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April 3, 2014

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 Attestation-Assurance Report on the Wayne County Sheriff's Office, Review of Jail Commissary Unit dated January 22, 2014, DAP No. 2013-57-009. The report was accepted by the Audit Committee at its meeting held on January 29, 2014, and formally received by the Wayne County Commission on February 6, 2014.

We are pleased to inform you that management and staff in the Jail Commissary Unit provided their complete and full cooperation during our review. If you have any questions, concerns, or desire to discuss the CAP and summary in greater detail, we would be happy to do so at your convenience. 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: http//www.waynecounty.com/commission/lagreports.htm.

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

REPORT DISTRIBUTION

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Department of Management & Budget
Mark Abbo, Chief Financial Officer
Terry L. Hasse – Director, Grants Compliance and Contract Management

Wayne County Executive

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January 22, 2014

DAP No. 2013-57-009

Honorable Raymond E. Basham, Chairman
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 7, 2013 for the Wayne County Office of the Sheriff, Jail Commissary Unit, Attestation-Assurance Review.

Dear Chair Basham:

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 Sheriff's Office, Jail Commissary Unit to submit a Corrective Action Plan (CAP) for recommendations identified in the Attestation-Assurance Review engagement dated March 12, 2013.

Jail Commissary Unit management provided the CAP as requested. Attached is a Summary and Assessment of the CAP prepared by the OAG with fifteen (15) 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 fifteen (15) recommendations found that management has taken sufficient action to address eight (8) recommendations identified in the report; five (5) are considered in-process; and the other two (2) are considered not implemented.

Respectfully submitted,

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

Attachment

Review of Jail Commissary Unit
Wayne County Sheriff
Attestation Assurance 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
12-01	We recommend that both the Sheriff and the Chief Financial Officer (CFO) review their selections for the Commissary Board and consider appointing individuals whose operational assignments do not conflict with approving decisions involved in the day to day activity of the Commissary.	Management agrees with this recommendation.	The Director of Jails is no longer the Sheriff's designee on the Commissary Board. The Chief Financial Officer will review his selection for the Commissary board and work to ensure that the operational assignments of the board member have minimal conflict in decisions and actions necessary as a Commissary Board member.	Yes	Sheriff and CFO	Implemented	We confirmed that the Director of Jails is no longer on the Commissary Board and was replaced by the Sheriff's Chief of Staff. We inquired and were informed that the Chief Financial Officer will review his selection for the Commissary board and work to ensure that the operational assignments of the board member have minimal conflict in decisions and actions necessary as a Commissary Board member. Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.
12-02	We recommend that the Commissary physical inventory process be strengthened to include segregation of duties over custody, record keeping, reconciliations, and performing physical inventory counts. In addition, ensure policies and procedures are in place for the maintenance of perpetual inventory records that are accurate and	Management agrees with this recommendation.	Management has begun to implement these recommendations. Some are awaiting Commissary Board approval.	Yes	Commissary Management	Implemented	The Audit team verified that an updated set of policies and procedures was formalized. Our review of the procedures confirmed there is a segregation of duties over the performance of the physical inventory count. The team also was *provided a sample of "count cards"* that are used for the updated inventory process and the procedures require reconciliation of the count cards to the inventory

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	reconciled to physical inventory counts. Also, ensure that discrepancies are identified and properly approved for write off.						listing. In the event a discrepancy in the count occurs at least 3 times, the entire category must be re-counted. Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.
12-03	In order to help protect Commissary merchandise, as well as increasing the efficiency of tracking and recording of inventory, we recommend Commissary management explore procuring new technology equipment for staff to record and track merchandise for sale once the new jail is built that would be compatible with the Inmate Management System.	Management agrees with this recommendation.	Management is working with M&B on using JD Edwards.	Yes	Commissary Management	In Process	During our inquiry with Commissary management, we reviewed communication with Management & Budget (M&B) in regard to implementing a tracking and recording mechanism for inventory within the JD Edwards system. If the planned action is implemented as described, the action appears to sufficiently address the recommendation. However, a follow-up review may be necessary in the near future to verify that the described action has occurred.
12-04	We recommend Commissary leadership develop strategies to identify risk and implement plans to manage the various business risks that may be	Management agrees with this recommendation.	Management will meet to discuss the merit of this recommendation.	Yes	Commissary Manager, Executive Asst., and Financial Consultant	In Process	During our discussion with management, we were informed that leadership is in the process of identifying risk and implementing new policies and procedures in

