Office of Legislative
Auditor General

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September 7, 2018

FINAL REPORT TRANSMITTAL LETTER

Honorable Wayne County Commission:

Enclosed is our final copy of the Office of Legislative Auditor General's Consulting Report on Budget Sensitive Issues/Review of the County's Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2017. Our report is dated July 25, 2018; DAP No. 2018-57-804. The report was accepted by the Committee on Audit on August 29, 2018 and formally received by the Wayne County Commission on September 6, 2018.

We are pleased to inform you that officials from the county provided their full cooperation. 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. Copies of all Office of Legislative Auditor General's final reports can be found on our website: http://www.waynecounty.com/commission/743.htm.

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

REPORT DISTRIBUTION

Wayne County Department of Management & Budget
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Mathieu Dube, Deputy Chief Financial Officer
Kevin Haney, Deputy Chief Financial Officer, Budgeting and Planning
Shauntika Bullard, Assistant Director, Grants Compliance and Contract Management

Wayne County Commission Fiscal Agency
Mark J. Abbo, Chief Fiscal Advisor / Budget Director

Wayne County Executive

DAP No. 2018-57-804

BUDGET SENSITIVE ISSUES
REVIEW OF COUNTY's 2017 CAFR

Consulting Report

For the period: May 1, 2017 – April 30, 2018

July 25, 2018

Presented to:	*Ways and Means and Audit Committees* County of Wayne, MI
Prepared by:	*Office of Legislative Auditor General* County of Wayne, MI

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July 25, 2018

DAP No. 2018-57-804

Honorable Gary Woronchak, Chairman, Wayne County Commission
Honorable Raymond Basham, Chairman, Wayne County Audit Committee
Honorable Joseph Palamara, Chairman, Ways and Means Committee, and
Members of the Wayne County Commission
Honorable Warren C. Evans, Wayne County Executive

Ladies and Gentlemen:

The Office of Legislative Auditor General (OAG) is pleased to provide its annual report of Budget Sensitive Issues and Review of the County's FY 2017 Comprehensive Annual Financial Report (CAFR) to the Wayne County Commission as it begins its fiscal year 2018-2019 budget deliberations. The report is based on matters of budgetary concerns, audits, consulting, and other engagement reports that contain issues which could have a budgetary impact on county operations and financial position.

In summary, this report identifies issues totaling $97.2 million that have a potential budgetary impact on FY 2018 – 2019 (see Appendix A). The report is primarily prepared for the benefit and use of the county's Ways and Means Committee during its budget deliberation process.

This report is classified as a consulting engagement and contains budgetary issues for the period May 1, 2017 – April 30, 2018, as well as issues contained in the county's Comprehensive Annual Financial Report for the Fiscal Year ending September 30, 2017.

You can be assured that the OAG will continue our efforts to strengthen the county's internal control environment by working to identify and mitigate risk, assess areas for potential cost saving and revenue enhancements, as well as assist the Wayne County Commission in its oversight responsibility of county operations.

Respectfully submitted,

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

PURPOSE AND OBJECTIVE

The purpose of this engagement is to comply with both (1) Enrolled Appropriations Ordinance 2017-635 that requires the Office of Legislative Auditor General (OAG) to summarize issues which may be deemed to have a budgetary impact on the budget hearings and deliberations for the fiscal year 2018-2019 and beyond and to provide the report to the Ways and Means Committee and Wayne County Commission; and, (2) Home Rule Charter section 3.119(e) which requires the OAG report on the financial position of the county.

The objective of this engagement is to specifically identify matters and financial issues that impact county operations and have budgetary implications, with an assessment overview, suggested topics of discussion, and/or courses of action for consideration by the Ways and Means Committee in carrying out their oversight of the budget deliberations and approval responsibilities.

SCOPE

This report is not an audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

This is a consulting report and contains a summary of budgetary issues and observations that either came to the attention of the OAG or were presented in reports to the Wayne County Commission's Committee on Audit for the period May 1, 2017 – April 30, 2018. Also included was a review of the county's Comprehensive Annual Financial Report for Fiscal Year 2017.

The consulting engagement and the procedures performed were in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA). The IIA standards define consulting engagements as advisory and related management services/activities, the nature and scope of which are agreed with and/or requested by management and is intended to add value and improve the county's governance, risk management, and control processes without the internal auditor assuming management responsibility.

The fieldwork for this engagement was significantly completed on July 25, 2018.

