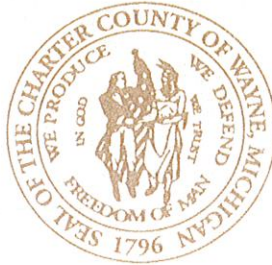


Office of Legislative
Auditor General

MARCELLA CORA CPA, CIA, CICA, CGMA
AUDITOR GENERAL



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March 8, 2018

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 2018 (Plan). The Plan is dated February 21, 2018; DAP No. 2018-57-802. The report was accepted by the Committee on Audit at its meeting held on February 28, 2018, and formally received by the Wayne County Commission on March 8, 2018.

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: <https://www.waynecounty.com/elected/commission/oag/legislative-auditor.aspx>.

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

REPORT DISTRIBUTION

Wayne County Executive

Honorable Warren Evans

County-wide Elected Office Holders

Honorable Eric R. Sabree, Treasurer

Honorable Kym L. Worthy, Prosecuting Attorney

Honorable Cathy M. Garrett, County Clerk

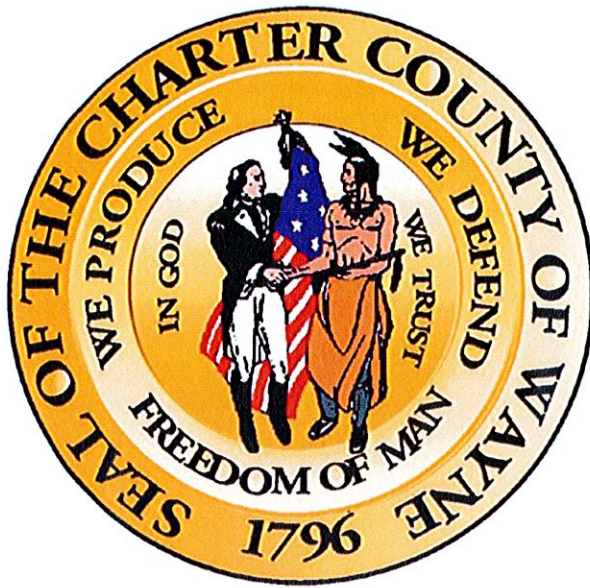
Honorable Bernard J. Youngblood, Register of Deeds

