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December 20, 2012

FINAL REPORT TRANSMITTAL LETTER

Honorable Wayne County Commissioners:

Enclosed is our final copy of the Corrective Action Plan and the Office of Legislative Auditor General's Assessment for the Wayne County Commission Independent Accountant's Report Agreed Upon Procedures. Our report is dated December 3, 2012; DAP No. 2012-57-808. The report was accepted by the Audit Committee December 6, 2012, and formally received by the Wayne County Commission on December 20, 2012.

We are pleased to inform you officials from the Wayne County Commission Office of Administration 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 Commission Office of Administration
Bill Johnson, Director
Cynthia Douglas, Executive Assistant to Commission

Department of Management & Budget
Carla E. Sledge, Chief Financial Officer
Terry L. Hasse, Director, Grants Compliance and Contract Management

Wayne County Executive

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December 3, 2012 **DAP No. 2012-57-808**

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 October 19, 2012 for Wayne County Commission Independent Accountant's Report, Agreed Upon Procedures.

Dear Chairwoman Varga:

In accordance with 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 Commission Office of Administration to submit a Corrective Action Plan (CAP) for multiple recommendations identified in the Agreed Upon Procedures engagement dated August 31, 2011.

The Wayne County Commission Office of Administration provided the CAP as requested. Attached is a Summary and Assessment of the CAP prepared by the OAG with 14 recommendations and 5 recommendations from prior year. 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 CAP indicated that the Wayne County Commission has taken sufficient action to address eleven (11) recommendations identified in the report. However, a follow-up review may be necessary in the near future on three (3) recommendations to ensure that the intended action addresses the recommendation. Moreover, management has also taken sufficient action to address the five (5) prior year recommendations.

Respectfully submitted,

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

Pc: Bill Johnson, Director, Wayne County Commission Office of Administration
Cynthia Douglas, Executive Assistant to Commission
Carla E. Sledge, Chief Financial Officer
Terry L. Hasse, Director, Grants Compliance and Contract Management

Attachment

Wayne County Commission
Independent Accountant's Report on Applying Agreed Upon Procedures 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
11-01	We recommend that contracting and purchasing policies, procedures and processes be formally written, and at a minimum, should include the following: 1. Methods of identifying vendors awarded more than one contract in the same fiscal year and for the same purpose under the small purchases provision of the procurement ordinance that cumulatively exceed \$50,000 or more. 2. Require that all requests for services / goods and processing of an invoice be accompanied with a letter or memo from the requesting Commissioner	Agree	Commission administration will formalize written contracting and purchasing procedures.	Yes	Director of Administration	Implemented	During our review, management provided a copy of their policy and procedures which address identifying vendors awarded more than one contract in the same fiscal year, and requires all requisitions be accompanied by a letter or memo from requesting Commissioner or designated Commission Staff. Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.

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	or appropriate Commission staff.						
11-02	We recommend the Commission: (1) perform an assessment of contracting and purchasing processes to determine if procedures meet the conditions of the ordinances; (2) assign personnel to perform process and provide adequate training, and, (3) develop a system of monitoring to assess compliance with internal controls and processes.	Agree	The Chairman will assess the process to determine what changes, if any, are needed.	Yes	Director of Administration/ Executive Assistant to the Commission	In process	During our inquiry, management informed us that the Chair of the Commission would assess the contracting and purchasing process. However, we were not able to determine whether such an assessment has taken place. Based on a limited review of the action taken, a follow-up review may need to be conducted at a later time to determine whether management has implemented corrective action that adequately addresses the finding/recommendation and mitigates its risk.
11-03	We recommend that the OAG revise its invoice payment process to include date stamping of	Agree	OAG Management will make the necessary modifications to the process to ensure all invoices are date stamped and approved by	Yes	OAG Administration	Implemented	During our review, OAG management has implemented a process which requires the

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	all invoices.		management for payment processing.				Auditor General (AG) to sign off on all invoices received by signing, dating, and stamping approval for the processing of the invoice received. We reviewed various invoices and confirmed the invoices reviewed accompanied the AG signature, date, and stamped approval. Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.
11-04	We recommend the Commission prepare a comprehensive written policy and procedure (P&P) surrounding the preparation, review, safeguarding and distribution of the monthly allocation expense reports. The P&P should include, but not be limited to, the following: (1) identify which costs are to be	Agree	The Commission will review current procedures and implement formal written policies where appropriate.	Yes	Budget Director	Implemented	During our review, management provided a copy of their detailed written policy and procedures which addresses preparation, review, safeguarding and distribution of monthly allocation expense reports. Based on a limited review of the action taken,

Summary and Assessment of
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	included in the allocation to Commissioners; (2) determine a specific time frame after month end when the report should be given to Commissioners; (3) reconcile amounts in the report to the general ledger; (4) designate a qualified person to review the report before it is issued; and, (5) develop written safeguards for data and files that are used to prepare reports.						management appears to have taken sufficient action to address the recommendation.
11-05	We recommend that the OAG document the processes it undertakes to monitor and report its expenditure activity in the form of a policy, procedure or process.	Agree	The OAG will formally document the processes used each month in preparing the OAG budget vs. actual report that is submitted to the Auditor General for his review and approval.	Yes	OAG Administration	Implemented	OAG management has implemented and provided a copy of their detailed policies and procedures related to the process used each month to prepare the budget vs. actual report. Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.