METHODOLOGY

The procedures performed were limited to reviewing ordinances, laws, regulations, policies and procedures, the county's 2017 CAFR and other external auditor reports, third-party reports, and when necessary, limited interviews with appropriate management officials. We also reviewed and evaluated financial issues and matters that came to our attention as of June 30, 2018 that could potentially have a budgetary impact on county operations for FY 2018-2019.

We shared the report with Management & Budget (M&B) management officials in order to obtain their comments on the budgetary issues presented in this report.

FISCAL YEAR 2018-2019 - BUDGETARY ISSUES

County Liquidity

We assessed the county's General Fund liquidity by calculating its current and quick ratios for fiscal years 2014 through 2017, as illustrated in the table below.

Wayne County Current and Quick Ratio Analyses General Fund Only Fiscal Years, 2014, 2015 2016, and 2017 (In Thousands)				
	FY 2014	**FY 2015**	**FY 2016**	**FY 2017**
Current Assets	125,492	205,828	215,170	273,137
Current Liabilities	139,404	85,553	48,789	43,746
Current Ratio	**0.90**	**2.41**	**4.41**	**6.24**
Cash + Current Investments + A/R	123,805	204,926	213,403	271,445
Current Liabilities	139,404	85,553	48,789	43,746
Quick Ratio	**0.89**	**2.40**	**4.37**	**6.21**

Liquidity is a measurement of an organization's ability to meet short-term obligations as they come due. The county's current ratio has consistently improved since FY 2014. In FY 2014, the county's General Fund had $0.90 in cash and liquid assets for every $1 in current liabilities. Thus, the county's General Fund did not have sufficient assets to satisfy its short-term obligations. By FY 2017, the current ratio increased approximately 594% to $6.24; meaning, there was $6.24 in cash and liquid assets for every $1 in current liabilities.

The quick ratio is a narrower measure of liquidity and a more conservative indicator of whether the county has enough cash and/or readily available liquid assets on hand to pay its obligations as they come due. This ratio also increased from FY 2014 through FY 2017. In FY 2014, the county had $0.89 in quick current assets for every $1 in current liabilities. However, by FY 2017, the quick ratio increased approximately 599% to $6.21. Therefore, the county had $6.21 in cash and/or readily liquid assets on hand for every $1 in current liabilities to pay its obligations as they become due.

The General Fund is the county's primary operating fund and payer of last resort. The above analysis indicates the county is steadily increasing its liquidity position to satisfy its short-term obligations. However, the county's liquidity is somewhat weak when compared to Oakland and Macomb Counties. For comparative purposes, we performed the same analysis for Oakland and Macomb Counties as illustrated below.

Oakland County
Current and Quick Ratio Analyses
General Fund Only
Fiscal Years 2014, 2015, 2016, and 2017

	FY 2014	FY 2015	FY 2016	FY 2017
Current Ratio	5.35	9.73	8.41	4.99
Quick Ratio	5.35	9.71	8.40	5.79

Macomb County
Current and Quick Ratio Analyses
General Fund Only
Fiscal Years 2014, 2015, 2016, and 2017

	FY 2014	FY 2015	FY 2016	FY 2017
Current Ratio	28.55	15.54	12.08	TBD
Quick Ratio	28.36	15.19	11.87	TBD

➢ **Impact/Action**

- Commission leadership should ask M&B how has the increase in liquidity affected the county's financing abilities; specifically, the cost of financing the jail project.
- Periodic updates on the county's liquidity should be requested, and the Commission should inquire about M&B's intended use of the General Fund surplus balance in FY 2018 and FY 2019.

Views from Responsible Officials:

The increase in liquidity has a direct relationship, along with other factors, to the increase in the County's credit rating. As the County's credit ratings increased, the cost assessed to the County to borrow money decreases. The County has received rating increases from all three rating agencies as a result of our efforts over the past 3 years and as a result will be able to issue bonds for the jail project at competitive rates.
The Commission receives periodic updates regarding the County's liquidity through the cash flow forecast reports.

Fund Deficits

Fund deficits have increased approximately 16% from FY 2015. While fund deficits decreased from FY 2015 to FY 2016, fund deficits are going in the wrong direction when comparing FY 2016 to FY 2017.

