# Office of Legislative
# Auditor General

**WILLIE MAYO, CPA, CIA, CICA**
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November 22, 2013

## FINAL REPORT TRANSMITTAL LETTER

Honorable Wayne County Commissioners:

Enclosed is our final copy of the Corrective Action Plan and Auditor General's Assessment for the Attestation Engagement report on the Examination of Payroll and Benefit Transactions & Processes, dated July 11, 2013, DAP No. 2012-57-015. The contents of this report did not change from the draft report previously issued. The report was accepted by the Audit Committee October 30, 2013, and formally received by the Wayne County Commission on November 7, 2013.

We are pleased to inform you that officials from the Offices of the County Executive, the Wayne County Treasurer, and the Departments of Management & Budget, Personnel/Human Resources and Technology 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, CGMA, CICA
Auditor General

### REPORT DISTRIBUTION

**Office of the Wayne County Executive**
Jeffrey Collins, Deputy CEO

**Office of the Wayne County Treasurer**
Raymond J. Wojtowicz, Wayne County Treasurer
Christa McLellan, Deputy Treasurer, Financial Services

**Wayne County Department of Management and Budget**
Mark Abbo, Chief Financial Officer
Lyn Roberts, Director of Financial Reporting
Terry L. Hasse, Director, Grants Compliance and Contract Management

**Department of Personnel/Human Resources**
Tish King, Director
Lisa Laginess, Director of Administration

**Department of Technology**
Edward Winfield, Director
Jeffrey Small, Deputy CIO

**Wayne County Executive**

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July 11, 2013 **DAP No. 2012-57-015**

Honorable Raymond Basham, Chairman
Audit Committee
Wayne County Commission
County of Wayne
500 Griswold
Detroit, MI 48226

Subject: **Corrective Action Plan,** including the Auditor General's Assessment, dated May 30, 2013 for Examination of Payroll and Benefit Transactions & Processes.

Dear Chairman Basham:

In accordance with Government Auditing Standards issued by the Comptroller General of the United States, and the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, the Office of Legislative Auditor General (OAG) requested various county offices and departments to submit a Corrective Action Plan (CAP) for the recommendations identified in the Attestation report on the Examination of Payroll and Benefit Transactions & Processes, dated October 4, 2012. There were three recommendations addressed to the Department of Management & Budget, five recommendations were addressed to the Department of Personnel/Human Resources, two recommendations were addressed to the Department of Technology, two recommendations were addressed to the Office of the Wayne County Treasurer, and five recommendations were addressed to the Office of the County Executive.

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

Our assessment of the 17 recommendations found that seven recommendations were resolved, nine recommendations were in process, and one recommendation was unresolved. Therefore, a follow-up review is deemed necessary.

Respectfully submitted,

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

P.C. Jeffrey Collins, Deputy CEO
Honorable Raymond J. Wojtowicz, Wayne County Treasurer
Christa McLellan, Deputy Treasurer, Financial Services
Carla Sledge, Chief Financial Officer
Terry L. Hasse, Director, Grants Compliance and Contract Management
Lyn Roberts, Director of Financial Reporting
Tish King, Director, Department of Personnel/Human Resources
Lisa Laginess, Director of Administration, Department of Personnel/Human Resources
Edward Winfield, Director, Department of Technology
Jeffrey Small, Deputy CIO, Department of Technology

Attachment

## Summary and Assessment of
# CORRECTIVE ACTION PLAN

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| 11-01 | a. We recommend senior officials in both Management & Budget and the Treasurer's Office establish policy and implement procedures to ensure outstanding payroll checks greater than $50 are timely reviewed and their disposition be determined. | Agree | a. Management & Budget (M&B) stated they will strengthen procedures to reduce the number of checks on the outstanding checklist by continuing to review the outstanding checklist monthly to determine the disposition of outstanding checks. Notification will then be provided to Wayne County Treasurer's Office (WCTO) to remove the voided checks from the outstanding checklist. | Yes | M&B & the Wayne County Treasurer's Office | March 31, 2013 for analysis of outstanding payroll checks | Management & Budget stated that they have taken action to review checks outstanding more than 60 days to determine the disposition of outstanding checks. Also, an analysis will be performed on a monthly basis.<br><br>We reviewed M & B's analysis of outstanding payroll checks and a current copy of the outstanding checklist as of June 30, 2013. Our review disclosed that there are no outstanding payroll checks that are older than one year.<br><br>Based on our review of the documentation, it appears that both M & B and the WCTO have sufficiently addressed the recommendation. |

