

Office of Legislative
Auditor General

Marcella Cora CPA, CIA, CICA, CGMA
AUDITOR GENERAL



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February 19, 2016

FINAL REPORT TRANSMITTAL LETTER

Honorable Wayne County Commissioners:

Enclosed is our final copy of the Office of Legislative Auditor General's Engagements and Other Projects, Audit/Work Plan, Year 2016 (Plan). The Plan is dated January 29, 2016; DAP No. 2016-57-801. The contents of this report did not change from the draft report previously issued. The report was accepted by the Audit Committee at its meeting held on February 10, 2016, and formally received by the Wayne County Commission on February 18, 2016.

If you have any questions, concerns, or desire to discuss the Plan in greater detail, please feel free to contact me at your convenience. This report is intended for your information and should not be used for any other purpose. Copies of all Office of Legislative Auditor General's final reports can be found on our website at: <http://www.waynecounty.com/commission/743.htm>.

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

REPORT DISTRIBUTION

Wayne County Commission

Honorable Gary Woronchak, Chairman
Honorable Wayne County Commissioners

Wayne County Executive

Honorable Warren Evans

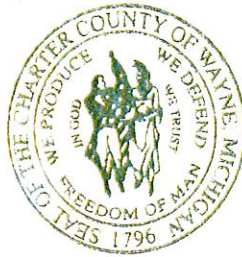
County-wide Elected Office Holders

Honorable Richard P. Hathaway, Treasurer
Honorable Kym L. Worthy, Prosecuting Attorney
Honorable Cathy M. Garrett, County Clerk
Honorable Bernard J. Youngblood, Register of Deeds
Honorable Benny N. Napoleon, Sheriff
Honorable Robert J. Colombo, Jr. Chief Judge, Third Circuit Judicial Court

Department of Management and Budget
Tony Saunders, Chief Financial Officer



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Letter of Transmittal

February 3, 2016

DAP No. 2016-57-801

Honorable Raymond E. Basham, Chairman
Audit Committee, County Commission
County of Wayne, Michigan
500 Griswold Street, Suite 727
Detroit, Michigan 48226

Re: Engagements and Other Projects, Audit/Work Plan, Year 2016

Dear Chairman Basham:

I, along with the staff of the Office of Legislative Auditor General (OAG), are honored and pleased to provide for your consideration the enclosed report on Engagements and Other Projects, Audit/Work Plan, Year 2016 (Plan). The attached plan or listing is provided in accordance with the Performance Standard – 2010, *Planning*, of the International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors.

This standard, along with best practices for professional internal auditing, requires internal audit organizations to submit their annual audit engagement plan to their oversight body for acceptance. It also requires the internal audit organization to obtain input from management to ensure their concerns, regarding risk and other factors that could impede the entity from achieving its operational objectives and goals, are considered in developing the annual plan.

In addition, the Wayne County Charter requires the auditor general to audit the financial transactions and operations of each department at least every two years.



We requested and received comments from senior management in developing this Audit/Work Plan.

The plan as transmitted is largely based on our internal assessment of potential risk to the county across all executive branch departments, offices managed by county-wide elected office-holders, as well as certain component units and agencies of the county.

The plan, which lists 42 engagements, includes audits, consulting, reviews and other engagement types that will be performed in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the U.S. Comptroller General and the International Standards for the Professional Practice of Internal Auditing (IIA) issued by the Institute of Internal Auditors. (See Appendix) Also included are carry-over engagements from the prior year's Plan.

The engagements were selected to assist county leadership and management oversight and decision making; improve the effectiveness and efficiency within county operations; and, enhance accountability for resources. In addition, in an effort to further add value to county management and leadership, certain engagements will focus on an assessment of governance, risk management and control activities. The planned engagements will take place within county departments/agencies/divisions, and in certain cases, component units.

This audit plan is based on an estimation of 16,800 engagement hours and consists of 37 engagements and five (5) administrative projects. Based on current direct audit hours available, our goal is to complete at least 25 projects depending on the number hours it will take to complete each engagement. See page 6 of 11 of our plan for additional detail.