Honorable Benny N. Napoleon, Sheriff

Honorable Robert J. Colombo, Jr. Chief Judge, Third Circuit Judicial Court

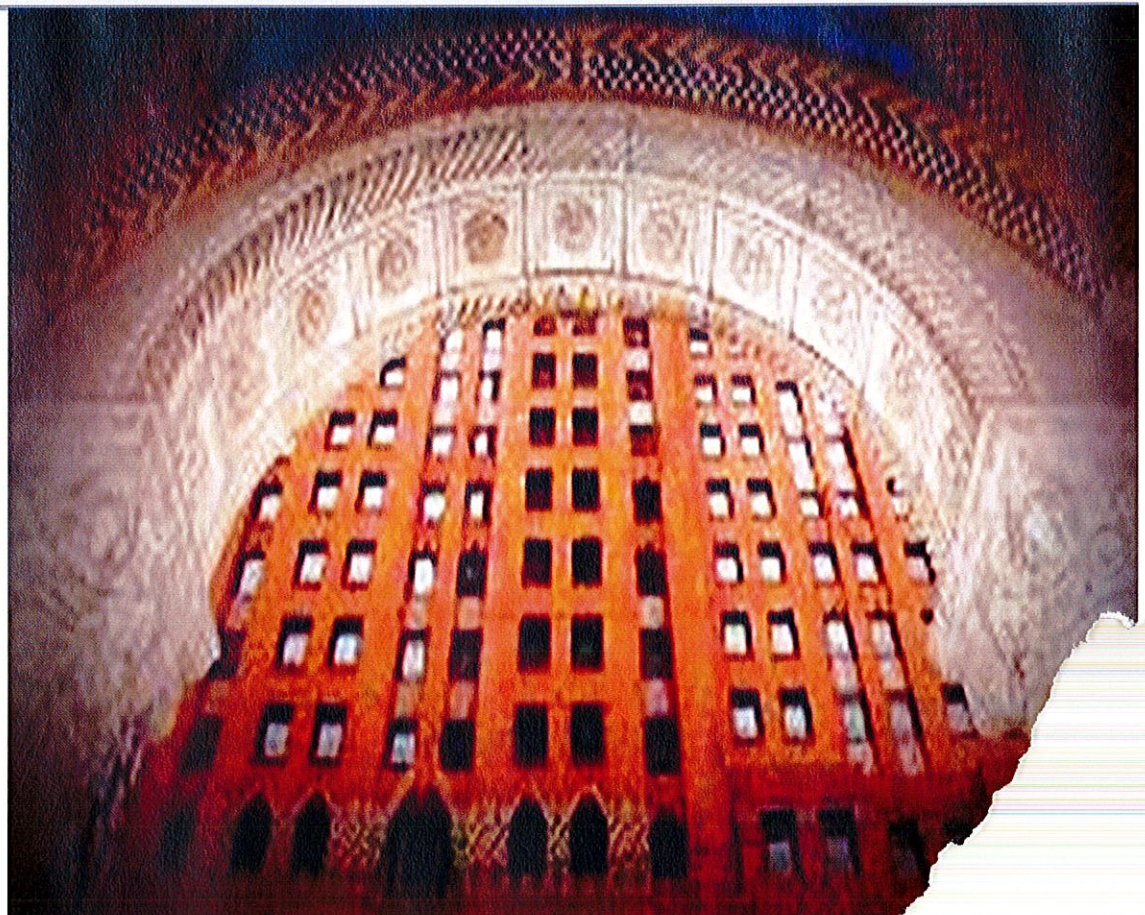
Department of Management and Budget

Henry Dachowitz, Chief Financial Officer



AUDIT/WORK PLAN YEAR 2018

WAYNE COUNTY OFFICE OF LEGISLATIVE AUDITOR GENERAL





OAG

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Table of Contents

Transmittal Letter	1
Introduction	3
Audit Plan Development	3
Audit Process	4
Risk Assessment.....	5
Noted Key Concerns.....	6
2018 Audit Plan.....	6
Summary Schedule of Engagements and Other Projects Audit/Work Plan Year 2018.....	7
Detail Schedule of Engagements and Other Projects Audit/Work Plan Year 2018.....	8
Appendix A – Type of Engagements	14
Appendix B – Statement of Organizational Independence	16



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February 21, 2018

DAP No. 2018-57-802

Honorable Raymond E. Basham, Chairman
Committee on Audit
Wayne County Commission
500 Griswold, Suite 727
Detroit, MI 48226

Subject: Engagement and Other Projects, Audit/Work Plan, Year 2018

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 2018 Annual Audit Plan. This comprehensive report details our plan of audits and reviews for the upcoming year. This report is provided in accordance with 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 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. We requested and received comments from elected officials and senior management in responses to the OAG's risk assessment questionnaire 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 elected officials, as well as certain component units and agencies of the county. We designed the Audit/Work Plan to address perceived risk areas within county operations, along with considering the allocation of our scarce resources to reviewing those areas.

We believe this audit plan is consistent with the mission of supporting an atmosphere of continuous improvement, integrity, transparency, and accountability through an independent assessment of county programs, activities, and functions.



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We would like to acknowledge the professionalism and cooperation extended to us during this process by county elected officials and management of county departments. I look forward to another successful year of audit services to the County of Wayne.

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,

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 Officials
Henry Dachowitz, Chief Financial Officer



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Introduction

The Office of Legislative Auditor General (OAG) is an independent, objective internal audit organization, offering value to county officials responsible for governance over county operations and accountability to its citizens. Our purpose is to examine and evaluate county activities in order to achieve transparency and accountability of public funds, and improve the operations of county government for the benefit of Wayne County citizens. Internal Audit helps an organization achieve its objectives by providing a systematic, disciplined and objective approach when evaluating county operations and improves the effectiveness of risk management, internal controls, and governance processes.

The OAG assists county officials and county managers by providing unbiased, independent review and analysis of policies, procedures, and county operations. The OAG is responsible for identifying the areas in need of review based on various risk factors.