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CORRECTIVE ACTION PLAN

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11-06	We recommend that the Commission prepare and implement a comprehensive written process, procedure and checklist related to travel activities that includes all key aspects of the travel ordinance and related policies and procedures.	Agree	The Commission operates under a travel policy (Resolution 2000-707) which spells out all key aspects related to travel.	Yes	Director of Administration/ Executive Assistant to the Commission	Implemented	During our review and inquiry, management provided a copy of the travel policy (Resolution 2000-707), which included all aspects of the travel ordinance and related policies and procedures. We also received a copy of the Commission Travel Authorization Form that is used when requesting travel. Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.
11-07	We recommend that the Commission prepare and implement either a comprehensive written process or a checklist that would ensure that all key aspects of the Commission's Rules of Procedure and State of Michigan's Campaign Finance Act, related to	Agree	The Commission has a "bulk mail process and approval" form that requires sign offs by Public Information, Commission Counsel, and Office of Administration at various stages of the mailing. The form does not include a checklist of all key aspects of the Rules of Procedure and Campaign Finance Act, because a checklist is not practical. However, staff is trained	Yes	Director of Administration	Partially Implemented	During our review, management has a bulk mail policy and procedure in place that requires the proper sign-offs. However, the mailing instructions do not reference the Commission's Rules of Procedures and State of Michigan's Campaign

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	mailings are properly adhered to.		regarding their signature responsibility.				Finance Act as it relates to mailings which could create a risk if violated. Based on a limited review, management appears to have taken action to partially address the recommendation. However, we continue to believe a risk exists without having a specific checklist.
11-08	We recommend the Commission's Office of Administration assess its timesheet approval process for central staff personnel and revise it appropriately to ensure that evidence of supervisory approval has occurred and is evident on each timesheet.	Agree	This matter has been resolved. In 2011, Wayne County implemented a new online timesheet approval process that provides strong internal controls.	Yes	Executive Assistant to the Commission	Implemented	During our review, a new timesheet approval process, which includes a supervisory sign-off, has been implemented county-wide within PeopleSoft. All payroll must be approved by supervisor/manager before payroll can be processed within the system. Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.

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11-09	We recommend the Commission's Office of Administration provide appropriate assistance and monitoring to Commissioners to ensure each complies fully with all aspects of the policy dated January 14, 2009, titled, Commission Legislative Aides Procedures for Time Reporting.	Agree	The Office of Administration, with concurrence from the Commission Chairman, has provided a framework for maintaining time records for Commission contractual staff. Each Commissioner is responsible for assigning and Monitoring the work schedule of the employees they hire and manage. Anything else is beyond the purview of the Office of Administration. However, the Chairman and the Office of Administration will review the policy.	Yes	Director of Administration	Partially Implemented	During our review, we examined the policy in place regarding the Commission Legislative Aides which provided detailed procedures for capturing the proper time for payroll processing. The policy appears thorough and complete. However, we were not able to determine if the policy and procedure is being fully complied with. Based on a limited review of the action taken, management appears to have taken sufficient action to partially address the recommendation. However, we continue to believe unless fully complied with, a risk exists.
11-10	We recommend that the Commission comply with Rule 14.	Agree	Rule 14 only outlines for the method or procedure for appointing a Commission Clerk. It does not require that a Clerk be appointed. When the Commission appoints a Clerk, the Commission will do so in accordance with Rule 14.	Yes	Commission	N/A	During our review, we confirmed the Commission is not required to appoint a Clerk. Therefore, until a Clerk is appointed, the Commission is in

Summary and Assessment of
CORRECTIVE ACTION PLAN

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							compliance with Rule 14. Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.
11-11	We recommend that the Commission comply with Rule 34.	Agree	Due to budget restraints in the Office of the Sheriff, it was determined that having a Sheriff Deputy at every meeting is not the best use of County resources. It was determined a more efficient use of County Resources would be for the Commission to request a Sheriff Deputy be present at its Full Board Meetings on an as needed basis. However, the rule change will be considered at the next Rules Committee meeting.	Yes	Commission	January 2013	We assessed management's response and agree that a Sheriff Deputy at Full Board Meetings should only be on an as needed basis and a rule change should be considered. Based on a limited review of the action taken, a follow-up review may need to be conducted at a later time to determine whether management has implemented corrective action that adequately addresses the finding/recommendation and mitigates its risk.
11-12	We recommend that the Commission's Office of Administration and Commission Counsel seek an independent	Agree	Resolved. In compliance with IRS	Yes	Office of Administration	Implemented	During our review and inquiry, we received articles of incorporation for the Limited Liability Company and assurance