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	encountered in Commissary operations.						areas that were brought to their attention during the initial audit. If the planned action is implemented as described, the action appears to sufficiently address the recommendation. However, a follow-up review may be necessary in the near future to verify that the described action has occurred.
12-05	To ensure all Commissary staff payroll and related costs are properly supported, we recommend: Jail Commissary establish appropriate policies and procedures that ensure compliance with Management & Budget's Time Reporting Policy No. 12003 and/or adopt their own policies and procedures describing required payroll documents and processes that incorporate best practices to ensure compliance with the county policies and procedures. To strengthen internal controls over the Commissary's payroll area, we recommend: 1. Daily sign in sheets be	Management agrees with this recommendation.	Management is in the process of creating an adequate daily sign-in sheet and ensuring the timesheets are reconciled to the appropriate documentation.	Yes	Commissary Manager	Implemented	We reviewed the policies and procedures related to timekeeping and confirmed the procedures address the concerns identified in the recommendation. Also, during our review, we obtained a copy of the daily attendance records created implementing a daily sign-in sheet, which will be used in the payroll process as a tool to complete reconciliation with the timesheets. Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.

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	required and ensure employees are signing in and out at their actual arrival and departure times each day. 2. The employee's supervisor should use the sign in sheets to determine whether the hours reflected on the time report sheets are accurate. 3. Commissary administrative staff should not process payroll until all time reports are signed by the employee and have evidence of supervisory review.						
12-06	We recommend that Commissary management adhere to policies and procedures and perform a full inventory on a quarterly basis.	Management agrees with this recommendation.	Policy will change to be in agreement with the recently amended ordinance.	Yes	Commissary Manager and Executive Assistant	Implemented	During our review of action taken, management has adhered to the amended ordinance and made the proper changes to their policies and procedures, which states a full inventory be conducted on an annual basis. Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.

Review of Jail Commissary Unit
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12-07	We recommend Commissary management implement procedures to ensure inventory levels are adequate to ensure compliance with policies and procedures which require the appropriate level of inventory of merchandise for inmate purchases.	Management agrees with this recommendation.	Management will work more closely with Purchasing to ensure items are placed through the Purchasing Division in a timely manner.	Yes	Commissary Manager and Executive Assistant	In Process	During our inquiry, management stated they are in the process of mitigating the risk of inadequate inventory levels. They are implementing a policy that requires all inventory contracts to be processed 6 months before they expire to ensure any delays with the contract will not affect the current inventory levels. If the planned action is implemented as described, the action appears to sufficiently address the recommendation. However, a follow-up review may be necessary in the near future to verify that the described action has occurred.
12-08	We recommend management consider the elimination of cash as a method of payment for any Commissary store items and ensure inventory items are only available to inmates.	Management agrees with this recommendation.	The acceptance of Cash has been eliminated effective February 2013.	Yes	Commissary Management	Implemented	During our review, management provided a copy of a memorandum sent to staff dated February 22, 2013, which announced the elimination of cash as a payment option for commissary items. The memorandum required all staff to sign attesting to having read and abiding to the new policy change.

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							Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.
12-09	In order that inmates receive the benefits as outlined in the policies and procedures, we recommend Commissary management ensure that policies are adhered to in relation to petty cash purchases and only allow reimbursements that are within guidelines of the policies and procedures.	Management agrees with this recommendation.	Management will comply with the recently amended Commissary ordinance.	Yes	Commissary Board and Staff	In Process	Management stated they are in the process of implementing a control mechanism to require the designated employee responsible for issuing reimbursements from the petty cash to sign affirming they have read and understand the policy as it relates to petty cash reimbursements, and they will adhere to the policy when providing reimbursements. If the planned action is implemented as described, the action appears to sufficiently address the recommendation. However, a follow-up review may be necessary in the near future to verify that the described action has occurred.
12-10	We recommend that Commissary management establish a procedure to require written justification and rationale for non-routine purchases made from the Commissary fund in order to demonstrate these purchases	Management agrees with this recommendation.	Management will comply with the recently amended Commissary ordinance.	Yes	Commissary Board and Staff	In Process	During our inquiry, management ensured in writing that going forward, all purchases made from the Commissary Fund will have a direct benefit to the inmates as outlined in the Commissary

