in real property taxes for years 2009 and 2010 had not been collected.

2011 OAG Annual Report

2007 & 2008 Stadium Excise Tax

At the request of the County Treasurer, in 2011, the OAG completed an agreed-upon procedures engagement to assess taxpayer compliance with the mandated Stadium Excise Tax (Tourist Tax) for calendar years 2007 and 2008. The agreed-upon procedures are listed in a Memorandum of Understanding between the Wayne County Treasurer and the Office of Legislative Auditor General. The excise tax, mandated by Public Act 180 of 1991, is levied on hotels, motels and car rental agencies operating within the county.

Based on the agreed-upon procedures performed, we determined 11 taxpayers, both registered to pay the tax and unregistered, were not in compliance with the excise tax laws. We calculated approximately \$317,000 of excise taxes, penalties and interest was owed to the County Treasurer as of April 2010. According to recent discussions with officials within the Treasurer's Office, identified delinquent taxpayers have been remitting their outstanding tax obligation.

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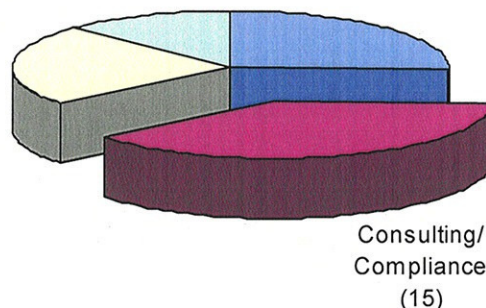
Integrity

Independent

Consulting/Compliance

The OAG receives requests from the County Commission, other elected officials, and department heads to review specific activities or programs not necessarily identified in our annual audit/work plan. Frequently, because of their intimate knowledge of county government operations and close contact with constituents, Commissioners become aware of problems or areas of concern that are communicated to the OAG and request for reviews and/or assessments are received. As a result, we have developed a consulting review engagement to respond to these requests. Many of these engagements have resulted in confirmation of the existence of problems and formulation of solutions to address or improve county operations and services.

Our responsiveness to these requests enhances the Commission's and other county officials' ability to carry out their oversight responsibilities and respond to constituent concerns thoroughly and completely.



During this period, 15 or 38 percent of our audit or review reports/projects were Consulting/Compliance. The Consulting/Compliance category includes Consulting, Compliance, and Operational Assessment Review engagements. The Operational Assessment Review entails a comprehensive and analytical operational review of a county program or service at the business unit(s) level. This review is for the express purpose of identifying key risk and assessing whether management has appropriate controls and processes in place to sufficiently manage or mitigate identified risk. It is somewhat synonymous with a county-wide risk assessment.

One of the engagements performed during the year was the Wayne County Land Bank—Operational Assessment Review.

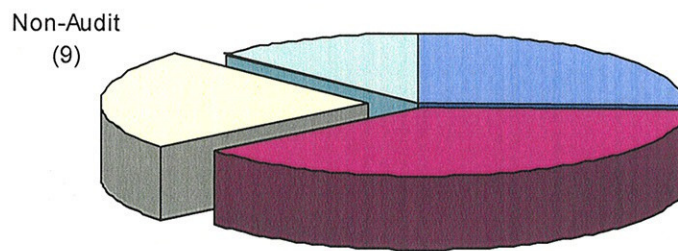
2011 OAG Annual Report

Wayne County Land Bank (WCLB)

The OAG conducted an Operational Assessment Review (OAR) of the Wayne County Land Bank Corporation. Our report indicated that the overall governance process including control environment, organizational structure, philosophy, and ethical values of the WCLB needs strengthening. The report also identified other areas where controls could be strengthened including formal written policies and procedures, uniform job descriptions, and failure to comply with key aspects of the intergovernmental agreement. We also found that the transfer of land to certain developers and procurement practices to be problematic and should be restructured by the WCLB Board of Directors.

The report also disclosed since its inception WCLB has received over \$14.3 million in general fund support and there does not appear to be a strategic plan in place to move toward minimizing the general fund support in the near future.

