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FINAL REPORT TRANSMITTAL LETTER

Honorable Wayne County Commission:

Enclosed is our final copy of the Office of the Legislative Auditor General's Performance Audit on Payments Made Without An Approved Contract. The report is dated September 13, 2016; DAP No. 2016-57-007. The report was accepted by the Committee on Audit on October 26, 2016, and formally received by the Wayne County Commission on November 3, 2016.

We are pleased to inform you that management and staff from the Office of the Prosecuting Attorney, the Department of Management and Budget – Purchasing Division, as well as the Department of Corporation Counsel offered their full and complete cooperation during the review. 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.

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

REPORT DISTRIBUTION

Wayne County Prosecuting Attorney's Office
Honorable Kym Worthy, Wayne County Prosecutor
Roselyn Gibson, Chief of Finance and Administration

Department of Corporation Counsel
Zenna Elhasan, Wayne County Corporation Counsel

Department of Management & Budget
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James Colangelo, Purchasing Director, M&B
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Ashley V. Johnson Assistant Division Director of Grants and Contract Management
Tamara Brown, Grants Compliance Officer, Division of Grants and Contract Management

Wayne County Executive

County of Wayne, Michigan

**Office of the Prosecuting Attorney and Department
of Management & Budget, Purchasing Division**

**PAYMENTS MADE WITHOUT AN
APPROVED CONTRACT**

Performance Audit

September 13, 2016

DAP NO. 2016-57-007

EXECUTIVE SUMMARY

Type of Engagement, Scope, and Methodology

At the request of the Wayne County Commission, the Office of Legislative Auditor General conducted a performance audit of the Office of the Prosecuting Attorney and Department of Management & Budget, Purchasing Division to assess whether controls and processes were in place that would have prevented payments being made to a vendor without an authorized commission approved contract in place. This type of engagement provides an objective analysis to assist management and those charged with governance and oversight. The information provided can help improve controls and processes by parties with responsibility to oversee or initiate corrective action and contribute to public accountability.

Our objective for this engagement was to assess the control environment that allowed payments to be made without an approved contract.

The fieldwork was substantially completed on September 6, 2016, and the scope of our engagement was October 1, 2014 through June 1, 2016. The principal methodology used for this engagement was limited to interviews with key members of management, inquiries, examination of documents, observations, and analytical procedures.

Introduction

On December 6, 2012, the Wayne County Commission approved a three year, sole source contract (purchase order) between the County of Wayne and PTS of America LLC not to exceed \$210,000 to provide extradition services for prisoners nationwide, on an as needed basis, who have fled in an attempt to escape prosecution, as well as transport witness who have been incarcerated in other jurisdictions for testimony in other cases or prosecution in addition to their own case for the Prosecuting Attorney's Office. The terms of the contract (purchase order) were December 20,

2012 through December 19, 2015. The contract expired on December 19, 2015; however, payments were made for valid services rendered within the terms of the contract after its expiration date. The Office of Legislative Auditor General was requested to determine whether adequate controls were in place and, if not, make recommendations to enhance the control environment to reduce the risk that payments for valid services could be made after a contract had expired.

Summary of Issues

There are seven (7) findings and recommendations related to this audit report. One (1) of the recommendations is considered to be a material weakness, which is classified as high risk. Four (4) of the recommendations are classified as significant deficiencies, which are deemed to be medium risk; and the other two (2) are classified as control deficiency which are deemed to be low risk. The following is a listing of the findings/recommendations and their classified risk: (See Appendix A for a definition of Internal Control Deficiencies.)

- Invoices Processed for Payment and Paid Without a Valid Contract – **Material Weakness**
- Lack of Policies and Procedures Over Opening Blanket Orders – **Significant Deficiency**
- Payments Not In Accordance With Contract Provisions (P.O.) – **Significant Deficiency**
- Invoices Processed 90 Days After Services Were Performed – **Significant Deficiency**
- Invoices Paid Without Proper Approval – **Significant Deficiency**
- No Verification Of Prisoner Drop-Off – **Control Deficiency - Design**
- Delay in Procurement of Services - **Control Deficiency - Operation**

Views of Responsible Officials

These have been incorporated in the body of this report under Views of Responsible Officials.

Corrective Action Plan

A Corrective Action Plan (CAP) will be requested approximately 30 days after this report is formally received and filed by the Wayne County Commission. If sufficient corrective action is not taken, a follow-up review may be necessary.

REPORT DETAILS

PURPOSE / OBJECTIVE

At the request of the Wayne County Commission, the Office of Legislative Auditor General conducted a performance audit of the Office of the Prosecuting Attorney and Department of Management & Budget, Purchasing Division to assess whether controls and processes were in place that would have prevented payments being made to a vendor without an authorized commission approved contract in place. This type of engagement provides an objective analysis to assist management and those charged with governance and oversight. The information provided can help improve controls and processes by parties with responsibility to oversee or initiate corrective action and contribute to public accountability.

The objective for this engagement was to assess the control environment that allowed payments to be made for valid services rendered within the terms of the contract after it had expired.

SCOPE

We conducted this performance audit in accordance with Generally Accepted Governmental Auditing Standards (GAGAS) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our conclusions based on our audit objective.