Government Auditing Standards and the Institute of Internal Auditor Standards encourage audit organizations to establish a risk-based audit approach to determine the priorities for audit activities. A risk assessment is a systematic process to evaluate, identify, and prioritize potential audits based on the level of risk to the county. Determining which areas to audit and allocating scarce resources to those areas is key to a successful internal audit function.

Audit Plan Development

Institute of Internal Auditors Standard 2010 – *Planning* requires that the internal audit activity establish a risk-based plan, undertaken at least annually, to determine the priorities of the internal audit activity are consistent with the organization's goals. The plan is largely based on our internal assessment of potential risk to the county across all executive branch departments and divisions, offices managed by county elected officials, as well as certain component units and agencies of the county.

The goal of an annual audit plan is to efficiently prioritize and allocate limited resources to those areas considered to present the greatest risk; where the Office of Legislative Auditor General can provide the greatest amount of value. 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. Completion of the plan may be affected by audits requested by the commission, management officials, special projects, and unforeseen circumstances.



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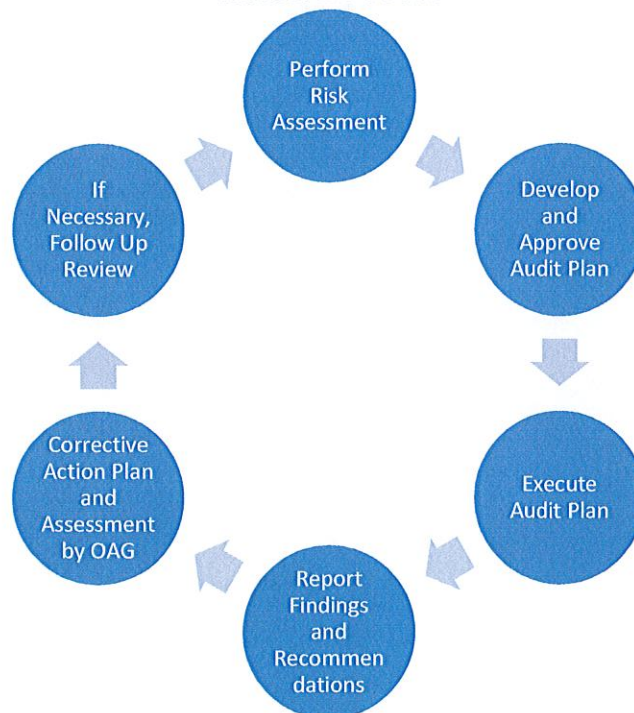
Audit Process

As noted below, our audit process begins with the OAG performing a countywide risk assessment which is described in more detail below. Once the risk assessment is complete and input is provided by the commission and county leadership, the audit plan is developed, submitted, and discussed with the Committee on Audit and received and filed by the Wayne County Commission.

Upon completion of audit fieldwork procedures, a report is drafted which addresses the findings and recommendations resulting from the audit work performed. The OAG allows management the opportunity to review the draft report for accuracy and include the views from responsible officials within the report. The draft report is submitted to the Committee on Audit for discussion, review, and forwarded to the Wayne County Commission to be received and filed.

After issuance of the final report, the OAG requests a corrective action plan from management. The corrective action proposed by management is assessed and the report is issued. Follow-up reviews will be performed based on the seriousness of the identified risk and related impact to the county.

Audit Process





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Risk Assessment

The Office of Legislative Auditor General performed a countywide risk assessment to gain an understanding of key financial, compliance, and business risks that could potentially threaten the county's achievement of its objectives. To complete the countywide risk assessment, a risk assessment questionnaire survey was sent to all county elected officials and executive department and division heads. In addition, the OAG reviewed budgeted revenues and expenditures by department and divisions along with the last time the OAG performed an audit/review within an agency/department.

