

Office of Legislative
Auditor General

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May 4, 2012

FINAL REPORT TRANSMITTAL LETTER

Honorable Wayne County Commissioners:

Enclosed is the final copy of the Corrective Action Plan (CAP) and Auditor General's Assessment for the Operational Assessment Review on Community Development Block Grant, dated November 7, 2011. Our report is dated March 22, 2012; DAP No. 2012-57-851. The report was accepted by the Audit Committee April 24, 2012, and formally received by the Wayne County Commission on May 3, 2012.

We are pleased to inform you officials from the Division of Community Development 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://waynecounty.com/commission/lagreports.htm>

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

REPORT DISTRIBUTION

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Jill Ferrari, Division Director

Department of Management & Budget

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Terry L. Hasse, Director, Grants and Contract Administration

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Wayne County Executive



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March 22, 2012

DAP No. 2012-57-851

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 February 8, 2012 for Community Development Block Grant, Operational Assessment Review.

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 Community Development Division – Economic Development Growth Engine to submit a Corrective Action Plan (CAP) for multiple recommendations identified in the Operational Assessment Review engagement dated November 7, 2011.

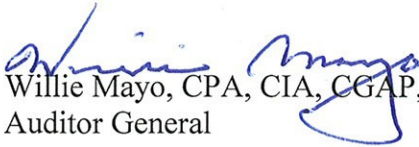
Community Development provided the CAP as requested. Attached is a Summary and Assessment of the CAP prepared by the OAG with seven (7) recommendations. The summary schedule includes: the recommendations; management's comments on the findings and recommendations; management's action taken or planned; 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 CAP indicated that Community Development has taken sufficient action to address six (6) recommendations identified in the report. However, a follow-up review may be necessary in the near future on one (1) recommendation to ensure that the intended action addresses the recommendation.



Honorable Ilona Varga
DAP No. 2012-57-851
March 22, 2012
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Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Willie Mayo", is written over the printed name and title.

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

Pc: Ray Byers, Director of EDGE
Jill Ferrari, Division Director of CDBG
Carla E. Sledge, Chief Financial Officer, M&B
Terry L. Hasse, Director, Grants Compliance and Contracts Administration
Melinda Haner, Finance Director - CDBG

Attachment

**Economic Development Growth Engine (EDGE)
Community Development Block Grant
Operational Assessment Review 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
<p>11-01</p> <p>We recommend that Community Development Block Grant (CDBG) clearly define the organizational structure, job duties and role of the contractor, as well as employees within Community Development so there are no overlapping responsibilities.</p>	<p>Agree</p>	<p>Workflow processes are clearly defined to establish separation of duties in the Community Development Roles and Responsibilities</p>	<p>Yes</p>	<p>Division Director, Community Development</p>	<p>Implemented</p>	<p>During our review, we were provided an updated organizational chart which included all employees and contractors assigned to Community Development. Also, we were provided with revised detailed uniform job descriptions of all full time positions held. Based on our review, there does not appear to be overlapping in the detailed job duties.</p> <p>Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.</p>

**Economic Development Growth Engine (EDGE)
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<p>11-02</p> <p>We recommend CDBG ensure that all management officials, that have an influence over the procurement of contracts, file a Conflict of Interest Disclosure Statement and establish procedures to retain copies of the Conflict of Interest Disclosure Statement, along with the transmittal, within the Division in order to demonstrate compliance with this critical provision of the Procurement Ordinance.</p>	<p>Agree</p>	<p>Community Development will retain copies of this form going forward.</p>	<p>Yes</p>	<p>Division Director, Community Development</p>	<p>Implemented</p>	<p>During our review, Community Development management implemented a policy requiring all contract managers to complete a Conflict of Interest Disclosure Statement by March 15 of each year. Also, the policy requires copies of all forms to be submitted and maintained within the division.</p> <p>Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.</p>
<p>11-03</p> <p>We recommend that CDBG provide adequate in-house cross training on the requirements and processes for reporting to HUD. Also, CDBG should establish written procedures for all key processes to ensure the reporting process can be handled and completed timely.</p>	<p>Agree</p>	<p>The 2009 and 2010 CAPERs were filed timely by Hennessey Engineers, Inc. management. Written procedures for completing the CAPER have been incorporated into the CDBG Policies and Procedures.</p>	<p>Yes</p>	<p>Division Director, Community Development</p>	<p>Implemented</p>	<p>Based on our inquiry and review, we were able to confirm Community Development management implemented a procedure for the completion of the CAPER report. Moreover, fiscal year 2009 and 2010 CAPER reports were filed on time, in compliance with HUD timeline</p>