METHODOLOGY

The principal methodology used for this engagement was limited to interviews with key members of management of the Department of Management & Budget, Purchasing Division and Prosecuting Attorney's Office; and a walkthrough of the process for payment of the invoices after the contract had expired. We obtained copies of the invoices that were paid by the county and the supporting documentation to verify that the requested services were indeed performed. We reviewed the contract to gain an understanding of the contract terms and reconciled to the invoices to ensure that services were performed in accordance with the contract provisions.

Finally, we met with management officials to discuss our findings, obtain their input, and their concurrence and/or disagreement with the report's conclusions, findings and recommendations.

BACKGROUND

On December 6, 2012, the Wayne County Commission approved a three year, sole source contract (purchase order) between the County of Wayne and PTS of America LLC not to exceed \$210,000 to provide extradition services for prisoners nationwide, on an as needed basis, who have fled in an attempt to escape prosecution, as well as transport witnesses who have been incarcerated in other jurisdictions for testimony in other cases or prosecution in addition to their own case for the Prosecuting Attorney's Office (PAO). The terms of the contract were December 20, 2012 through December 19, 2015. The rates for the transportation of prisoners as provided in the package that was approved by the Commission were:

**Pricing for PTS of America
December 20, 2012 through December 19, 2015**

Prisoner	Rate Per Mile
Pick Up Adult: Male	0.85
Pick Up Adult: Female	0.85
Pick Up Juvenile: Male	3.00
Pick Up Juvenile: Female	3.00

At the time of the contract's expiration, \$154,139.42 had been paid to the contractor.

The May 3, 2016 Committee on Public Safety & Judiciary meeting agenda contained a retroactive, three year contract between the County of Wayne and PTS of America, LLC in the amount of \$237,478.35. The term of the contract was April 1, 2016 through March 31, 2019. The contract was for extradition services to return prisoners who have fled this jurisdiction, as well as bring witnesses who have been incarcerated in other jurisdictions for the Office of the Prosecuting Attorney. It came to the attention of the Commission staff during their analysis that the prior contract with PTS of America, LLC had expired on December 19, 2015 but the vendor had provided services since the contract expiration date. When questioned by Commission staff as how they were able to continue providing these services, the PAO indicated that there were some unused funds on the expired contract and that purchasing extended the expiration date on the contract. There was a lengthy discussion at the committee on how payments were made on an expired contract. Ultimately, the current contract was sent to the Wayne County Commission for approval.

At the May 5, 2016 Wayne County Commission meeting there was discussion regarding the payments made on the prior expired contract. The concern of the Commission was how payments were allowed to be made on an expired contract. The Office of Legislative Auditor General was requested to determine whether adequate controls were in place and, if not, make recommendations to enhance the control environment to reduce the risk that payments could be made on an expired contract.

ASSESS THE CONTROL ENVIRONMENT THAT ALLOWED PAYMENTS TO BE MADE WITHOUT AN APPROVED CONTRACT

Objective – Assess the control environment that allowed payments to be made without an approved contract.

The Wayne County Prosecuting Attorney's Office had a contract with PTS of America to provide extradition services for prisoners who had fled their jurisdiction as well as bring back witnesses who are incarcerated in other jurisdictions. Based on our discussion with representatives from the purchasing division (Purchasing) and the PAO, along with a review of supporting documentation, we determined the following is the sequence of events that led to the payments made without a valid contract.

Timeline from March 2-3, 2016

- The PAO requested to extend their blanket purchase order because the new contract was not yet approved and they had a balance remaining on the old blanket purchase order.
- Purchasing officials advised the PAO that any changes to the professional service contract would have to go through the PC3 system.
- The PAO indicated to Purchasing that the invoices they were attempting to pay were for services rendered prior to the contract expiration date.
- The Purchasing buyer requested supporting invoices showing costs were incurred during contract period.
- The PAO provided Purchasing with copies of the invoices without any additional support showing that the services were indeed performed within the contract period. The invoices provided to Purchasing totaled \$16,917.65.
- Purchasing reopened the blanket purchase order and the PAO processed a release order against the blanket purchase order on March 4, 2016 in the amount of \$40,086.53, which exceeded the amount of invoices provided to purchasing by \$23,168.88 .
- There were 45 invoices paid totaling \$38,636.70:
 - 21 invoices were paid on March 23, 2016 in the amount of \$18,394.95
 - 24 invoices were paid on May 2, 2016 in the amount of \$20,241.75

Conclusion

Based on our assessment of the events that lead to the payment for services without an approved contract, the PAO and Purchasing division did not have adequate controls in place to prevent these payments. Specifically, the Purchasing division did not have procedures for opening purchase orders after the contract expired to ensure that payments were made only for services performed prior to the contract expiration date. The PAO did not have controls in place to ensure that invoices were approved prior to payment and processed timely. More importantly, there were no procedures in place to ensure that prior to processing of payments, there is verification that a valid contract is in place, payments are in accordance with contract provisions, and there is adequate support that the service took place. In addition, had the PAO continuously

monitored the procurement of the services, a lapse in the procurement of services may have been prevented.

PURCHASING DIVISION

Lack of Policies and Procedures Over Opening Blanket Orders

Condition

On March 4, 2016, at the request of the Prosecuting Attorney's Office (PAO), the purchasing division reopened a blanket purchase order for PTS of America after the contract expiration date to allow payments to be processed for services that were performed prior to the contract's expiration date of December 19, 2015. The purchasing division requested copies of the invoices and supporting documentation for the services performed prior to the contract's expiration date. The PAO provided the invoices, which were all dated prior to the December 19, 2015 expiration date, but did not provide any support to validate that the services were actually provided prior to the expiration date. Those invoices totaled \$16,917.65.