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| | b. We also recommend M&B and Treasurer Officials, without delay, identify those payroll checks that have been outstanding for one-year or more and escheat those funds to the State Treasurer as required by the state's unclaimed property law to alleviate potential penalties. | Agree | b. According to the WCTO they will work toward developing a procedure for the escheatment of returned tax related checks and meetings have begun to address this issue. However, the WCTO stated their only part in this process is to supply the o/s checklist on a monthly basis to M & B.<br><br>M & B stated that they will continue working with the WCTO and will formalize an escheat policy along with procedures to ensure this process is completed on a consistent ongoing basis. | Yes | WCTO | June 30, 2013 for the escheat policy<br><br>September 30, 2013 for escheatment of tax related checks | M&B management indicated that work has begun with WCTO officials in an effort to develop the escheatment policy.<br><br>WCTO staff will review the list and void checks as appropriate. In addition, WCTO stated that they have held meetings with the Tax Accounting management team to discuss the procedures to be implemented for escheating tax related checks. Tax related checks are not included in the payroll process.<br><br>If the planned action is implemented as described, the action appears to sufficiently address the recommendation. However, a follow-up review will be necessary in the near future to verify that the described action has occurred. |

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| 11-02 | We recommend the Central Payroll Division develop and implement a comprehensive cross-training program to ensure payroll processes will not be adversely impacted in the event of an employee's extended absence. | Agree | M&B concurs that there is a need for cross-training in the Payroll Division. They further stated that although resources are limited, M&B is working to ensure continuity of payroll processing in the event of an extended absence by one of the key staff positions. An additional employee has been added to the unit effective October 1, 2012. Management further contends that they will begin work to initiate cross-training between job functions, where practicable and reasonable, and there is no conflict with segregation of duties. | Yes | M&B Payroll | March 30, 2014 | Our discussion with an M & B official indicated that a department supervisor has been hired and is currently being trained. M & B is also in the process of drafting policies and procedures for the payroll functions performed in the Payroll Division.<br><br>If the planned action is implemented as described, the action appears to sufficiently address the recommendation. However, a follow-up review will be necessary in the near future to verify that the described action has occurred. |
| 11-03 | We recommend management within the Department of M&B-Central Payroll Division formalize (written) and develop a comprehensive Policies and Procedures Manual for all | Agree | M&B acknowledged that there is no comprehensive written policy and procedures manual They further stated that there are limited resources available to dedicate full time resources to the project, M&B will begin by developing a plan to identify | Yes | M&B Payroll | March 31, 2014 | The OAG acknowledges that M & B may not have adequate resources to dedicate full time hours to this project. However, we encourage M & B to begin this project as soon as possible. Written comprehensive policies |

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| | the job functions and responsibilities carried out by the Division. | | all Payroll policies and procedures. According to M & B, after the plan is developed, they will prioritize and document key policies and procedures that are critical to continuity of payroll operations. | | | | and procedures promote consistency and uniform handling of payroll transactions, when and if turnover occurs in this department.<br><br>If the planned action is implemented as described, the action appears to sufficiently address the recommendation. However, a follow-up review will be necessary in the near future to verify that the described action has occurred. |
| 11-04 | We recommend management within the Department of Personnel/Human Resources (P/HR) continue updating and expanding their comprehensive, formalized (written) policies and procedures to include reconciling Personnel /Human Resources policies with the Charter and Civil | Agree | The P/HR Management staff is currently in the process of reviewing all P/HR policies and comparing to other entities to come up with an extensive list of appropriate policies. As part of this review process, staff must also reconcile P/HR policies with the Charter and Civil Service Rules for consistency. Management will continue to review policies and have begun to revise and create the | Yes | Director of P/HR and several Div. Directors in P/HR | December 31, 2013 | P/HR senior management provided the OAG a chart containing the policies, standard operating procedures (SOP), and documents that have been developed by P/HR to date. Also included is the status of policies (i.e., revision date, in process, etc.). According to management, their review process involves categorizing existing policies and |