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11-04 We recommend CDBG comply with federal regulation addressing corrective action and formulate a policy which requires CDBG to formally address and document corrective action to all HUD findings.	Agree	Community Development made two separate written attempts (January 2011 and June 2011) to our new CDBG Representative, Darlene White, asking her to verify that this finding should have been resolved with the document provided during the monitoring visit in 2009. The Division received written communication, which is attached, on November 15, 2011, indicating the required next steps to clear this finding. The CDBG Monitoring Policy was also revised to address procedures for HUD Monitoring and Corrective Action. This policy outlines timeframes for development of Corrective Action Plans.	Yes	Division Director, Community Development	Implemented	Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation. During our review, Community Development management implemented a policy on formally addressing findings. Moreover, all outstanding findings are being addressed according to the policy in place. Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.

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11-05 We recommend CDBG comply with HUD's regulations as they relate to documenting monitoring strategies for sub-recipients.	Disagree	Monitoring is conducted in accordance with program guidelines and approved by HUD. In addition, annual training is offered to sub recipients, during which, examples of correctly prepared documents are highlighted. The CDBG Monitoring policy was updated to clearly define processes for Risk Analysis and for reporting. Nonetheless, the CDBG Policy was updated to clearly define processes for risk analysis and for reporting.	Yes	Contractor	In process	During our review and inquiry, we found that Community Development has contracted out the sub-recipient monitoring to Hennessey Engineers, Inc. Moreover, although management disagreed with our recommendation, Hennessey Engineers, Inc. has recently implemented a compensating control by revising Community Development monitoring procedures that require Hennessey Engineers, Inc. to document steps taken to adequately monitor high risk sub-recipients. Therefore, going forward, Hennessey Engineers, Inc. will complete the following documentation in order to satisfy the Community Development policy on monitoring: <ul style="list-style-type: none"> • Risk Analysis • Notices • Written conclusions and

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<p>11-06</p> <p>We recommend CDBG adhere to all HUD guidelines and develop a policy and retention schedule that requires CDBG to maintain records on file for a minimum period of three years in accordance with HUD regulations.</p>	<p>Agree</p>	<p>Section 1 of the CDBG Policies and Procedures was updated in accordance with the OAG's recommendation.</p>	<p>Yes</p>	<p>Contractors</p>	<p>Implemented</p>	<p>During our inquiry and review, Community Development implemented a policy on retention schedule. The policy requires all reports be maintained and readily available for a three year period in accordance with HUD regulations.</p> <p>Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.</p>
						<p>Based on a limited review, if the planned action is implemented as described, the action appears to sufficiently address the recommendation. A follow-up review may be necessary in the near future to verify that the described action has occurred.</p> <ul style="list-style-type: none"> • corrective action • Close-out • A monitoring report

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<p>11-07</p> <p>We recommend CDBG management:</p> <ul style="list-style-type: none"> • Ensure that amounts budgeted for the program more accurately reflect the amount expected to be reimbursed. • Closely monitor the programs to ensure projects in the communities are being completed timely and any delays are immediately being addressed. 	<p>Agree</p>	<p>Budgets for CDBG programs will be estimated by the Division Director each fiscal year, based on contract terms, spending deadlines and past performance of the recipients.</p> <p>Budget adjustments were made for 2010/2011 and 2011/2012 to accurately reflect projected spending. However, several members of Ways and Means Committee of the Commission questioned this approach, and asked that all funds be budgeted that are available. The budget adjustment did pass.</p> <p>CDBG is subject to an Advisory Board meeting with the Advisory Board of Mayors and Council members from across Wayne County. The meeting will be held quarterly with Community Development staff and all of the CDBG participating entities to review performance of grants. Any grants not spent within the 18 months, require grant recipients to submit a plan for meeting expenditures deadlines at that point. On-site technical assistance is also scheduled at these meetings for communities who require it. This ensures that</p>	<p>Yes</p>	<p>Division Director, Community Development</p> <p>M-B Finance Director – EDGE</p> <p>Deputy Director - EDGE</p>	<p>Implemented</p>	<p>We were able to confirm that CDBG submitted budget adjustments for FY 10/11 and 11/12. Although the approach used was questioned by several Ways and Means members, the adjustments were completed.</p> <p>Also, during our inquiry, we confirmed Community Development will have quarterly meetings with the Advisory Board to ensure that CDBG grants are expended within the five years allowed by statute.</p> <p>Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.</p>

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		CDBG grants are expended within the five years allowed by statute.				