However, the purchasing division did not limit the amount of the release order, verify that the services were performed prior to the expiration date, nor ensure that the invoices were properly approved. In fact, the entire remaining blanket order amount of approximately \$45,000 was made available with *an expiration date of December 2016*.

As a result, an individual in the PAO's office requested a release order in the amount of \$40,086.53, the amount remaining on the original blanket order. This was well above the \$16,917.65 amount that was submitted to the purchasing division for payment of services performed within the contract period. Once the release order was approved, the PAO continued to process payments, including two that were within the contract period, totaling \$228.65 and an additional \$21,590 that were for services provided after the contract expiration date of December 19, 2015.

Criteria

The purchasing department utilizes blanket purchase orders for long-term purchase of stock and non-stock commodities which cross over fiscal years. The blanket order assists the requesting department with budgetary planning, as it does not encumber the funds for the purchase until the release purchase order is issued. The system tracks the number of release orders generated against the total quantity on the blanket order.

A release purchase order is a system generated document issued to the vendor to authorize the vendor to deliver a specified quantity of the commodity or service from the total quantity on the blanket order. The total quantity released through release purchase orders cannot exceed the quantity ordered on the blanket order. When the services are performed, the receipt of commodities or service is compared-against the release purchase order through a receiver. JD Edwards verifies the quantity ordered against the quantity received, and then begins the process for payment.

Cause

Limited controls were in place in the purchasing division, when the blanket purchase order was closed upon expiration of the contract. However, these controls were circumvented when the

blanket order was reopened without approval by the purchasing director or his or her designee and without limiting the dollar amount to only those invoices where the services were performed within the contract period.

In addition, Purchasing did not have a policy and procedure in place outlining the steps to take when a blanket order is reopened after its expiration date. This includes opening the blanket order for only the amount of payments due for services performed within the contract period, reviewing supporting documents to ensure the services were indeed performed within the contract period, and reviewing invoices to ensure they were properly approved. The buyer within the purchasing division was able to reopen the blanket order without having the purchasing director's approval.

Consequences

As a result, the PAO processed, and the county paid, \$21,590.40 for services without an executed contract in place.

Recommendation #2016-01 – Significant Deficiency

We recommend management within the purchasing division implement a policy and procedure for opening blanket orders after their expiration date. The policy and procedures, at a minimum, should include:

- Verification of invoices and supporting documentation to ensure the services were indeed performed prior to the expiration date and the invoices were properly approved;
- Obtaining written explanation as to why the invoices were not processed timely;
- A Blanket order only be opened for the amount of the invoices and services verified within the contract period and only for a period of time necessary to process; and,
- Written approval by the purchasing director or his/her designee prior to opening of a blanket order.

Views of Responsible Officials

Management Agrees.

PROSECUTING ATTORNEY'S OFFICE

Invoices Processed for Payment and Paid Without a Valid Contract

Condition

On December 6, 2012, the Wayne County Commission approved a three year, sole source contract (purchase order) between the County of Wayne and PTS of America, LLC not to exceed \$210,000 to provide extradition services for prisoners nationwide, on an as needed basis. PTS picks up defendants who have fled in an attempt to escape prosecution, as well as transport witnesses who have been incarcerated in other jurisdictions for testimony in other cases or prosecution in addition to their own case for the Prosecuting Attorney's Office. The terms of the contract were December 20, 2012 through December 19, 2015.

However, the PAO processed 26 invoices, in the amount of \$21,590.40, for which there was not a commission approved contract in place. Only 10 of the 26 invoices appear to have been approved for payment prior to processing.

Criteria

Prosecuting Attorney:

Section 120-50 of the Wayne County Procurement Ordinance dictates that if a contract requires approval of the Wayne County Commission, then no person shall authorize performance or payment on a contract prior to approval by the County Commission, and execution by the chief executive officer or for legislative branch contracts, the chairperson of the County Commission.

Corporation Counsel:

According to Wayne County Resolution No. 2012-215:

- The Wayne County Commission calls for the Department of Corporation Counsel to determine if the County incurred damages as a result of premature performance in violation of Ordinance No. 2012-442, and, if damages were incurred, to institute a civil action pursuant to Ordinance No. 2012-442; and,
- The County Executive, in conjunction with the Department of Corporation Counsel, shall report to the Commission on this matter within 90 days.

Cause

Based on inquiries and discussions with the Prosecuting Attorney's Office employees responsible for the processing of the PTS invoices for payments on the unauthorized contract, the PAO has not established adequate procedures for processing invoices from a blanket order and failed to establish a timeframe to ensure vendor contracts are in place and approved by the Commission prior to invoice payment.

Representatives of the Prosecuting Attorney's Office stated that going forward, review and sign-off by Assistant Prosecuting Attorney – Extradition Unit and Chief-Finance & Administration will be required for all invoices. However, in ten of the 26 invoices this did not prevent the payments for invoices without a valid contract.

Consequences

The Prosecuting Attorney's Office violated the county's Procurement Ordinance by allowing services to be performed, and processing 26 invoices in the amount of \$21,590.40 for those services, without a valid contract approved by the Wayne County Commission. Section 120-50(G) states, “ To the extent provided by law, a person who violates this section shall be personally liable for actual damages, costs, expenses and liability of any kind, sustained, incurred or required to be paid by the county arising out of his, her, its violation of this section. The department of corporation counsel shall institute a civil action in the appropriate district court or in the Third Circuit Court against a person who violates this section to recover any actual damages, costs, expenses and liability of any kind on behalf of the county. Personal liability under this subsection shall not exceed \$500.00 per violation.”