Risk Categories and Descriptions

Risk Category	Risk Description
Budgeted Revenues, Expenditures	Amount of budgeted revenues and expenditures of the agency/department and divisions.
Last Audit	Section 3.119 of the Wayne County Home Rule Charter requires the Auditor General to audit the financial transactions of county agencies at least once every two years, or as otherwise directed by the County Commission
Complexity of Operations	A measure of difficulty in meeting a business/program objective and/or responsibility performing a process or function.
Outside Interest and Public Exposure	A measure of exposure to loss or embarrassment caused by the level of visibility and/or public interest. Interest shown by outside parties such as news media, citizen groups, the general public or others that increases the department/agency risk.
Regulatory/Compliance	The existence and applicability of external laws, regulations, contractual or reporting requirements increases the diversity and complexity of system requirements and therefore increase the opportunity for noncompliance.
Management and Employee Turnover or Reduction in Staff	An assessment resulting from the turnover of management and staff or reduction in staff within the last two years. The lack of experience of management or staff or the reduction of staff and its effect on impeding the achievement of performance within programs and overall business objectives.
Control Environment	A measure of exposure or loss due to a lack of controls, including but not limited to written policies and procedures, or a failure to properly implement those policies and procedures in practice.



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Noted Key Concerns

Retention of personnel – High level of turnover across the county. The pace of staff leaving has exceeded the rate at which the county has been able to hire in many departments.

Competitive Salaries and Benefits - Replacing the loss of staff members is difficult because salaries and benefits are not competitive.

Outdated Computer Systems – Numerous county departments are presently operating with outdated information systems to conduct their day-to-day transactions/activities. Many noted the IT systems are no longer supported.

2018 Audit Plan

We designed our “risk-based” audit plan to address what we consider to be the highest priority areas, while allocating our scarce resources to reviewing these areas.

The plan, which lists 43 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. Also included are carry-over engagements from the prior year’s audit plan.

The engagements were selected to assist county leadership and management with their oversight and decision making; improve the effectiveness and efficiency within county operations; and, enhance accountability over resources. 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 11,600 engagement hours. Based on current direct audit hours available, our goal is to complete approximately 25 projects depending on the number of hours it will take to complete each engagement. See page 13 of 18 of our plan for additional detail.

While general audit objectives are included in the plan, specific objectives will be determined upon completion of the planning phase of each engagement.

**SUMMARY SCHEDULE OF ENGAGEMENTS AND OTHER PROJECTS
AUDIT/WORK PLAN, YEAR 2018**

Department / Audit Area	Engagements/Projects Scheduled
Commission / Legislative Branch	1
Corporation Counsel	1
Office of the County Clerk	1
Office of the County Executive	1
Health , Veterans and Community Wellness	6
Homeland Security	1
Management & Budget	5
Personnel/Human Resources	1
Office of the Prosecuting Attorney	1
Public Services	2
Office of the Register of Deeds	1
Senior Citizens	0
Office of the Sheriff	3
Technology	2
Office of the Treasurer	4
Wayne County Employees Retirement System	2
Wayne County Component Units	3
Office of Legislative Auditor General	8
Total	43

**DETAIL SCHEDULE OF ENGAGEMENTS AND OTHER PROJECTS
AUDIT/WORK PLAN, YEAR 2018**

Department Audit Area/ Program (Service)	Proposed		
	Program/Service Area	Objective(s)	Engagement/ Product Type
<i>Wayne County Commission (1)</i>			
Commission	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	Determine whether management has taken sufficient action to address the recommendations.	Corrective Action Plan
<i>Office of the County Clerk (1)</i>			
General Services	Vital Services	Determine whether management has taken sufficient action to address the recommendations.	Corrective Action Plan
<i>Office of the County Executive (1)</i>			
EDC & Land Bank Administration^	Land Bank	Assess effectiveness and adequacy of the internal control environment.	Performance/ Corrective Action Plan
<i>Health, Veterans and Community Wellness (6)</i>			
Wellness Services*	CDBG Program	Assess effectiveness and adequacy of the internal control environment.	Performance/ Corrective Action Plan
Juvenile and Youth Services	Head Start	Assess effectiveness and adequacy of the internal control environment.	Performance/ Corrective Action Plan
Wellness Services	WIC Program	Assess effectiveness and adequacy of the internal control environment.	Performance/ Corrective Action Plan