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| | Service Rules for consistency. | | necessary policies that cover Wayne County employees. | | | | determining the governing document impacting the policy (Charter, Civil Service, etc.); and then assessing whether policies need to be revised or newly created.<br><br>If the planned action is implemented as described, the action appears to sufficiently address the recommendation. However, a follow-up review will be necessary in the near future to verify that the described action is implemented as described. |
| 11-05 | We recommend the CEO or his designee promptly notify the Wayne County Employees' Retirement System (WCERS) of any proposed executive benefit changes in the timeframe mandated by state law so that the required actuarial valuation, which measures | Agree | The Department of Personnel/Human Resources intends to work closely with the Retirement office and CEO to comply with Michigan Public Act 728 when making any future changes to the Executive Benefit Plan. | Yes (shared with Retirement) | Director of P/HR & Director of Retirement | Implemented | We have reviewed management's intended corrective actions regarding timely notification to the Wayne County Employees' Retirement System whenever there are proposed changes to the Executive Benefit Plan.<br><br>P/HR senior management stated |

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| | the financial impact of these changes, is performed prior to proposed benefit change implementation. | | | | | | that they are in the process of drafting a Standard Operating Procedure which will outline the process for implementing changes to the Executive Benefit Plan.<br><br>If the planned action is implemented as described, the action appears to sufficiently address the recommendation. However, a follow-up review will be necessary in the near future to verify that the described action is implemented as described. |

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| 11-06 | We recommend the Personnel/Human Resources Division develop and implement a comprehensive cross-training program for their employees to ensure personnel processes will not be adversely impacted in the event of an employee's extended absence. | Agree | Management has begun to cross-train within the payroll function to have additional support in the event the primary employee is out (vacation, furlough, etc.) to maintain efficiency and productivity. | Yes | Dept of P/HR - Chief of Administration/ Division Directors | Implemented | P/HR provided the OAG with documentation that cross-training has been implemented within the P/HR Division.<br><br>Based on our limited review of the action taken, it appears that management has sufficiently addressed the recommendation. |
| 11-07 | We recommend the Department of Personnel/Human Resources establish countywide policies and procedures to address the inherent risk associated with the implementation of the PeopleSoft payroll system and the reporting of employees' work hours to mitigate potential abuse.<br><br>In addition, we believe management need to discuss with the Wayne County | Disagree | Management stated that most supervisors cannot physically see all their employees when they enter or exit their work site and a sign-in sheet or paper timesheet would not solve the problem either (in fact, it would be contrary to our efforts to go paperless). The current PeopleSoft (PS) system is a best in class application that is founded on a robust role and permission security structure that requires all those who enter or approve time to attest to the validity and accuracy of the action when they are entering/approving time for | No | N/A | N/A | We disagree with management's assertions about the risk related to the underlying finding and associated recommendation. The county's payroll policy (No. 12003) indicates that time reports must include the signature (i.e. approval) of the supervisor having firsthand knowledge of the hours worked by the employee. Given the fact management stated, and we concur, that most supervisors are not able to physically see when employees enter and exit, a more viable |