Recommendation #2016-02 – Material Weakness (Prosecuting Attorney's Office)

We recommend management within the Office of the Prosecuting Attorney, in order to comply with the Wayne County Procurement Ordinance:

- (a) Develop policy and procedures to ensure vendor contracts are approved and executed prior to a request for services;

- (b) Develop policy and procedures for the processing of invoices which would include: obtaining supporting documentation that the service is valid (delivery receipt and request for service); ensuring invoices are verified to a valid contract; and, all invoices are properly approved prior to processing for payment.
- (c) Provide adequate training to staff on the processing of vendor invoices.

Recommendation #2016-02 – Material Weakness (Corporation Counsel)

We recommend Corporation Counsel, in order to comply with Wayne County Resolution No. 2016-215:

- (a) Determine if the County incurred damages as a result of premature performance in violation of Ordinance No. 2012-442 and, if damages were incurred, to take appropriate action.
- (b) Submit a report to the Commission within 90 days.

Views of Responsible Officials

PAO Management Agrees. Staff was not aware that a violation of the Procurement Ordinance had taken place. Staff sought the assistance of Purchasing to request a Blanket Order be reopened to pay outstanding invoices the WCPO had received in January 2016. Subsequently noticing the buyer extended the Blanket Order for the full unused amount through March 15, 2016, staff believed and relied on this and processed additional invoices received from the vendor up until the new expiration date. The intent was to ensure the vendor was paid for services rendered so as to not violate the Procurement Ordinance nor the Prompt Payment Ordinance.

As a result of the error in requesting the re-opening of a Blanket Order, the Prosecutor's staff has been instructed on the requirements of the Procurement Ordinance and all Extradition Invoices will be approved and signed by the Chief of Finance and Administration.

OAG Reply

Purchasing authorized the payment of only the invoices related to services provided prior to the contract expiration date of December 19, 2015. However, because Purchasing erroneously reopened the Blanket Order for the full remaining amount, the PAO processed invoices for services rendered after the contract expiration date, in violation of the Procurement Ordinance.

Views of Responsible Officials

Corporation Counsel Agrees. The Office of Corporation Counsel will review this matter consistent with Ordinance 2012-442 and provide our decision in the time allotted by the ordinance.

Invoices Processed 90 Days After Services Were Performed

Condition

For the 45 invoices that were included in our review, the average processing time from the invoice date to the date of payment was 117 days. The number of days from the invoice date to the payment date ranged from 14 days to as many as 222 days. In order to determine if the delays in processing were primarily related to the invoices included in our review, we obtained a

download of the 181 remaining invoices on the blanket order. The average days from invoice date to the invoice payment date was approximately 58 days. There were some invoices that were paid over 100 days late.

Criteria

Chapter 120 of the Wayne County Code of Ordinances, Section 46 states, “...a requisitioning department or office shall take all steps necessary to assure that payment for services, supplies, and construction is mailed to the business within 45 days after delivery and satisfaction of a contract, or receipt of a complete invoice for the same, whichever is later.” PTS of America’s invoices state “due upon receipt”.

Cause

Officials within the PAO’s office stated that due to the retirement of the office manager, the invoices were not received from PTS until the beginning of January 2016. However, during our review, we found that other invoices prior to this time period were also processed late. For example; an invoice dated 10/25/14 was processed on 2/12/15 and paid on 2/18/15. Therefore, it appears that the Prosecuting Attorney’s Office does not have a process in place to ensure invoices are paid timely.

Consequences

During the scope of this review, we determined not ensuring invoices were received and processed timely resulted in payments being made after the contract had expired. Overall, not ensuring that a process is in place to ensure that invoices are received and processed timely could result in services being interrupted. Finally, the PAO was in violation of the county’s Procurement Ordinance.

Recommendation #2016-03 – Significant Deficiency

We recommend the PAO:

(A) Establish policy and procedures to ensure that when services are performed, invoices are processed timely in accordance with the county’s Procurement Ordinance.

(B) In those instances where an invoice is not received the PAO follows up with the vendor to obtain the invoice.

Views of Responsible Officials

Management Disagrees. Processes were already in place to process and approve invoices Accounts Payable Policy/Procedure Statements 13002 and 13004 as issued in July 2002 and August 2008, respectively. Accordingly the policy for paying vendor invoices, there may be several reasons for delays in paying or processing invoices such as a result of errors or dispute resolutions and the untimely submission of invoices. It is also the WCPO procedure to attempt to get clarification from any and resolve any potential dispute before processing the invoice for payment; and to process all timely submitted invoices. In this instance, the vendor did not submit the invoices in a timely manner to Accounts Payable or to this office. Accordingly, the Blanket Order required invoices be sent to AP, as a courtesy we accept them because AP would have to forward the invoices for our ultimate review which could cause additional delays in paying the vendor for services rendered. However, neither AP nor the WCPO received these invoices timely. In fact, the WCPO did not receive the October 2015 invoice until January 2016. As

discussed, the date on the vendor invoice is the service date and not necessarily the invoice date transmitted or received by this office.