^ Commission requested engagement

* Engagement Started in 2017

**DETAIL SCHEDULE OF ENGAGEMENTS AND OTHER PROJECTS
AUDIT/WORK PLAN, YEAR 2018**

Department Audit Area/ Program (Service)	Proposed		
	Program/Service Area	Objective(s)	Engagement/ Product Type
Clinical Services [^]	Jail Medical	Assess the savings from outsourcing services and adequacy of management of contract.	Performance/ Corrective Action Plan
Clinical Services	Community Corrections	Assess effectiveness and adequacy of the internal control environment.	Performance/ Corrective Action Plan
Juvenile & Youth Services	Juvenile Services	Assess the internal control environment of Care Management Organization Contracts	Performance/ Corrective Action Plan
<i>Homeland Security (1)</i>			
Emergency Management*	Emergency Management	Determine the effectiveness of emergency preparedness.	Performance/ Corrective Action Plan
<i>Management & Budget (5)</i>			
Financial Reporting*	Payroll	Determine the effectiveness of the internal control environment overtime.	Performance/ Corrective Action Plan
Benefits and Disability Administration	Benefits	Assess effectiveness of administration of retiree healthcare stipend program.	Performance/ Corrective Action Plan
Financial Reporting	Mileage Reimbursement	Determine whether management has taken sufficient action to address the recommendations.	Corrective Action Plan
Accounts Payable	Accounts Payable	Assess effectiveness and adequacy of the internal control environment.	Performance/ Corrective Action Plan
Capital Development & Building Administration	Building Administration	Assess the control environment over county leases of space.	Performance/ Corrective Action Plan

[^] Commission requested engagement

* Engagement Started in 2017

**DETAIL SCHEDULE OF ENGAGEMENTS AND OTHER PROJECTS
AUDIT/WORK PLAN, YEAR 2018**

Department Audit Area/ Program (Service)	Proposed		
	Program/Service Area	Objective(s)	Engagement/ Product Type
<i>Personnel / Human Resources (1)</i>			
Personnel	Personnel	Assess compliance with laws, regulations, and policies.	Performance/ Corrective Action Plan
<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>			
Engineering^*	Permits	Assess effectiveness over the permitting process.	Performance/ Corrective Action Plan
Wayne County Sewage Disposal Systems	Audited Financial Statements for FY 2017	Assess the audited financial statements.	Financial Assessment – Limited Review
<i>Office of the Register of Deeds (1)</i>			
Register of Deeds	Administration	Determine if controls over cash receipts are effective.	Performance/ Corrective Action Plan
<i>Senior Citizens (0)</i>			
<i>Office of the Sheriff (3)</i>			
Jails^	Tethers	Assess the control environment over tether operations	Performance/ Corrective Action Plan
Jails	Inmate property	Assess control environment over inmate property	Performance/ Corrective Action Plan

^ Commission requested engagement

* Engagement Started in 2017

**DETAIL SCHEDULE OF ENGAGEMENTS AND OTHER PROJECTS
AUDIT/WORK PLAN, YEAR 2018**

Department Audit Area/ Program (Service)	Proposed		
	Program/Service Area	Objective(s)	Engagement/ Product Type
Jails*	Commissary	Determine whether management has taken sufficient action to address the recommendations.	Corrective Action Plan
<i>Technology (2)</i>			
Enterprise Computing and Infrastructure*	Telecommunications	Assess effectiveness of telecommunications.	Performance/ Corrective Action Plan
Enterprise Application	Enterprise Application	Assess controls over county software licenses.	Performance/ Corrective Action Plan
<i>Office of the Treasurer (4)</i>			
Treasury Management/ Investments	Review of Quarterly Investment Reports Fiscal Years 2017	Perform a limited review of the WCTO quarterly investment report for fiscal year 2018.	Limited Analytical Review
Tax Administration*	Excise (Tourist) Tax 2016	Perform a review of stadium excise tax activity for calendar years 2016.	Agreed-Upon Procedures
Tax Administration	Excise (Tourist) Tax 2017	Perform a review of stadium excise tax activity for calendar years 2017	Agreed-Upon Procedures
Taxpayers Services Land Management	Forfeiture	Assess control environment over forfeitures.	Performance/ Corrective Action Plan
<i>Wayne County Employees' Retirement System (2)</i>			
WCERS	Defined Benefit Audited Financial Statements for Fiscal Year 2017	Assess the audited financial statements.	Financial Assessment – Ltd. Review