The plan will afford the OAG an opportunity to increase the range of audit/review coverage across the entire county. Based on the results obtained from these engagements, the plan will also allow us to move toward our long-term goal of developing an entity-wide risk management tool.

As with most annual plans of activity, this plan should not be considered static; instead it should be considered dynamic or flexible and able to adapt to changing conditions during the year, if they arise. We will continuously assess the deployment of audit resources throughout the year to ensure they are being utilized in the most effective manner for the benefit of the county, its citizens, and users of its services.

Honorable Raymond E. Basham
Re: Engagement and Other Projects, Work/Plan, Year 2016
February 3, 2016
DAP No. 2016-57-801
Page 3 of 3

In conclusion, I want to assure you that we in the OAG remain motivated and committed to carrying out this plan and fulfilling the mission and purpose for which we were established.

Respectfully submitted,

A handwritten signature in cursive script, reading "Marcella Cora".

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

Attachment

Pc: Honorable Gary Woronchak, Chairman, Wayne County Commission
Honorable Warren Evans, County Executive
Honorable Wayne County Commissioners
County-wide Elected Office Holders
Tony Saunders, Chief Financial Officer

**SUMMARY SCHEDULE OF ENGAGEMENTS AND OTHER PROJECTS
AUDIT/WORK PLAN
YEAR 2016**

Department / Audit Area	Engagements/Projects Scheduled
Commission / Legislative Branch	1
Corporation Counsel ^	1
Office of the County Clerk	2
Office of the County Executive	0
Health , Veterans and Community Wellness ^	5
Homeland Security	1
Management & Budget ^	3
Personnel/Human Resources ^	3
Office of the Prosecuting Attorney	1
Public Services	2
Office of the Register of Deeds	1
Senior Citizens	1
Office of the Sheriff	2
Technology	1
Office of the Treasurer	3
Wayne County Employees Retirement System	1
Wayne County Component Units	4
Office of Legislative Auditor General^	10
Total	42

^Commission requested/approved engagement(s)

**DETAIL SCHEDULE OF
ENGAGEMENTS AND OTHER PROJECTS
AUDIT/WORK PLAN
YEAR 2016**

<u>Department</u> Audit Area / Program (Service)	Proposed		
	Program/Service Area	Objective(s)	Engagement / Product Type
<i>Wayne County Commission (1)</i>			
Wayne County Commission	Wayne County Commission	Assess effectiveness of internal controls, management practices, and compliance with laws, ordinances and rules.	Agreed Upon Procedures
<i>Corporation Counsel (1)</i>			
Corporation Counsel^	Corporation Counsel	Assess effectiveness of the use and billings from outside legal counsel.	Performance/Corrective Action Plan
<i>Office of the County Clerk (2)</i>			
General Services	Vital Services	Determine if controls over cash receipts are effective.	Performance / Corrective Action Plan
Financial Services Unit	Financial Services Unit	Determine the effectiveness of the internal control environment over daily operations.	Performance/ Corrective Action Plan
<i>Office of the County Executive (0)</i>			
<i>Health, Veterans and Community Wellness (5)</i>			
Public Health	HUD Lead Grant	Determine whether management has implemented outstanding recommendations.	Follow Up
Medical Examiner	Medical Examiner	Assess effectiveness of contracting for operations of Medical Examiners office.	Performance/ Corrective Action Plan
Veterans Affairs	Veterans Affairs	Determine whether management has implemented outstanding recommendations.	Follow Up
Juvenile and Youth Services^	At Risk Youth	Assess effectiveness of administration of contract for education of at risk youth.	Performance/Corrective Action Plan