OAG Reply

The OAG was informed during discussions with PAO staff that the invoices were being sent electronically to the PAO Office Manager, who retired August 31, 2015. We also reviewed an email, dated March 3, 2016, from PAO staff to the purchasing agent requesting: "Please open Blanket order #21355854 for payment of services rendered within the service period. The invoices came to light recently during communication with the company. The invoices were sent to our office manager that retired August 31, 2015."

The OAG is of the opinion that an internal departmental policy is needed to address the request for services, validation that services were rendered as requested, and the receipt and processing of approved invoices for services rendered.

Invoices Processed and Paid Without Proper Approval

Condition

We reviewed and assessed a total of 45 invoices from PTS. From that review, only 11, or 45 percent, appeared to have been approved; evidenced by containing the initials of the PAO's Director of Finance, and forwarded to staff for processing. Of the 45 invoices, 19 were for services rendered within the contract period and 26 were for services rendered outside the contract period.

- Of the 19 invoices that were within the contract period, we only saw evidence that one appeared approved for payment. The remaining 18 had no evidence that they were approved.
- Of the 26 invoices that were paid without a valid contract, 10 of the 26 appeared to have been approved for payment.

Of the 45 invoices that were paid:

- 21 were paid on March 23, 2016 and the remaining 24 were paid on May 2, 2016.

After we met with representatives from the PAO, we were provided an email, dated June 22, 2016, from the individual in charge of the extraditions confirming that all the invoices were for witnesses or defendants that were extradited. However, this approval was provided almost 3 months after 21 of the payments were made and 20 days after the remaining 24 were paid.

Criteria

Review of invoices prior to payment is an example of a control activity. The Government Accounting Office defines control activities as:

Control activities are the policies, procedures, techniques and mechanisms that enforce management's directives.. They help ensure that actions are taken to address risks. Control activities are an integral part of an entity's planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results.

Cause

The Prosecuting Attorney's Office did not adequately review invoices prior to payment. Specifically; staff did not: (a) validate invoice rates to the rates approved by the Commission; (b) review period of performance to ensure it was within the contract period; (c) nor review supporting documentation to ensure the service provided was valid. Further, the PAO has not established policies and procedures for the review and payment of PTS invoices.

Consequences

As a result of the PAO not having established a process to adequately review and approve these invoices, 34 of the 45 paid invoices, or 75 percent, were not processed accurately. Specifically, 26 invoices in the amount of \$20,241.75 were paid without a valid contract. In addition, 8 invoices were paid for amounts that were not approved by the Commission. The amount of overpayments for these 8 invoices was \$8,310.85.

Recommendation #2016-04 – Significant Deficiency

We recommend management within the PAO establish written procedures and internal controls to ensure PTS and vendor invoices are reviewed to ensure payments are based on amounts and rates approved by the Commission; services performed are validated; invoices are processed within a valid contract period; and management signoff prior to approving payment.

Views of Responsible Officials

Management Agrees in Part. Although the expenditures were valid, the invoices were not properly signed for payment approval. This occurred as a result of staffing shortage and limited training period available before the predecessor retired and responsibility was assigned to newer employee. When the issue was brought to our attention, corrective action was taken to validate the expenditure and ensure approvals were obtained.

However, we disagree that rates were in excess of Commission approval. The contract has special conditions which cause additional fees to be paid, and these conditions were outlined in the contract.

OAG Reply

The OAG found no evidence of any special rates contained in the documents submitted to the Commission for approval.

No Verification Of Prisoner Drop-Off

Condition

To ensure the 19 invoices that were processed within the contract period related to services performed within the contract period, we requested support from the PAO's office in order to verify the actual service date. We also requested support for the remaining 25 (1 invoice was not included; OAG was not aware of this until after our audit field work procedures were completed) processed outside the contract period. For the 44 invoices, we requested documentation to substantiate that the services were requested, confirmation and quote for service was obtained, and notification/verification that the prisoner was dropped off at the designated location and date of drop off.

The requested confirmations were not maintained within the PAO's administration office as support for the invoices. As a result, the information was compiled and provided by the Assistant Prosecutor responsible for extraditions. Consequently, the PAO's office was only able to provide the requested information that was readily available.

In some cases, the support for the verification of the drop off was either an email to schedule the drop off or verbal support by the requesting prosecutor that was documented for our purposes; however, in those instances we were not able to validate what was documented. Based on our review, the PAO provided support validating that the prisoner extraditions were actually requested, with one exception, a quote was on file for 38 of the 44 invoices; the remaining 6 invoices were not supported by a confirmation and quote. However, based on the information provided, we were only able to verify that 12 of the 44 prisoners were indeed transported to their destination point. See table below:

Support Requested / Provided	Yes	No
Confirmation of Request for Extradition	43	1
Acknowledgement of Request and Quote	38	6
Confirmation of Delivery	13	31

Criteria

Prior to payment for a requested service, there should be adequate support to substantiate that the service was requested; the cost of the service, and delivery confirmation that the service was completed.

Cause

The PAO did not always obtain and/or maintain supporting documentation from the vendor as confirmation that the service was requested, the cost for the service, and delivery confirmation that the service was completed prior to submitting each invoice for payment.

Consequences

Not having adequate support for services rendered could result in the county paying for services that were not requested and/or at a rate that is not in accordance with the contract provisions. In addition, without adequate support that the service was performed, or in this case the prisoner was delivered, increases the risk the county could be paying for services that were not performed. More important with this service, a prisoner's whereabouts cannot be confirmed which could result in a public safety concern in the event of absconsion.