^ Commission requested engagement

* Engagement Started in 2017

**DETAIL SCHEDULE OF ENGAGEMENTS AND OTHER PROJECTS
AUDIT/WORK PLAN, YEAR 2018**

Department Audit Area/ Program (Service)	Proposed		
	Program/Service Area	Objective(s)	Engagement/ Product Type
WCERS	Contribution Plan Audited Financial Statements for Fiscal Year 2017	Assess the audited financial statements.	Financial Assessment – Ltd. Review
<i>Component Units:</i>			
<i>Wayne County Land Bank Corporation (1)</i>			
Wayne County Land Bank Corporation	Audited Financial Statements for FY 2017	Assess the audited financial statements.	Financial Assessment – Limited Review
<i>HealthChoice of Michigan (1)</i>			
HealthChoice of Michigan	Audited Financial Statements for Fiscal Year 2017	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 2017	Assess the audited financial statements.	Financial Assessment – Limited Review
<i>Office of Legislative Auditor General (8)</i>			
Auditor General ^	Budget Sensitive Issues/ FY 2017 CAFR Review	Report budget sensitive issues and assessment of the county financial position to the Ways & Means and Audit committees.	Consulting
Auditor General	Budget Hearings	Attend the Fiscal Year 2018-2019 Commission Budget Hearings.	Special Project

^ Commission requested engagement

* Engagement Started in 2017

**DETAIL SCHEDULE OF ENGAGEMENTS AND OTHER PROJECTS
AUDIT/WORK PLAN, YEAR 2018**

Department Audit Area/ Program (Service)	Proposed		
	Program/Service Area	Objective(s)	Engagement/ Product Type
Auditor General	2017 Annual Report	Report on the Office of Legislative Auditor General's Activity for 2017.	Special Project
Auditor General	Updates on Outstanding Recommendations	Assess and provide status schedule on outstanding recommendations contained in OAG engagements.	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 2019 budget. Prepare the required monthly and quarterly reports. Monitor the OAG financial activity for FY 2018 and FY 2019.	Special Project
Auditor General	Manage and monitor external audit	Manage and monitor FY 2017 and FY 2018 external audits.	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			20,800
Total Available Hours (#)			11,600
Total 2018 Engagements/Projects Included on Plan			43

Note (#) – Based on available audit hours vs. estimated hours for engagements and projects identified in OAG 2018 Audit/Work Plan, some engagements will roll forward to the OAG's 2019 Audit/Work Plan.

^ Commission requested engagement

* Engagement Started in 2017

Appendix A

Types of Engagements

Types of Engagements

<u>Engagement Types</u>	<u>Auditing Standards</u>
<u>Compliance</u> <ul style="list-style-type: none"> Assess compliance with laws, regulations, contracts and grants. 	GAGAS*
<u>Agreed-Upon Procedures</u> <ul style="list-style-type: none"> Examining, reviewing, or performing agreed-upon procedures on a subject matter and reporting on the results. 	GAGAS
<u>Performance</u> <ul style="list-style-type: none"> Assess program effectiveness and results; Assess economy and efficiency of operations; Assess internal control; Assess compliance with legal or other requirements. 	GAGAS
<u>Analytical Review</u> <ul style="list-style-type: none"> Addresses specific identifiable objective(s) of engagement. 	GAGAS
<u>Internal Control Review</u> <ul style="list-style-type: none"> Assess internal controls of department/division/business unit. 	GAGAS
<u>Assurance</u> <ul style="list-style-type: none"> Objective assessment regarding an entity, operation, function, process, system, or other subject matter. 	IIA**
<u>Consulting</u> <ul style="list-style-type: none"> Advisory in nature; performed at request of engagement client. 	IIA
<u>Special Projects / Non-Audit Services</u> <ul style="list-style-type: none"> Focus on specific item/area. 	None
<u>Financial Assessment – Limited Review / Limited Analytical Review</u> <ul style="list-style-type: none"> Review financial statements, and other financial and operational Reports. 	None

Legend:

* Generally Accepted Government Auditing Standards

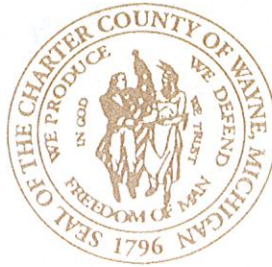
** International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors

Appendix B

Statement of Organizational Independence

Office of Legislative
Auditor General

MARCELLA CORA CPA, CIA, CICA, CGMA
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 2018

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



Date