^ Commission requested engagement

**DETAIL SCHEDULE OF
ENGAGEMENTS AND OTHER PROJECTS
AUDIT/WORK PLAN
YEAR 2016**

<u>Department</u> Audit Area / Program (Service)	Proposed		
	Program/Service Area	Objective(s)	Engagement / Product Type
Juvenile and Youth Services	Youth Assistance Program	Determine whether management has taken sufficient action to address the recommendations.	Correction Action Plan
<i>Homeland Security (1)</i>			
Emergency Management	Emergency Management	Determine the effectiveness of emergency preparedness.	Performance/Corrective Action Plan
<i>Management & Budget (3)</i>			
Grants Compliance	Grants	Assess timing of grant billings county-wide.	Performance/Corrective Action Plan
Financial Reporting ^	Chargebacks FY 2013 - FY 2014	Evaluate the allocation of chargeback costs in the FY 2013 and FY 2014 budget.	Analytical Review / Corrective Action Plan
Financial Reporting	Payroll	Assess controls over overtime county-wide.	Performance/Corrective Action Plan
<i>Personnel / Human Resources (3)</i>			
Benefits Administration	Benefits	Assess effectiveness of administration of retiree healthcare stipend program.	Performance/ Corrective Action Plan
Strategic Workforce Administration ^	Classification	Review county staffing levels and adequacy of job descriptions.	Performance/ Corrective Action Plan
Administration Division	Mileage Reimbursement	Assess compliance with the county's Mileage Reimbursement Policy.	Performance/ Corrective Action Plan

^ Commission requested engagement

**DETAIL SCHEDULE OF
ENGAGEMENTS AND OTHER PROJECTS
AUDIT/WORK PLAN
YEAR 2016**

<u>Department</u> Audit Area / Program (Service)	Proposed		
	Program/Service Area	Objective(s)	Engagement / Product Type
<i>Office of the Prosecuting Attorney (1)</i>			
Special Operations	Asset Forfeiture Unit	Assess the effectiveness of controls over the seizure of forfeited assets from illegal activities.	Performance/ Corrective Action Plan
<i>Public Services (2)</i>			
Buildings/Parks and Recreation	Concessionaire Agreements	Determine whether management has taken sufficient action to address the recommendations.	Corrective Action Plan
Administration	Administration	Assess compliance with the use of Public Act 51 funds.	Performance/Corrective Action Plan
<i>Office of the Register of Deeds (1)</i>			
Register of Deeds	Register of Deeds	Determine if controls over cash receipts are effective.	Performance / Corrective Action Plan
<i>Senior Citizens (1)</i>			
Senior Citizens	Nutrition Program	Assess the effectiveness of the Senior Nutrition program.	Performance / Corrective Action Plan
<i>Office of the Sheriff (2)</i>			
Sheriff's Office	Jails	Determine whether jail billings and collections are timely.	Performance / Corrective Action Plan
Sheriff's Office	Fleet Operations, Non-Fuel Credit Card Transactions	Determine whether management has taken sufficient action to address the recommendations.	Follow Up

^ Commission requested engagement

**DETAIL SCHEDULE OF
ENGAGEMENTS AND OTHER PROJECTS
AUDIT/WORK PLAN
YEAR 2016**

<u>Department</u> Audit Area / Program (Service)	Proposed		
	Program/Service Area	Objective(s)	Engagement / Product Type
<i>Technology (1)</i>			
Technology	Telecommunications	Assess effectiveness of telecommunications.	Performance / Corrective Action Plan
<i>Office of the Treasurer (3)</i>			
Tax Administration	Excise (Tourist) Tax 2015	Perform a review of stadium excise tax activity for calendar years 2015.	Agreed-Upon Procedures
Treasury Management / Investments	Review of Quarterly Investment Reports Fiscal Years 2014 and 2015	Perform a limited review of the WCTO quarterly investment report for fiscal years 2014 and 2015.	Limited Analytical Review
Tax Management	Department-wide	Perform review of the Treasurer's internal controls as required by Ordinance 89-971.	Performance / Corrective Action Plan
<i>Wayne County Employees' Retirement System (1)</i>			
WCERS	Defined Benefit and Contribution Plan Audited Financial Statements for Fiscal Year 2015	Assess the audited financial statements.	Financial Assessment – Ltd. Review
<i>Component Units:</i>			
<i>Economic Development Corporation of Wayne County (1)</i>			
Economic Development Corporation of Wayne County	Guardian Building	Identify key risk and assess whether it is being adequately managed / mitigated.	Compliance/Corrective Action Plan