Recommendation #2016-05 – Control Deficiency - Design

We recommend that management within the PAO implement policy and procedures which requires all documentation that supports a vendor service was requested, an estimate of cost, and delivery confirmation is obtained prior to the processing of invoices.

In addition, in the case of extradition services, upon requesting the service and obtaining a quote, a copy should be provided to the PAO's administration staff and maintained as support for the requisition of services and verification that the service is in accordance with contract provisions.

Views of Responsible Officials

Management disagrees. There is a procedure in place to obtain verification through either the assistant prosecutor, Transport Company, a computer check in the Odyssey System or the Wayne County Jail System – Inmate Search. In addition, a search that a new court date is scheduled also clearly shows the inmate was delivered.

We believe that an email of the Extradition Officer's approval is adequate proof of services rendered under the contract.

OAG Reply

It should be noted that there was not always an email provided as documentation for proof of prisoner drop off.

Payments Not In Accordance With Contract Provisions (P.O.)

Condition

The Prosecuting Attorney's Office had a three year contract (purchase order) with PTS of America to provide extradition services. The contract expired on December 19, 2015. The rates approved by the Commission only included the cost per mile for adults and juveniles. There were no *other* special provisions included within this agreement.

During our limited review of invoices for the payments processed by the Prosecuting Attorney's Office after the blanket order was closed, we noted payments were not always in accordance with the professional services provisions of the contract (purchase order). Of the 45 invoices we reviewed, 7 had payments that were in excess of the approved per mile rate. The total amount of payments in excess of the amount approved by Commission was \$10,325.35. Below is a listing of the payments that were made in excess of the approved agreement.

	Miles	Amount Approved by Commission	Amount Paid	Overpayment
Inmate 1	2,050	\$1,742.50	\$ 3,008.00	\$ 1,265.50
Inmate 2	768	652.80	1,152.80	500.00
Inmate 3	2,050	1,742.50	1,992.50	250.00
Inmate 4	2,037	1,731.50	2,231.50	500.00
Inmate 5	499	424.15	852.75	428.60
Inmate 6	272	231.20	2,145	1,913.80
Inmate 7	443	376.55	5,845.00	5,468.45
Total Amount of Overpayment				\$10,326.35

While the scope of this review only looked at the invoices processed for payment after the blanket order was closed, there were 181 invoices totaling just over \$154,139 that may have had payments for rates that were not approved by the Commission.

Criteria

Because there was no formal contract between the County and the vendor, the Commission approved the Document Approval Form (DAF) which, in essence, became the approved contract. Included within the DAF were the rates submitted as part of the bid process. Below is the documentation listing the rates submitted to the Commission

Official Bid Tabulation
Invitation for Bids
37-13-004
Extradition Services (Inter-State Ground Transportation)

INVITATION FOR BIDS BID DEADLINE: 9/24/12 at 2:30 PM
37-13-004 OFFICIAL BID TABULATION
Extradition Services (Inter-State
Ground Transportation)

			BIDDER	
			PTS of America, LLC	
Description	EST QTY	UOM	Unit Price	Total Price
Flat Rate Per mile	93000	Miles	\$ 0.85	\$ 0.85
Pickup Adult: Male	86	Pick-Up	\$ 0.85	\$ 73.10
Pickup Adult:Female	11	Pick-Up	\$ 0.85	\$ 9.35
Pick Up Juvenile: Male	5	Pick-Up	\$ 3.00	\$ 15.00
Pick Up Juvenile: Female	5	Pick-Up	\$ 3.00	\$ 15.00
Grand Total				\$0.00

CBE?	No	0%
TGBE?	No	0%
SBE?	No	0%
EB?	No	0%
Total Advantage:		0%

Total Adjusted for CBE and TGBE: \$0.00

Cause

The county did not have a formal written contract with the vendor which would outline all the terms and conditions of the procurement. In addition, the Prosecuting Attorney's Office did not have a process in place to ensure that payments were in accordance with approved rates.

Consequences

As a result, the PAO processed 7 invoices, and the county paid at least \$10,325.35 for services at rates not approved by the Commission. Consequently, for the 181 invoices processed, the amount and rates paid could be higher than the rates approved by the Commission.

Recommendation #2016-06 – Significant Deficiency

We recommend management within the Prosecuting Attorney's Office:

- (a) Implement an approval process that ensures invoices are processed for payment based on rates approved by the Commission and stipulated within contractual terms.
- (b) Perform an analysis to determine if any of the invoices paid prior to closing the blanket order were for rates not approved by the Commission; quantify any overpayments; and seek reimbursement from PTS for exceptions found.
- (c) Ensure that a formal contract is in place outlining the terms and conditions for the procurement of services prior to payment.

Views of Responsible Officials

Management Agrees in Part. The contract with the current vendor began as a result of the former winning proponent closing its doors and the second proponent being located outside the time zone in order to provide 24 hour access. The current vendor, although the third proponent, was able to provide 24 hour service, accepted to complete the contract term, and to provide services beginning February 17, 2012, with special conditions consideration. Subsequently, a contract with this specific vendor was necessary to ensure payment and extradition services continued. There were several email discussions on the inclusion of special conditions. It was ultimately decided these conditions, although infrequent and not expected to occur, would be handled on a case-by-case basis with approval. It was our understanding with the former Purchasing Director that with approval these conditions would be part of the contract. Additionally, it was our intent to pay the vendor for services rendered and we were fully aware that special conditions for extraditing prisoners may cost more, and our intent was that these costs be covered under the contract provisions. Refer to IFB 37-11-012 Section2, item 3 scope of services (page 7).