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| | Department of Technology the feasibility and costs of establishing additional automated controls, such as swipe cards countywide to provide the supplemental documentation to verify hours worked by county employees. | | payment. Management also stated they have a current Time Reporting Policy.<br>Management further stated that during a recent appearance at the Committee on Audit, the Deputy CEO indicated that we are not pursuing additional timekeeping systems or swipe cards at this time. | | | | method other than the employee's honesty should be instituted to validate the accuracy of reported work hours. Payroll cost is the county's second largest expenditure.<br><br>The OAG will continue to discuss this matter with management in the near term about other possible control activities to mitigate and manage the identified risk associated with validating employees' work hours. |
| 11-08 | We recommend Benefits Administration review its internal policies and procedures regarding the creation, storage and labeling of files containing personal information to prevent the improper disclosure of such confidential employee information. | Agree | Management stated in an effort to ensure that a breach of this nature does not reoccur, they have created an internal control process to include a procedure for creating and managing sensitive data. Management specifically stated that queries are no longer to contain any personal information unless necessary to complete the task requiring the data. If | Yes | Div. Director of Benefit Administration | Implemented | Benefits Administration provided the OAG with a copy of their Standard Operating Procedures revised on May 10, 2013, regarding the creation, labeling and storing of electronic data files with sensitive information.<br><br>Based on our limited review of the SOP, it appears that |

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| | | personal information is necessary, the file will be clearly labeled as containing personal data; password protected and kept in a separate folder/subdirectory within the computer system designated specifically for sensitive files.<br><br>Management officials further stated that files with sensitive information are only to be kept for as long as a legitimate business need exist and then they should be deleted. This procedure will also include a periodic audit of sensitive files to ensure that files are reviewed and purged as deemed necessary. | | | | management has sufficiently addressed the recommendation. |

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| 11-09 | We recommend management within the Treasurer's Office implement a formal (i.e., documented sign-off) review process for the check printing process functions and supporting documentation. | Partially Agree | Management at the Wayne County Treasurer's Office (WCTO) stated they have drafted procedures which include a step for the staff performing the review of the payroll documents to initial that they have verified that amounts agree. However, the WCTO disagrees that another level of review is necessary as the WCTO staff do not initiate the documents; they simply review them and verify that the amounts on the documents are correct. | Yes | WCTO | Implemented | WCTO management provided the OAG a copy of their Payroll Check Processing Procedures. Our review of this document noted that it contained very detailed procedures for the processing of payroll checks by WCTO personnel. Included in these procedures is a step requiring a documented sign-off indicating a review of the payroll documents was performed.<br><br>Based on our limited review of the action taken, it appears that management has sufficiently addressed the recommendation. |
| 11-10 | We recommend the Treasurer's Office implement procedures to ensure the payroll outstanding check list reconciliation is brought current; reconciled to the county's general ledger; and, | Agree | The Wayne County Treasurer's Office contends that they have a process for reconciling this list. As noted in their response to the original finding, management stated M&B must perform certain tasks in order for these reconciliations to be brought up to date. The WCTO stated they have | Yes | WCTO and M&B | September 30, 2013 | WCTO management indicated that they have met recently with M & B regarding the payroll check reconciliation process and reconciling the outstanding difference between the checklist and the general ledger. |

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| | going forward, performed in a timely manner. | | initiated a meeting with M&B to help them move their process along. As of the date of this document, M&B has not completed their review of the payroll documentation provided by WCTO. | | | | WCTO management also stated that its staff has been reconciling the payroll outstanding checklist monthly and has prepared them back to October 2012. Any of the old items that have not been addressed by M & B are noted as a difference which carries forward from month to month until an adjustment is made to the general ledger.<br><br>If the planned action is implemented as described, the action appears to sufficiently address the recommendation. However, a follow up review will be necessary in the near future to verify that the described action has occurred. |
| 11-11 | We recommend DoT and P/HR management work together to ensure timely notification of separated employees' | Agree | Both department's of P/HR & DoT have developed a SOP and an effective process to ensure that an email notification of separated employees occurs in a timely fashion. | Yes | Directors of P/HR (Payroll) & DoT | Implemented | DoT officials provided the OAG a copy of the SOP that details the Manual Separation Notification Process which included the following: |

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| | account terminations. | | | | | | • The SOP covers separation from PeopleSoft, Enterprise System Accesses, and Building Access.<br>• Detailed procedures to be followed in processing the above types of separations.<br>• The county departments involved in processing separations and their respective areas of responsibility (PeopleSoft, etc.).<br><br>In addition, on February 1, 2013 the Departments of Technology and Personnel/Human Resources disseminated a countywide email regarding the termination of user access upon separation of County Employees.<br>Attached to the email was a link to DoT's System Access Policy.<br><br>Based on our limited review, it |