^ Commission requested engagement

**DETAIL SCHEDULE OF
ENGAGEMENTS AND OTHER PROJECTS
AUDIT/WORK PLAN
YEAR 2016**

<u>Department</u> Audit Area / Program (Service)	Proposed		
	Program/Service Area	Objective(s)	Engagement / Product Type
<i>HealthChoice of Michigan (1)</i>			
HealthChoice of Michigan	Audited Financial Statements for Fiscal Year 2015	Assess the audited financial statements.	Financial Assessment – Limited Review
<i>Wayne County Building Authority (1)</i>			
Wayne County Building Authority	Audited Financial Statements for FY 2015	Assess the audited financial statements.	Financial Assessment – Limited Review
<i>Wayne County Airport Authority (1)</i>			
Wayne County Airport Authority	Audited Financial Statements for FY 2015	Assess the audited financial statements.	Financial Assessment – Limited Review
<i>Office of Legislative Auditor General (10)</i>			
Auditor General ^	Budget Sensitive Issues / FY 2015 CAFR Review	Report budget sensitive issues and assessment of the county financial position to the Ways & Means and Audit committees.	Special Project
Auditor General	Budget Hearings	Attend the Fiscal Year 2016-2017 Commission Budget Hearings.	Special Project
Auditor General	2015 Annual Report	Report on the Office of Legislative Auditor General's Activity for 2015.	Special Project
Auditor General	Status Updates	Assess and provide status schedule on projects referred from Committee on Audit.	Special Project

^ Commission requested engagement

**DETAIL SCHEDULE OF
ENGAGEMENTS AND OTHER PROJECTS
AUDIT/WORK PLAN
YEAR 2016**

<u>Department</u> Audit Area / Program (Service)	Proposed		
	Program/Service Area	Objective(s)	Engagement / Product Type
Auditor General	Updates on Outstanding Recommendations	Assess and provide status schedule on outstanding recommendations contained in OAG engagements.	Special Project
Auditor General	Updates on Appropriation Ordinance Requested Projects	Assess and provide status schedule on projects requested in Appropriation Ordinances.	Special Project
Auditor General	Internal Quality Control Review	Perform internal assessment of engagements compliance with professional standards.	Compliance
Auditor General	Budget Submission and Financial Reporting	Prepare, submit, and present the OAG FY 2017 budget. Prepare the required monthly and quarterly reports. Monitor the OAG financial activity for FY 2016 and FY 2017.	Special Project
Auditor General	Manage and monitor FY 2015 and FY 2016 external audit	Manage and monitor FY 2015 and FY 2016 external audit.	Special Project
Auditor General	County Wide Risk Assessment	Perform a County-Wide Risk Assessment to Identify Areas of Risk.	Special Project
Total Estimated Hours for Engagements/Projects			16,800
Total Available Hours (#)			10,296
Total 2016 Proposed Engagements/Projects			42

Note (#) – Based on available audit hours vs. estimated hours for engagements and projects identified in OAG 2016 Audit/Work Plan, some engagements will roll forward to the OAG's 2017 Audit/Work Plan.

^ Commission requested engagement

**DETAIL SCHEDULE OF
ENGAGEMENTS AND OTHER PROJECTS
AUDIT/WORK PLAN
YEAR 2016**

Appendix A

Types of Engagements

**DETAIL SCHEDULE OF
ENGAGEMENTS AND OTHER PROJECTS
AUDIT/WORK PLAN
YEAR 2016**

Engagement Types

Auditing Standards

Compliance

GAGAS*

- Assess compliance with laws, regulations, contracts and grants.

Agreed-Upon Procedures

GAGAS

- Examining, reviewing, or performing agreed-upon procedures on a subject matter and reporting on the results.

