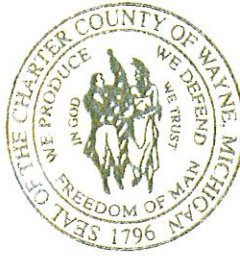


Office of Legislative
Auditor General

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May 6, 2016

Final Report Transmittal Letter

Wayne County Commissioners:

Enclosed is the final report of the Corrective Action Plan (CAP), and the Auditor General's Assessment, for the Wayne County Department of Public Services Parks & Recreation and Buildings Divisions – Concessionaire Agreements Compliance Engagement. Our report is dated April 18, 2016; DAP No. 2016-57-001. The report was accepted by the Audit Committee on April 27, 2016, and formally received by the Wayne County Commission on May 5, 2016.

We are pleased to inform you that management and staff of the Departments of Public Services, Parks & Recreation and Buildings Divisions, Management & Budget – Risk Management Division, and Corporation Counsel 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.

Marcella Cora, CPA, CIA, CICA, CGMA
Auditor General

REPORT DISTRIBUTION

Wayne County Department of Public Services
Beverly Watts, Interim Director
David Cartwright, Deputy Director, Parks & Recreation

Department of Management and Budget
Tony Saunders, Chief Financial Officer
Claire Mason Lee, Division Director of Administration & Risk Management
Terry Hasse, Director, Grants Compliance and Contract Management
Ashley V. Johnson, Assistant Director of Grants and Contracts

Department of Corporation Counsel
Randal M. Brown, Deputy Corporation Counsel

Wayne County Executive



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April 18, 2016

DAP No. 2016-57-001

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, April 18, 2016, for the Wayne County Department of Public Services Parks & Recreation and Buildings Divisions – Concessionaire Agreements Compliance Engagement.

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 the Wayne County Departments of Public Services, Parks & Recreation Division and Management & Budget, Risk Management Division to submit a Corrective Action Plan (CAP) for the recommendations identified in the Wayne County Department of Public Services Parks & Recreation and Buildings Divisions – Concessionaire Agreements Compliance Engagement, dated April 18, 2016. Four (4) recommendations were addressed to the Department of Public Services, Parks & Recreation Division and, two (2) recommendations were addressed to the Department of Management & Budget, Risk Management Division.

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.



Honorable Raymond Basham, Chairman
DAP No 2016-57-001
April 18, 2016
Page 2 of 2

Our assessment of the six (6) recommendations found that management took sufficient action on five (5) recommendations and one (1) is in process. Therefore, a follow-up review is deemed necessary.

Respectfully submitted,



Marcella Cora, CPA, CIA, CICA, CGMA
Auditor General

Attachment

Cc: Beverly Watts, Interim Director, Department of Public Services
David Cartwright, Deputy Director, Parks & Recreation
Tony Saunders, Chief Financial Officer, M&B
Claire Mason Lee, Division Director of Administration & Risk Management, M&B
Terry Hasse, Director, Grants Compliance & Contracts Management, M&B
Ashley V. Johnson, Assistant Division Director of Grants and Contracts, M&B
Randal M. Brown, Deputy Corporation Counsel

**Department of Public Services
Parks & Recreation and Buildings Division-Concessionaire Agreements
Corrective Action Plan**

**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
14-01(A)	We recommend: DPS management implement policies and procedures to ensure Kosch Hospitality submit its Annual Statement of Total Gross Sales as contractually required.	Agree	Management has received all payments due from Kosch starting Nov. '14. Since that time on a monthly basis as stated in the contract, Kosch remits its payments as defined in the contract.	Yes	Parks Division Director	Implemented	DPS - Parks management provided us a copy of Kosch Hospitality's required annual income statement for the twelve months ending September 25, 2015. DPS - Parks management also provided copies of remittances from Kosch for the period November 2014 through December 2015. On a test basis, we verified that monthly concession fees were being remitted in accordance with the contractual fee schedule.
14-01(B)	We recommend DPS management, in conjunction with Corporation Counsel, resolve the issue of defining what constitutes "gross sales" and require Kosch to remit fees for past events/sales	Agree	Management will revise contract to clearly define gross sales.	Yes	Parks Division Director and Corporation Counsel	Implemented	Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation. DPS management provided the OAG with a copy of Wayne County Commission Resolution No. 2014-799. This resolution approved Amendment No. 1 to a five-year concessionaire contract with two, five-year options to renew, between Wayne County and Kosch

**Department of Public Services
Parks & Recreation and Buildings Division-Concessionaire Agreements
Corrective Action Plan**