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| | | | | | | | appears that management has taken sufficient action to address the recommendation. |
| 11-12 | (a) We recommend DoT conduct the planned PeopleSoft security audit as soon as possible and ensure the results are documented and reported to county officials.<br><br>(b) We also recommend DoT, in conjunction with the Department of Personnel/Human Resources, establish a policy to periodically (i.e., at least annually) conduct the PeopleSoft User Access audit. | Agree | Management within the Dept of Technology conducted on 11-7-2012 a Peoplesoft audit.<br><br>DoT will work with P/HR to establish a policy to periodically conduct an annual PeopleSoft User Access audit. | Yes | Directors of P/HR & DoT | Audit – Implemented<br><br>Policy – September 30, 2013 | We received from DoT and reviewed the PeopleSoft audit that was conducted on 11/7/2012. We also received a copy of the PeopleSoft Security Audit Process, which focuses on the following three steps:<br>• **Assess-** Determine who has access.<br>• **Monitor and Enforce** – Capture activity and prevent unauthorized actions.<br>• **Measure** – Report on activity and recommend refinements as needed.<br><br>DoT officials stated the policy will require the audit to be conducted semi-annually.<br><br>If the planned action is implemented as described; the |

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| | | | | | | | action appears to sufficiently address the recommendation.<br><br>However, a follow-up review will be necessary in the near future to verify that the described action has occurred. |
| 11-13 | We recommend management within the Department of Personnel/Human Resources work in conjunction with the County Executive's Office to establish and implement a strategic plan and formal policies related to succession planning for key employees' positions. | Agree | The Personnel/Human Resources Department is currently working on the foundational elements of a key succession plan which includes indentifying required competencies and critical functions within the organization. This can be a 12 to 36 month process of preparation.<br><br>The objective is to create position descriptions that drive organizational alignment, results, and accountability for all appointed positions.<br><br>The process has begun with conducting position analyses to create Results Oriented Position Descriptions (ROPD) by using a competency | Yes | Director P/HR | Ongoing-up to a three year process | P/HR senior management provided the OAG documentation of their Competency-Based Succession Planning framework. Also provided was a tracking timeline document for Executive Branch Positions, Executive Appointees, and Appointees. The tracking timeline contains milestones for the completion of various phases in the succession planning process.<br><br>If the planned action is implemented as described; the action appears to sufficiently address the recommendation. However, a follow up review will |

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| | | | matrix, essential functions matrix, and results matrix which are all aligned to missions and operating objectives. This will lead to an assessment of the current talent, conducting needs assessments, establishing competency gaps, and ultimately to succession planning. It is important to note again, that the staffing plan derived from the County Charter is designed for the effective succession of officials. Additionally, each department is headed by a director and a deputy director, board, or commission to ensure continuity and ultimately succession. | | | | be necessary in the near future to verify that the described action has occurred. |
| 11-14 | To ensure fiscal transparency over the provisions for provision of benefits beyond established compensation and benefits pay rates, we recommend all future personnel-related financial initiatives proposed by the CEO are in accordance with | Disagree | Management does not agree with the finding that was expressed as the CEO "appears to have implemented conflicting courses of action to accomplish reducing the deficit," based on juxtaposition of imposed pay reduction on AFSCME employees, revisions to the CEO's Executive Benefit Plan, and the 2011 | No | N/A | N/A | We commend executive management's establishment of the Executive Ethics Policy and acknowledge that it is a step in the right direction. However, any changes to the Executive Benefit Plan must adhere to the provisions of the County Benefits Ordinance effective February 6, |