Summary and Assessment of
CORRECTIVE ACTION PLAN

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	determination on whether its current and future personal/professional service contracts with individuals qualify as either an employee or independent contractor in accordance with applicable IRS regulations.						that the contract was approved by Commission. However, the OAG continues to believe the County needs to address this risk and ensure the County is in compliance with IRS rules and regulations. Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.
11-13	We recommend that the Commission's Office of Administration and Commission Counsel establish an appropriate policy and the related process controls to identify specifically what documents, finance-related and otherwise, Commissioners leaving office must turn over to the administration for safekeeping.	Agree	All official records are maintained in the Office of Administration	Yes	Office of Administration	Implemented	During our review, management provided a copy of the checklist used to ensure all items are turned in to the Office of Administration. The checklist has a signature line for the exiting employee as well as the Office of Administration. Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.

Wayne County Commission
Independent Accountant's Report on Applying Agreed Upon Procedures Report

Summary and Assessment of
CORRECTIVE ACTION PLAN

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11-14	We recommend that the Commission require that Public Information personnel maintain utilization logs or other methods to track service requests and other prudent data essential to assess the utilization and value-added as a result of this activity.	Agree	Log process has been implemented	Yes	Public Information	Implemented	During our review, we obtained a blank copy of the utilization logs maintained by the Office of Administration. Moreover, management informed us that this log was effective immediately to be implemented within their process starting October 1, 2012. Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.

Summary and Assessment of
CORRECTIVE ACTION PLAN

Status of Prior Agreed-Upon Procedures Recommendations

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09-01	Purchases should not be made without documentation from the department or Commissioner making the request. A requisition memorandum from the originating department or Commissioner is a source document which authenticates the need for the requested item.	Refer to 11-01	Commission administration will formalize written contracting and purchasing procedures	Yes	Director, Office of Administration/ Executive Assistant to the Commission	Implemented	During our review, management provided a copy of their policy and procedures which requires all requisitions be accompanied by a letter or memo from requesting Commissioner or designated Commission Staff. Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.
09-02	We recommend that the Commission implement procedures to ensure all expenses incurred by each Commissioner are charged to his/her budget allocation and reported on the Monthly Expense Report.	Agree	The Commission will review current procedures and implement formal written policies where appropriate	Yes	Budget Director	Implemented	During our review, management provided a copy of their detailed written policy and procedures which addressed preparation, review, safeguarding and distribution of monthly allocation expense

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
							reports. Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.
09-03	The Commission should implement policies, procedures and appropriate monitoring to ensure that accounting data and all other Commission records and documents cannot be destroyed or altered by any employee prior to leaving the Commission. A comprehensive plan to transition the responsibilities from the departing employee to other employee(s) should be implemented as soon as management becomes aware of any change (voluntary or involuntary) in employment status. The plan must be designed to minimize the effect of the transition on day to	Agree	Office of Administration staff is present, whenever possible, to monitor exiting employees.	Yes	Office of Administration	Implemented	During our review, management provided a copy of the checklist used to ensure all items are turned in to the Office of Administration. The checklist has a signature line for the exiting employee as well as the Office of Administration. Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.

Summary and Assessment of
CORRECTIVE ACTION PLAN

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	day operations and secure the integrity of the information to be handed over.						
09-04	We recommend that the Commission implement procedures to reconcile all subsidiary ledgers to the general ledger on a monthly basis.	Agree	The Commission will review current procedures and implement formal written policies where appropriate	Yes	Budget Director	Implemented	During our review, management provided a copy of their detailed written policy and procedures which addressed preparation, review, safeguarding and distribution of monthly allocation expense reports. Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.
09-06	We recommend that the Commission implement procedures, including monitoring, to ensure that the Employee Release and Return Checklist are completed by the departing employee and witnessed and signed by a current employee of the Commission's Office of	Agree	Office of Administration has a checklist that is used when an exit occurs.	Yes	Director, Office of Administration/ Executive Assistant to the Commission	Implemented	During our review, management provided a copy of the checklist used to ensure all items are turned in to the Office of Administration. The checklist has a signature line for the exiting employee as well as the Office of Administration.

Wayne County Commission
Independent Accountant's Report on Applying
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Summary and Assessment of
CORRECTIVE ACTION PLAN

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	Administration.						Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.