Specifically, as it relates to inmates #1 through #7, see comments below:

Inmate #1 and Inmate #3

He was a witness in a homicide. We borrowed him from an out of state prison and had to return him. This was a rush case, with the judge only giving us one week adjournment to get him here. I believe he was flown here, but returned via van to save costs. No quote or invoice in file and emails deleted because too old in the system.

Inmate #2

Per contract \$500 surcharge because it was a federal inmate pickup, because the federal prison does not allow them to bring in other inmates. They must pick up the inmate individually, not in a mass transit van.

Inmate #4

Not sure correct name was provided for this inmate. I have this inmate as a two way trip, both for \$2,492.50, so I can't respond to the claim.

Inmate #5

The quote was for \$852.75 and that was the amount paid. This was a federal inmate pick up with several issues regarding security level and armed transport agents so a surcharge was charged.

Inmate #6

There was no overpayment here. The original quote on 2-5-16 was \$231.20. On 2-17-16 we received the new quote of \$2,145 for medical issues and special transport needs. The quote was approved and paid per the new quote. The contract provided for surcharges on medical prisoners.

Inmate #7

The amount paid is the amount quoted. It was not a mileage case, but a flight based case. Therefore, two agents flew in, picked him up, and flew back to Michigan. The contract provided for special cases like this that were not ground pricing.

This was an urgent Inter-State Agreement on Detainers homicide case where the case was to be dismissed with prejudice if he was not brought back and a trial started in an extremely short time frame.

OAG Reply

The PAO's reference to IFB 37-11-012 concerned services performed from February 17, 2012 until a new contract was approved by the commission on December 20, 2012 with an expiration date of December 19, 2015. (The IFB was used essentially the contract.) This contract did not contain pricing for special conditions, plane fares, etc. It should be noted that the new contract does contain provisions for special conditions.

Delay in Procurement of Services**Condition**

We identified significant delays in the time it took for the Wayne County Prosecuting Attorney's Office (PAO) to procure services for the extradition of prisoners. The PAO's Office prior contract with PTS of America, LLC expired on December 19, 2015. However, the new contract with PTS was not formally approved by the Wayne County Commission until May 5, 2016, or some 138 days later. From the time the PAO's Office started the process to procure extradition services for prisoners to the time the Wayne County Commission approved the services was 308 days. Some of the significant delays in the process are identified below:

**Prosecuting Attorneys Contract for Extradition Services
Analysis of Delays in Process**

Stage of Process	Start Date	End Date	Days
Requisition started until Invitation for Bids was issued	7/2/2015	11/10/2015	131
RFP Issued Until Vendor Awarded Contract	11/10/2015	12/11/2015	31
Vendor Awarded Contract Until PA Approved in PC3 System	12/11/2015	2/24/2016	75
PA Approved in PC3 System Until Package Received by Commission	2/24/16	4/7/16	43
Days From Requisition to Receipt by Commission			280
Receipt by Commission to Commission Approval	4/7/16	5/5/16	28
Total Days From Requisition to Commission Approval			308

Criteria

Procurement of goods and services in excess of \$50,000 requires commission approval. In order to secure this approval on a timely basis the procurement process must be initiated far enough in advance and the process monitored to ensure there is no lapse in contractually approved services.

Cause

While the Prosecuting Attorney's Office started the process approximately 170 days prior to expiration of the prior contract, there was inadequate oversight and monitoring to ensure there were no delays in the process. When the procurement process is delayed, management officials should follow up with procurement to determine what the delays are and how to resolve them.

Consequences

As a result of the time it took the procurement request to go through the process, there was a lapse in contractually approved services from December 19, 2015 through April 1, 2016 which was the retroactive date of the contract that the commission ultimately approved on May 5, 2016.

Recommendation #2016-07 – Control Deficiency - Operation

We recommend that in order to ensure contracts are approved in a timely manner the Prosecuting Attorney's Office implement procedures that provides adequate oversight and monitoring of all its procurement requests to ensure there are no delays in the procurement process.

Views of Responsible Officials

Management Disagrees. The Wayne County Prosecutor's Office (WCPO) doesn't procure a contract, we assist purchasing in this effort. The Procurement Ordinance does not give authority to the department; it is Purchasing's responsibility to procure our contracts. We are required to process a requisition request and to assist in negotiating the contract language with the winning proponent and that is with the assistance of Corporation Counsel. Execution requires all parties to perform their respective responsibilities. (See timeline below)

New PTS Contract Time Line

- July 2015, Requisition was entered by Office Manager, in JD Edwards to start the process.
- September 2015 through October 20 15, the accountant started to contact Purchasing.
- Beginning of October, E-mails went back and forth between Purchasing, Assistant Prosecutor's Attorney/ Extradition Specialist and the accountant so she can check on the language of the IFB for the contract. Language was approved.
Bid went out for 21 days.
- Beginning of November, the accountant placed a call to see if we got any offers, Purchasing Buyer sent an e-mail asking us(Chief of Finance and Administration, Assistant Prosecutor's Attorney/ Extradition Specialist and the accountant) if we have a vendor that we worked with in the past as they received no responses.
- Assistant Prosecutor's Attorney/ Extradition Specialist replied and suggested PTS America
- December 11, 2015 received memo from Purchasing confirming PTS as the vendor for the new contract.
- Purchasing was to put the contract information in the PC3 system. Now we broke for the holidays.
- In mid January, the accountant placed another phone call as we did not see contract in the PC3 system.
- Problems with the PC3 system started to surface, contacted DOT for solutions, as no one in our offices had access which took them several weeks to correct.
- Beginning of February, DOT helped the accountant to move forward with the PC3, they could not locate the contract information in the system. The accountant contacted Purchasing to find a solution.
- In mid February DOT contacted Purchasing to re-enter the contract information as it does not show in the system.
- At the end of February, contract was requested from Corporation Counsel.