Non-Audit Services

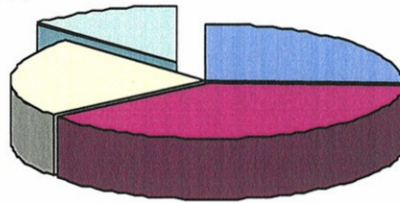


During this year, 9 or 23 percent, of our completed reports/projects were Non-Audit projects. Non-Audit projects generally involve Financial Assessment—Limited Reviews and Limited Analytical Reviews.

In these limited reviews, we determine whether the financial statements are properly presented in accordance with applicable professional standards. These reviews rely heavily upon the external auditor's work. As a result of work we performed, there are few recommendations in these types of engagements. After adopting limited reviews, the OAG has been able to allocate limited resources effectively and continues to be productive.

Special Projects

Special Projects
(5)



Five special projects were completed by the OAG during 2011, which represented approximately 13 percent of the total reports/projects.

Special projects represent an array of work projects from development of our annual audit/work plan to our annual report.

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*Straight down
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APPENDIX A

LIST OF TRAINING SEMINARS AND CONFERENCES ATTENDED 2011

**WAYNE COUNTY OFFICE OF LEGISLATIVE AUDITOR GENERAL
LIST OF TRAINING SEMINARS AND CONFERENCES ATTENDED
2011**

SPONSORING ORGANIZATION	SEMINAR / CONFERENCE	DATE(S) ATTENDED
Bisk Education CPEasy	Network Nonprofit Report / Network Governmental Accounting	1/1/11 -12/31/11
Association of Certified Fraud Examiners (ACFE)	Emerging Technologies to Detect and Prevent Fraud	5/5/11
Michigan Association of Certified Public Accountants (MACPA)	Governmental Accounting & Auditing Conference	12/8/11
Michigan Association of Certified Public Accountants (MACPA)	Governmental Auditing & Accounting Conference	5/5/11
The Institute of Internal Auditors (IIA)	Performance Based Auditing in the Public Sector	9/14/11-9/15/11
Plante & Moran	Plante & Moran Governmental Training	6/10/11 & 5/4/11
Government Accounting and Auditing Training Series	KPMG	10/12/11- 10/13/11
National Association of Black Accountants – DOF, Detroit	Professional Development Conference	11/21/11- 11/23/11

APPENDIX B
COMPLETED AUDIT AND REVIEW REPORTS
AND SPECIAL PROJECTS
2011

**WAYNE COUNTY
OFFICE OF LEGISLATIVE AUDITOR GENERAL
COMPLETED AUDIT ANDW
REVIEW REPORTS AND SPECIAL PROJECTS 2011**

Proj. No.	Report/Activity Title	Report Date	Date to AC	DAP No.	Activity Type
1	Prosecuting Attorney's Nuisance Abatement	2/14/11	3/8/2011	2010-57-015	AA
2	Commission Special Payroll Follow-Up	2/28/11	3/29/2011	2010-57-816	AA
3	2003-2006 Stadium Excise Tax CAP	3/9/11	4/12/2011	2011-57-807	AA
4	2007 & 2008 Stadium Excise Tax	5/3/11	6/28/2011	2009-57-822	AA
5	Central Account Receivable, Billing and Collections	5/6/11	8/23/2011	2009-57-820	AA
6	Letter to Treasurer on Stadium Excise Tax 07-08	5/25/11	N/A	2009-57-822A	AA
7	Wayne County Employees Retirement Services - CAP	6/22/11	8/23/2011	2010-57-012	AA
8	Pinnacle Race Track Development	7/18/11	7/26/2011	2010-57-004	AA
9	Commission Agreed Upon Procedures	8/31/11	12/6/2011	2010-57-815	AA
10	DOT Examination of Information Technology	9/29/11	10/11/2011	2009-57-812	AA
11	DPS, Revenue Collected at County Parks	1/14/11	2/8/2011	2009-57-819	CC
12	Homeland Security/Emergency Management OAR	1/21/11	2/8/2011	2010-57-854	CC
13	Patient Care Management System	2/15/11	3/8/2011	2010-57-853	CC
14	Register of Deed/Recording and Indexing Division	2/28/11	3/8/2011	2010-57-859	CC
15	Head Start Program	3/8/11	03/29/11	2010-57-862	CC
16	Human Relation CAP	3/29/11	4/12/2011	2011-57-855A	CC
17	Food Safety Program	6/8/11	8/23/2011	2011-57-850	CC
18	Budget Sensitive Issue	6/27/11	7/26/2011	2011-57-809	CC
19	Jail Medical OAR	7/19/11	9/13/2011	2011-57-852	CC
20	Homeland Security/Emergency Management CAP	7/20/11	9/13/2011	2011-57-806	CC