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	have a direct benefit to the inmates as outlined in the Commissary policies and procedures.						policies and procedures. If the planned action is implemented as described, the action appears to sufficiently address the recommendation. However, a follow-up review may be necessary in the near future to verify that the described action has occurred.
12-11	We recommend the Commissary Board submit their annual and quarterly reports on the financial condition and any changes in operations as required by ordinance to the Public Safety and Judiciary Committee by the 20th day after the end of each reporting period.	Management agrees with this recommendation.	Management has already been submitting these reports.	Yes	Commissary Management	Implemented	During our inquiry, we were able to verify with the Clerk of the Commission that annual and quarterly reports are received from the Commissary Board to be submitted to the Public Safety and Judiciary Committee by the 20th day after the end of each reporting period. Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.
12-12	The Wayne County Commission should review and strengthen ordinance #96-722 (Commissary Board) to ensure the types of program activities that are purchased with Commissary funds are more	Management agrees with this recommendation.	The Wayne County Commission amended the Ordinance on October 1, 2013.	Yes	Wayne County Commission	Implemented	During our review of the Ordinance #96-722, we noted the ordinance was amended on October 1, 2013 to strengthen the types of program activities that are purchased by the Commissary

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	educational and rehabilitative in nature in order to assist inmates into transitioning back into society and reduce recidivism. In addition, the ordinance should include a requirement that the Commissary Board should report to the Committee on Public Safety and Judiciary annually as to the type of programs that are being offered through the Commissary.						funds to be more educational and rehabilitative in nature. Also, we noted that line item #14 had been added to address the requirement that the Commissary Board report to the Committee on Public Safety and Judiciary annually as to the types of programs that are being offered through the Commissary. Per our inquiries, this report is being submitted timely. Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.
12-13	The Jail Commissary should ensure that all purchases for recreational equipment, educational and rehabilitation material, and services that are for the direct benefit of the inmates are processed by utilizing the Wayne County Procurement Ordinance as required by the Commissary Ordinance.	Management agrees with this recommendation.	Management will comply with the recently amended Commissary ordinance.	Yes	Commissary Board and Staff	Not Implemented	During our review, we were provided copies of documents to support purchases that were procured utilizing the Wayne County Purchasing Division. However, it does not appear that all procurements were procured in accordance with the Wayne County Procurement Ordinance. Specifically, most personal service contracts were not procured in accordance with the Procurement Ordinance.

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							Based on a limited review of the action taken, it appears management has not taken sufficient action to address the recommendation. However, a follow-up review will be performed in the near future to determine that the described action has occurred.
12-14	We recommend the jail commissary board allocate the direct portion of salaries and fringes, for county employees who perform work for the commissary operations, to the appropriate Jail Commissary business unit. This will reflect a more fair and equitable allocation for services performed.	Management agrees with this recommendation.	The Financial Consultant will journal voucher her expenditures to the Commissary on a monthly basis.	Yes	Commissary Financial Consultant	Implemented	During our inquiry, we were provided journal vouchers with expenditures from August 2013 through January 2014 to validate the direct portion of salaries and fringes that was appropriated to the Commissary business unit. Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.
12-15	We recommend the Commissary Board: (1) Review and approve contracts for services that only have a direct benefit to the Commissary. (2) Ensure the County's Procurement Ordinance is	Management agrees with this recommendation.	Management will comply with the recently amended Commissary ordinance.	Yes	Commissary Board and Staff	Not Implemented	Management indicated that they will follow the county's procurement ordinance as it relates to personal service contracts on a go-forward basis. However, based on our review none of the current contracts have come through the county's

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followed and ensuring contracts over $50,000 are approved by the Wayne County Commission prior to services being rendered and paid for.						procurement process as outlined in Ord. #2013-629 effective October 1, 2013. Two current personal service contracts have come to the Commission for approval but were not procured through the county's procurement process. Based on a limited review of the action taken, it appears management has not taken sufficient action to address the recommendation. However, a follow-up review will be performed in the near future to determine that the described action has occurred.