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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 Compliance Report on the Wayne County Management & Budget-Purchasing Division Audit of Procurement, Monitoring, and Performance of Vendor Contracts dated February 10, 2014; DAP No. 2013-57-011. The report was accepted by the Audit Committee at its meeting held on February 12, 2014, and formally received by the Wayne County Commission on February 20, 2014.

We are pleased to inform you that management and staff of the Purchasing Department 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

Wayne County Purchasing Department
Monica Jackson, Interim Purchasing Director

Wayne County Department of Management and Budget
Mark Abbo, Chief Financial Officer
Lyn Roberts, Deputy Chief Financial Officer
Terry Hasse, Director of Grants/Contract Administration

Wayne County Executive

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February 10, 2014 **DAP No. 2013-57-011**

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 December 19, 2013 for the Wayne County Management & Budget, Purchasing Division, Compliance Engagement Report.

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 Management & Budget, Purchasing Division to submit a Corrective Action Plan (CAP) for recommendations identified in the Compliance Engagement Report dated August 26, 2013.

The Purchasing Division management provided the CAP as requested. Attached is a Summary and Assessment of the CAP prepared by the OAG with nine (9) 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 nine (9) recommendations found that management has taken sufficient action to address six (6) recommendations identified in the report; and three (3) are considered not implemented.

Respectfully submitted,

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

Attachment

Wayne County Management & Budget
Purchasing Division
Audit of Procurement, Monitoring, and Performance of Vendor Contracts
Compliance Engagement 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
13-01	We recommend that the Wayne County Purchasing Division develop a control to ensure that all contract files are complete and thorough and contain all required signatures on documents.	Sampling was done on files prior to implementation of Document Manager	Now using Document Manager to store all files and documents	Yes	Interim Purchasing Director	Implemented	During our review, we randomly selected six (6) files for review and verified that all documentation was included in the files. Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation
13-02	In order to strengthen the overall controls over the procurement process, the Office of Legislative Auditor General recommends the following:						
A.	The Wayne County Purchasing Division ensure policies and procedures for sole source/comparable source contracts are complied with and all documentation is included in the contract file including letter from department, letter from vendor, and letter from Purchasing Director.	Already being done	Verify that the approval document is saved in Document Manager.	Yes	Monica Jackson/ Purchasing	Implemented	During our review, we randomly selected four (4) files for review and verified that all documentation was included in the files. Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.

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B.	Ensure quarterly reports submitted to the commission for contracts under $50,000 identify sole source and comparable source.	Already being done	Next quarterly report for 10/01/13-12/31/13 will included the noted information. Information was included but not identified specifically	Yes	Monica Jackson/ Purchasing	Not Implemented	During our review, management provided the 1st quarter report submitted to the Commission of all contracts under $50,000. However, the report did not identify reports that were sole source/comparable source contracts. Based on a limited review of the action taken, management appears to not have taken sufficient action to address the recommendation.
C.	Maintain a log of sole source/comparable source contracts submitted and approved by the Commission Chair.		N/A	Yes	Monica Jackson/ Purchasing	Implemented	During our inquiry, management provided a log that was created and implemented as of 10/1/13 of all sole source/comparable source contracts approved by the Commission Chair. The log is updated and maintained as contracts are referred to the Chair for approval. Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.

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13-03	We acknowledge that the Purchasing Division created a Document Management System in October 2011 which is a centralized database to store all contracts processed by Purchasing. However, since our engagement scope included periods prior to October 2011, we will review the adequacy of this System when assessing the Purchasing Division's corrective action plan.	Agreed	None	Yes	Interim Purchasing Director	Implemented	During our review and inquires of the system, document manager holds all contracts electronically starting from late FY 2012. The system is used as an electronic centralized database file system to hold all contracts and supporting documentation. Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.
13-04	We have been informed the Wayne County Purchasing Division revised the Ethics in Contracting Form to encompass a broader list of questioning to capture most/all instances of risk of conflict in 2012. However, since our engagement scope	Agreed	None This is the current Ethics Form. Not sure what additional questions need to be asked.	No	Monica Jackson/ Purchasing	Not Implemented	During our review, management provided a copy of the revised Ethics In Contracting form. The form does not include specific questions that would mitigate potential risk or fraud. For example, whether the vendor is an employee of the County of Wayne. Based on the limited review of the action taken, management appears to not have taken the appropriate action to mitigate the risk to

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	included fiscal years 2010 and 2011, we will review the adequacy of the Ethics in Contracting form when assessing the Purchasing Division's corrective action plan.						address the recommendation.
13-05	We recommend that the Wayne County Purchasing Division develop a policy which requires all purchasing agents to rotate vendors at a minimum of once a year.	Commodity assignments are changed at least annually or when deemed necessary	N/A	Yes	Monica Jackson/ Purchasing	Implemented	During our review, we were informed by management that they have not developed a policy. However, provided copies of procurement assignment summaries for the last three (3) fiscal years (FY 2011 – FY 2013) that shows changes in the procurement assignments for purchasing agents. The procurement assignment summaries are completed annually or on an as needed basis when changes in the purchasing agents commodities change. Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.

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13-06	We recommend the Wayne County Purchasing Division evaluate the key functions within the division and establish a cross-training system for the key functions to ensure the goals and objectives for the division are met.	Difficult to implement due to union restrictions	N/A Cross training among buyers is occurring when commodity assignments are changed. Cross training is occurring among clerks. Cross-training cannot occur outside of these classifications.	Yes	Monica Jackson/ Purchasing	Implemented	During our inquiry, management informed us that they have not taken corrective action on this recommendation because the collective bargaining agreement, Article 23 – Temporary Assignments states "No employee shall be assigned duties normally considered commensurate with a classification higher than that which the employee holds except in cases of a stated emergency or vacation replacements." However, cross-training is occurring with clerks and among the buyers by the changing of assignments. 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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13-07	We recommend adopting a division-wide policy that requires job descriptions for each filled position be maintained on file and that they are uniform, reviewed periodically, and in accordance with Wayne County Personnel Policy.	This is a Personnel/ Human Resources duty.	None	No	Personnel/ Human Resources	Not Implemented	Based on our review, management has not taken corrective action to address the recommendation. We were informed that all job descriptions are kept on file with the Wayne County Personnel Human Resources. During our discussion with management, they have agreed to inherit the risk associated with not addressing the recommendation. Therefore, based on the limited review management has not agreed to implement this recommendation.