**WAYNE COUNTY
OFFICE OF LEGISLATIVE AUDITOR GENERAL
COMPLETED AUDIT ANDW
REVIEW REPORTS AND SPECIAL PROJECTS 2011**

21	Register of Deeds CAP	9/6/11	9/13/2011	2011-57-855	CC
22	Community Development Block Grant	11/7/11	12/6/2011	2010-57-851	CC
23	Jail Medical Services	11/14/11	12/6/2011	2011-57-006	CC
24	Wayne County Land Bank Corporation	11/21/11	12/6/2011	2010-57-850	CC
25	Revenue Collected at County Parks	11/21/11	12/6/2011	2011-57-814	CC
26	Airport Authority FY 2010 Financial Statements	4/26/11	7/26/2011	2011-57-901	Non-Audit
27	Health Choice of Michigan FYE 9/30/10	5/6/11	6/28/2011	2011-57-907	Non-Audit
28	Ethics in Public Contracting Disclosures	05/23/11	6/28/2011	2010-57-811	Non-Audit
29	Building Authority FYE 9/30/2010	05/23/11	6/28/2011	2011-57-904	Non-Audit
30	DWCCMHA FY 2010 Financial Statement	06/01/11	7/26/2011	2011-57-900	Non-Audit
31	Stadium Authority FY 2010 Financial Statements	06/28/11	7/26/2011	2011-57-905	Non-Audit
32	Chapter 21 (Milk River) Drainage District FY 2010 F.S.	7/28/2011	8/23/2011	2011-57-902	Non-Audit
33	Sewage Disposal System FYE 9/30/2010	07/28/11	10/11/2011	2011-57-903	Non-Audit
34	Greater Wayne County Economic Development	10/31/11	12/6/2011	2011-57-909	Non-Audit
35	AG 2010 Annual Report	01/31/11	2/22/2011	2011-57-800	SP
36	OAG Internal Control Self Assessment	02/01/11	2/22/2011	2010-57-801	SP
37	Third Circuit Court - Termination of Engagement	02/01/11	2/22/2011	2009-57-813	SP
38	OAG Internal Control Self Assessment - CAP	02/08/11	3/29/2011	2010-57-013	SP
39	Feasibility Study of Adv of Court Services to Courts	02/08/11	2/22/2011	2009-57-830	SP
40	OAG Year 2011 Audit/Work Plan	02/11/11	2/22/2011	2011-57-801	SP
41	Cost of Providing Court Services to Courts	02/28/11	3/8/2011	2006-57-804	SP
42	CEO Salary Review	06/16/11	N/A	2009-57-826	SP
43	External Peer Review	07/19/11	7/26/2011	2011-57-813	SP

**WAYNE COUNTY
OFFICE OF LEGISLATIVE AUDITOR GENERAL
COMPLETED AUDIT ANDW
REVIEW REPORTS AND SPECIAL PROJECTS 2011**

44	Fraud Investigative Policy Letter	10/31/11	11/8/2011	2010-57-865	SP
45	Status of Projects Referred to OAG	1/26, 4/8, 8/4, 10/31	2/8, 4/12, 8/23, 11/8	2011-57-816	SP
46	Status of Projects Requested in Appropriation Ordinance	1/26, 4/8, 8/4, 10/31	2/8, 4/12, 8/23, 11/8	2011-57-817	SP
47	Status of Outstanding Recommendations	4/4, 8/4	4/12, 8/23, 11/8	2011-57-810	SP
48	OAG Handbook	n/a	1/25/2011	2011-57-804	ADM
49	OAG Project Database	n/a	n/a	2011-57-808	ADM
50	Monitoring FY 2010 Ext. Audit Contract	n/a	4/26/2011	2010-57-867	ADM
51	OAG Policies and Procedures	n/a	n/a	2010-57-807	ADM
52	FY 2012 Budget Sensitive	n/a	n/a	2011-57-805	ADM
53	Monitoring & Reporting on FY 2010 Fin. Activity	n/a	n/a	2010-57-866	ADM