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| | Enrolled Ordinance No. 2012-096, the County Benefits Ordinance. Also, the administration should develop formalized policies and procedures to provide implementation guidelines as to how to comply with this new ordinance. | | early retirement incentive.<br><br>Management is committed to the principle of transparency in providing benefits, and to complying with all lawful policies and procedures that the county establishes. To that end, the County Executive has implemented an approval process through his Executive Ethics Policy. This policy states, "The Executive Benefit Plan may be revised as needed by the department of Personnel/Human Resources as a result of market trends, strategic direction, and the health and well-being of the employee population. | | | | 2012, and receive commission approval.<br><br>Our recommendation is that **all future personnel-related financial initiatives** proposed by the CEO are in accordance with Enrolled Ordinance No. 2012-096.<br><br>Based on management's comments and intended actions related to transparency, it appears management intends to adequately address the recommendation. However, only a follow-up review (after a change to the Executive Benefit Plan is made) will determine whether management has implemented corrective action that adequately addresses the recommendation. |
| 11-15 | We recommend the management in the Office | Agree | The CEO and P/HR Management agree that the policy going forward is | Yes | Director of P/HR | Implemented | We have reviewed management's intended corrective actions |

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| of the County Executive and Personnel/Human Resources work with Corporation Counsel to ensure that Administrative Orders are approved before being offered to, and accepted by; county employees and no offers are accepted after the expiration date of the offer. | | that the Administrative Personnel Order must first be in place prior to the execution of the incentive agreements. The Personnel/Human Resources office will adhere to this procedure relating to all Administrative Personnel Orders. | | | | regarding approval of Administrative Personnel Orders prior to execution of incentive agreements.<br><br>P/HR senior management stated that they are in the process of drafting a Standard Operating Procedure which will outline the process for implementing changes to the Executive Benefit Plan. According to management, this SOP will address the issuance of Administrative Personnel Orders.<br><br>If the planned action is implemented as described, the action appears to sufficiently address the recommendation.<br><br>However, a follow-up review will be necessary in the near future to verify that the described action is implemented as described. |

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| 11-16 | To ensure fiscal transparency over the provisions of benefits beyond established compensation and benefits pay rates, we recommend the Office of the County Executive ensure future personnel related financial initiatives proposed by the CEO are in accordance with Enrolled Ordinance No. 2012-096, the County Benefits Ordinance. | Disagree | Management stated that the action at issue, the early retirement incentive, was rolled out in early 2011. The Benefits Ordinance took effect in March 2012. Management does not understand how failing to comply with an ordinance that was not in effect until more than a year after the 2011 incentive offering constitutes a reportable deficiency.<br><br>Management is also committed to the principle of transparency in providing benefits, and to complying with all lawful policies and procedures that the County establishes. | No | N/A | N/A | Our recommendation is that going forward, management implement actions to ensure that **all future personnel-related financial initiatives** proposed by the CEO are in accordance with Enrolled Ordinance No. 2012-096, the County Benefits Ordinance.<br><br>Based on management's comments and intended actions related to transparency, it appears management intends to adequately address the recommendation. However, only a follow-up review after an early retirement incentive is offered will determine whether management has implemented corrective action that adequately addresses the recommendation. |

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| | 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 |
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| 11-17 | To ensure fiscal transparency over the provisions of benefits beyond established compensation and benefits pay rates, we recommend the Office of the County Executive ensure future personnel related financial initiatives proposed by the CEO are in accordance with Enrolled Ordinance No. 2012-096, the County's Benefits Ordinance. | Neither Agree nor Disagree | Management officials stated as an initial caution, the county currently is in litigation with a former Executive employee that arose from his departure from the county. Consequently, it is not in the county's interest to divulge or discuss the details of the document described in the finding, particularly when the document is at issue in the litigation.<br><br>To the extent compliance with the Benefits Ordinance is part of the finding or recommendation, management is committed to the principle of transparency in providing benefits, and to complying with all lawful policies and procedures that the county establishes. | N/A | N/A | N/A | The OAG concurs with the Administration's position that litigation matters involving the County cannot be divulged or discussed. The recommendation is related to ensuring **all future personnel-related financial initiatives** proposed by the CEO are in accordance with Enrolled Ordinance No. 2012-096, the County Benefits Ordinance.<br><br>Based on management's comments and intended actions related to transparency, it appears management intends to adequately address the recommendation. However, only a follow-up review after a change to the Executive Benefit Plan is made will determine whether management has implemented corrective action that adequately addresses the recommendation. |