Performance

GAGAS

- Assess program effectiveness and results;
- Assess economy and efficiency of operations;
- Assess internal control;
- Assess compliance with legal or other requirements.

Analytical Review

GAGAS

- Addresses specific identifiable objective(s) of engagement.

Internal Control Review

GAGAS

- Assess internal controls of department/division/business unit.

Assurance

IIA**

- Objective assessment regarding an entity, operation, function, process, system, or other subject matter.

Consulting

IIA

- Advisory in nature; performed at request of engagement client.

Special Projects / Non-Audit Services

None

- Focus on specific item/area.

Financial Assessment – Limited Review / Limited Analytical Review

None

- Review financial statements, and other financial and operational Reports.

Legend:

* Generally Accepted Government Auditing Standards

** International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors

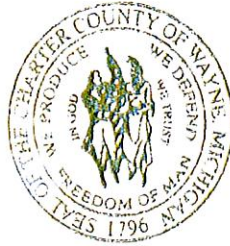
**DETAIL SCHEDULE OF
ENGAGEMENTS AND OTHER PROJECTS
AUDIT/WORK PLAN
YEAR 2016**

Appendix B

Statement of Organizational Independence

Office of Legislative Auditor General

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Statement of Organizational Independence

IIA Standards – Attribute Standard

1110 – Organizational Independence

The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.

1110.01 – The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results.

GAS 3.02 – 3.59– Independence

3.02 - In all matters relating to the audit work, the audit organization and the individual auditor, whether government or public, must be independent.

Two attributes that assure the success and credibility of the Office of Legislative Auditor General (OAG) are independence and objectivity. This involves maintaining a mental attitude and perspective of independency in fact and appearance from the processes employed, the results, conclusions and reporting of engagements and projects performed under the scope of authority. These parameters are set forth in the Wayne County Charter Section 3.119 and Wayne County Code of Ordinances Chapter 65 and are applied to the OAG functions and auditors who are involved in the activities prescribed.

The Auditor General shall be appointed by a majority of the Commissioners serving. The Auditor General may be removed for cause by a 2/3 vote of the Commissioners serving. The Auditor General reports directly to the Chairs of the Audit Committee and the Wayne County Commission who has delegated the responsibility for independently managing the audit function. Therefore, the OAG is considered free from impairment to independence as stated in 3.28a and 3.29b of the Government Auditing Standards.



Office of Legislative Auditor General
Statement of Organizational Independence
Calendar Year 2016

Along with the structure as outlined above, the OAG assures this concept as it applies to the internal audit function on an annual basis and/or as required. These elements joined together must meet the requirement for Organizational Independence required under Standard 1110 of the International Standards for the Professional Practice of Internal Auditing as issued by the Institute of Internal Auditors.

NOTE: The most relevant Generally Accepted Government Auditing Standards (GAGAS) and Institute of Internal Auditors (IIA) Standards are listed at the bottom of this statement.

Identify audit areas that may be affected or where organizational independence may be impaired:

Wayne County Commission Audit (Completed once every two years)

POSSIBLE ORGANIZATIONAL IMPAIRMENTS TO THE OAG'S INDPENDENCE

I have reviewed the activities, functions, organizational structure, and reporting lines with respect to Wayne County and its departments, elected officials, component units, agencies, programs, and processes. I am not aware of any circumstances that might impair or lead others to question the OAG's ability to be independent, impartial, and objective on any audit/engagement, except as indicated above. Therefore, any potential impairment listed above are areas that the OAG does not engage.

RESPONSIBILITY TO UPDATE THIS DISCLOSURE

I understand that I am also responsible to make timely written notification in the event any other circumstance arises during the course of the year that might impair or appear to impair the OAG's independence with respect to an audit or activity this includes external impairments and required disclosure related to non-audit service as noted in 3.44 of GAGAS and 1130 of the IIA Standards.



Marcella Cora, Auditor General

1-25-16

Date