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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								
conducted by the concessionaire.						<p>Hospitality. The term of the amendment is from December 18, 2014 through December 31, 2018.</p> <p>Included in this Amendment was Exhibit C, the Kosch Concession Fee Schedule which specified what was considered to be Gross Sales. The fee schedule for the Chateau on the River states:</p> <p>“Concessionaire shall pay to the County either the daily rental fee of \$350, or the percentage of Gross Sales, whichever is greater.</p> <table><tr><td>\$0.00 - \$100,000</td><td>5%</td></tr><tr><td>\$100,001 - \$200,000</td><td>7.5%</td></tr><tr><td>\$200,001 - \$300,000</td><td>10%</td></tr><tr><td>\$300,001</td><td>12.5%</td></tr></table> <p>The OAG was able to verify that Kosch has been remitting</p>	\$0.00 - \$100,000	5%	\$100,001 - \$200,000	7.5%	\$200,001 - \$300,000	10%	\$300,001	12.5%
\$0.00 - \$100,000	5%													
\$100,001 - \$200,000	7.5%													
\$200,001 - \$300,000	10%													
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**Department of Public Services
Parks & Recreation and Buildings Division-Concessionaire Agreements
Corrective Action Plan**

**Summary and Assessment of
CORRECTIVE ACTION PLAN**

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14-01(C) We recommend: DPS management should assess late payment charges as defined in the Concessionaire's contract.	Agree	Fees will be assessed if payment is late.	Yes	DPS Finance	Implemented	To validate management's assertion that there have been no instances of concessionaires remitting fees late, we selected one concessionaire - Plymouth Segway Rental - and reviewed three (3) remittances from them. We noted that for the months of January, April, and October 2015, the fees remitted by them were correct as to contractual amount and were received and posted to the county's general ledger in the applicable month. Based on a limited review of the action taken, management appears to have taken sufficient
						concession fees to the county in accordance with the fee schedule. Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.

**Department of Public Services
Parks & Recreation and Buildings Division-Concessionaire Agreements
Corrective Action Plan**

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14-02	We recommend that the Department of Public Services (DPS), in conjunction with Corporation Counsel, implement policies and procedures to ensure concessionaire contract renewals are presented to the County Commission for approval, as required by the county's procurement ordinance.	Agree	Management has identified a system to ensure all contracts that need renewal approval are submitted and processed timely. Corporation Counsel cannot respond with a yes or no, because contract control procedures rest with DPS and not Corporation Counsel	Assistant Director, DPS – Administration	Implemented	DPS management provided the OAG with a copy of its Wayne County Parks Vendor Contract Renewal Process . Our review noted that the following procedures are included: <ul style="list-style-type: none">• DPS - Parks Recreation staff meets with the vendor 3 months prior to contract expiration to discuss contract terms and changes to be agreed upon.• DPS - Parks Recreation staff makes changes to the contract or recommendations.• Contract changes are sent to Corporation Counsel for approval.• Once Corporation

**Department of Public Services
Parks & Recreation and Buildings Division-Concessionaire Agreements
Corrective Action Plan**

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						<p>Counsel reviews and prepares the contract, Park staff has vendor sign three copies of the contract.</p> <ul style="list-style-type: none"> Once contracts are signed, DAF is prepared to prepare contract for Wayne County Commission. Contract sent to Wayne County Commission for approval. Upon Wayne County Commission approval, contract is signed by Wayne County Executive or designee. Executed contract is sent to vendor. <p>The OAG agrees with Corporation Counsel's response that contract control rests with DPS, and not with Corporation Counsel. However, as noted</p>

**Department of Public Services
Parks & Recreation and Buildings Division-Concessionaire Agreements
Corrective Action Plan**

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14-03(A) We recommend that Risk Management implement policies and procedures to ensure that the applicable certificates of insurance are received from the concessionaire for the required insurance coverage stated in their contract.	Agree	Initially, Risk Management began communications with external vendors to provide certificate management services. This would involve tracking receipt of insurance certificates and verifying that the coverage matched the signed agreement(s) However, with the implementation of a new procurement system for the County – SciQuest – we are able to tie in certificate management with the evolving contract management process. As contracts are submitted and executed, the insurance will be coded/tagged as identifiers that need to be satisfied as scheduled. If	Yes	Director of Risk Management in collaboration with Procurement	In-Process	Management indicated that they are still on target for an October 1, 2016 implementation. The SciQuest team is still in the testing phase for the new procurement 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.
						Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation. above, all contract changes/revisions are forwarded to Corporation Counsel for review and approval.

**Department of Public Services
Parks & Recreation and Buildings Division-Concessionaire Agreements
Corrective Action Plan**

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