AC* - Audit Committee

AA – Assurance/Attestation (Agreed Upon Procedures, Operational Risk)

CC – Consulting/Compliance (OAR, Consulting)

Non-Audit – Financial Assessment Limited Review

SP – Special Project

APPENDIX C

**AUDITOR GENERAL'S HIGH REMARKS IN PEER REVIEW
PRESS RELEASE
2011**

News

Wayne County Auditor General's office again receives high marks in peer review process

Tuesday, August 9, 2011

WAYNE COUNTY — It has been determined, once again, that Wayne County's audit policies and procedures are held in high esteem.

The Wayne County Office of the Legislative Auditor General (OAG) received a "clean opinion" from the Association of Local Government Auditors (ALGA) following a recent external quality control review, or peer review, of the OAG.

A "clean opinion" means the ALGA team evaluated Wayne County's audit policies, procedures and processes and concluded that the county's internal quality control systems were suitably designed and operating effectively.

"I am so proud of our entire audit team, led by our Auditor General Willie Mayo," said Wayne County Commissioner Ilona Varga (D-Lincoln Park), who chairs the commission's Committee on Audit. "To once again gain such prestigious recognition among peers solidifies our belief as a commission that the Wayne County Office of the Auditor General is dedicated and committed to assuring transparency and maintaining the highest level of accountability."

In the assessment released by the government team, the county's auditing operations were found to be in compliance with industry standards and practices issued by the U.S. Comptroller General (GAGAS) and the Institute of Internal Auditors (IIA). This marked the second time since 2008 the Wayne County Office of the Legislative Auditor General has received this type of evaluation.

"Most internal audit organizations are either qualified to perform yellow or red book audit engagements," Wayne County Auditor General Willie Mayo said. "Being an orange book peer reviewed shop means we continue to be a part of an elite rank of internal audit organizations in the country who are qualified to perform both GAGAS and IIA standards audit engagements."

The review covered a period from Jan. 1, 2008 through Dec. 31, 2010. Included was a one-week on-site examination early in July that was conducted by government auditors from California, Washington and Florida.

"I believe we are successful because of the training we offer our staff on a continuous basis; the utilization of the state of the art software; OAG's commitment to excellence; and most of all, the support our department receives from the CEO (County Executive Office) and Wayne County Commission leadership," Mayo said. "The OAG's success would not be possible without these key ingredients."

"To have successfully completed our fourth peer review means we are compliant with the Wayne County Charter requirement for the internal audit department to be peer reviewed tri-annually and it adds credibility and integrity to the reports being issued by the OAG."

Wayne County Commission Leadership

Chairman

Vice Chair



Alisha R. Bell



Gary Woronchak

Vice Chair Pro Tempore



Laura Cox

The Audit Committee Members

Responsibilities:

Mandated by the Wayne County Charter, the committee reviews the reports of the independent external auditor and the Auditor General. It also monitors compliance with audit findings and the county's internal control environment.



Ilona Varga
Chairman



Tim Kjilleen
Vice –Chair



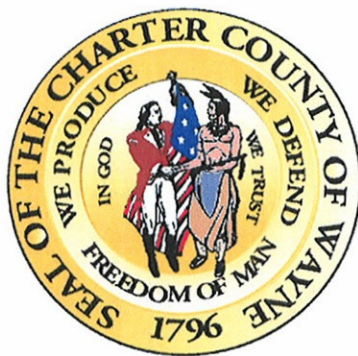
Diane Webb



Ray Basham



Irma Clark-Coleman



2011 ANNUAL REPORT
WAYNE COUNTY OFFICE OF LEGISLATIVE AUDITOR GENERAL

Website: <http://www.waynecounty.com/commission/lagreports.htm>