- Beginning of March, contract was drafted by Corporation Counsel went to the wrong department (Sheriff's Office), the accountant met with Corp Counsel and got the contract and sent it the vendor by mid March.
- Within couple of days, the vendor sent the signed contract back. On the same day the accountant had an investigator delivered it to Purchasing Department.
- On March 23, the accountant contacted Purchasing and Corporation Counsel regarding the PC3. Corporation Counsel Attorney indicated she cannot see the contract in the system asking Vincent to re-enter the contract again.
- Purchasing buyer re-entered it again. The accountant walked it through the various departments for signatures and executions.
- PC3 was submitted to Commission on 4/7/16 and it was incomplete.
- Received telephone call from Commission indicating attachments for contract were missing. Purchasing had not properly entered/attached documents.
- The accountant e-mailed and called Purchasing to resubmit the PC3 attachments.
- Then the accountant helped Purchasing to complete the package and answered all Commission questions.

Additionally, the WCPO has only three (3) large contracts and for each we track expiration dates and the necessity for a new contract or contract extension. Our procedures were to request the new contract one (1) year ahead; however, the former Purchasing Director told us this was too early with another one of our contracts (Westlaw). As a result of this, we sought to reduce the request to six months; in either case it took an exorbitant amount of time to get the contract through all the levels of approval.

We believe this will be a mute issue once the new Procurement System goes into effect as there is an expiration date tracking mechanism that is available to all.

OAG Reply

There was an approximately four (4) month lag between the requisition was started (7/2/15) until the Invitation For Bids (IFB) was issued on 11/20/15. An email, dated October 30, 2015, from Purchasing to the PAO stated: "Please review the IFB 37-16-003 for Prisoner Transport attached. Please review comments and respond. Once we complete and we have the contract and approval we can post." It is still the responsibility of a contract's requesting department to monitor procurement requests to ensure there are no delays in the process.

OAG OVERALL CONCLUSION

The Prosecuting Attorney's Office processed and payments were made on invoices without a valid contract in violation of Section 120-50 of the Wayne County Procurement Ordinance. This is a very significant violation of the ordinance and could result in personal liability for actual damages, costs, expenses and liability arising out of violation of the section up to \$500 per violation.

The purchasing division had a control in place that could have prevented the payments; however, the control was circumvented by opening the purchase order after it was closed and not monitoring to ensure that only payments for services performed prior to the contract expiration date could be processed. More important, the PAO's control environment over procurement and payments for services should immediately be strengthened to ensure procurements are timely and payments are made on valid, approved services in accordance with contract provisions.

There are seven (7) findings and recommendations related to this audit report. One (1) of the recommendations is considered to be a material weakness, which is classified as high risk. Four (4) of the recommendations are classified as significant deficiencies, which are deemed to be medium risk; and the other two (2) are classified as control deficiency which are deemed to be low risk.

We discussed the issues and corresponding recommendations with the Purchasing Division, Wayne County Prosecuting Attorney's Office and the Department of Corporation Counsel. Management's comments for the Purchasing Division and Wayne County Prosecuting Attorney's Office and Department of Corporation Counsel have been incorporated in the body of this report under Views of Responsible Officials.

A Corrective Action Plan will be requested approximately 30 days after this report is formally received and filed by the Wayne County Commission. If sufficient corrective action is not taken, a follow-up review may be necessary.

This report is intended solely for the information and use of the Wayne County Office of the Prosecuting Attorney and the Department of Management & Budget, Purchasing Division and the Wayne County Commission and is not intended to be and should not be used by another other than these specified parties. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

Sincerely,



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

Appendix A

Definition of Internal Control Deficiencies

Control Deficiency (low risk)

A control deficiency exists when the internal control design or operation does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect or correct errors in assertions made by management on a timely basis. A deficiency in design exists when (1) a control necessary to meet the control objective is missing or (2) an existing control is not properly designed so that, even if the control operates as designed, the control objective is not met.

A deficiency in operation exists when a properly designed control does not operate as intended, or when the person(s) performing the control does not possess the necessary authority or qualifications to perform the control effectively.

Significant Deficiency (medium risk)

A matter that, in the auditor's judgment, represents either an opportunity for improvement or significant deficiency in management's ability to operate a program or department in an effective and efficient manner. A significant deficiency in internal control, or combination of deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process or report data reliably in accordance with applicable criteria or framework such that it is more than a remote likelihood that a misstatement of the subject matter that is more than inconsequential will not be prevented or detected.

Material Weakness Deficiency (high risk)

A significant deficiency that could impair the ability of management to operate the department in an effective and efficient manner and/or affect the judgment of an interested person concerning the effectiveness and efficiency of the department. A significant or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of subject matter will not be prevented or detected.