See schedule of unassigned fund balance deficits, below:

County of Wayne Comprehensive Annual Financial Report Unassigned Fund Balance Deficits Fiscal Years Ending September 30, 2015, 2016 and 2017						
Description by Fund	Unassigned Fund Balance 9/30/2015	Unassigned Fund Balance 9/30/2016	2015/2016 Increase (Decrease)	Unassigned Fund Balance 9/30/2017	2016/2017 Increase (Decrease)	2015-2017 Total Increase (Decrease)
Health	$ 3,295,968	$ -	$ (3,295,968)	$ 1,569,899	$ 1,569,899	$ (1,726,069)
Victim Witness	143,753	113,768	(29,985)	26,809	(86,959)	(116,944)
Nutrition	3,380,780	4,160,587	779,807	2,596,876	(1,563,711)	(783,904)
Community & Economic Development	2,816,274	3,351,849	535,575	2,681,496	(670,353)	(134,778)
Health & Family Services		1,171,033	1,171,033	1,678,990	507,957	1,678,990
Economic Development Corporation		261,617	261,617	2,648,712	2,387,095	2,648,712
Stadium & Land Development	12,111	-	(12,111)	-	-	12,111
Totals	$ 9,648,886	$ 9,058,854	$ (590,032)	$ 11,202,782	$ 2,143,928	$ 1,578,118

Unassigned fund deficits have increased from $9.6 million in FY 2015 to $11.2 million in FY 2017. This represents an increase of approximately $1.6 million or 16%, over the three (3) fiscal year periods.

➤ Impact/Action

- The commission should request the administration provide frequent updates on eliminating remaining fund deficits especially in the Community & Economic Development and Economic Development Corporation Funds which total $5.3 million or 48% of the total fund deficits.

Views from Responsible Officials:

Deficits in the Nutrition, Victim Witness, Community and Economic Development funds were addressed through the 2016 Deficit Elimination Plan (TCM 2017-31-070) and approved by the State Treasurer's Office in July, 2017. The plan was amended in May, 2018 to include the Public Health, Health and Family Services, Wetland Mitigation and Economic Development Corporation funds. The State approved the amended plan in June, 2018. The Plan required Commission approval prior to submission to the State. Management provides periodic updates to the Committee on Ways and Means regarding the progress of the Plan.

Improvement in County Bond Rating

The county has experienced a slight improvement in its bond ratings. The three (3) major ratings agencies – Moody's Investor Services, Standard & Poor's, and Fitch Ratings – have previously downgraded the county's bond rating below investment grade; i.e., junk status. However, S&P and Moody's have upgraded their outlook to "positive" and for the other rating agency, Fitch, the rating remains at "stable". See attached table for historical trend of county's bond ratings.

Wayne County Bond Rating
FY 2012 – FY 2018

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Outlook
S&P	BBB-	BB+	BB+	BB+	BB+	BBB+	Positive
Moody's	Baa3	Ba3	Ba3	Ba1	Ba1	Baa2	Positive
Fitch	BB-	B	B	BB+	BBB-	BBB-	Stable

Source: County's CAFR's

Fitch attributed its new Wayne County bond rating to the progress it has made toward eliminating its financial distress and realigning its long-term liabilities.

Moody's rating reflects an improved financial position balanced against dependence on capped property taxes and limitation on tax base and levy growth.

S&P Global Ratings revised the outlook on Wayne Charter County, Mich.'s existing Limited-Tax General Obligation (GO) debt to positive and upgraded them to investment grade.

The county maintaining a strong bond rating is important as the county moves forward with the Jail Project and critical investments in public infrastructure.

- **Impact/Action**

  - There has been a slight improvement in the "outlook" of the various rating agencies. The commission should continue to request copies of the bond rating reports and status of increased ratings;
  - The commission should request periodic updates from M&B regarding contemplated financial initiatives and what their impact may have on the county's bond ratings.

Views from Responsible Officials:

Wayne County's current underlying ratings based on its limited tax general obligation pledge are BBB+ with a positive outlook from S&P; Baa2 with a stable outlook from Moody's; and BBB- with a stable outlook from Fitch. S&P raised its rating two notches from BBB- and Moody's upgraded their rating two notches from Ba1 as of June 1, 2018 and June 15, 2018, respectively. Fitch last affirmed its BBB-/stable rating on May 18, 2018 after it had previously upgraded the County's rating on May 26, 2017 to BBB-/positive from BB+. The County's current positive rating trend commenced with all three agencies in 2016.

Management provides periodic updates to the Committee on Ways and Means regarding any changes to our ratings and the impact to our finance position.

SAS 114 and Single Audit Comments and Recommendations

The SAS 114 Letter did not contain findings with questionable costs. All the findings were included within the Single Audit Report. The county's Single Audit (A-133) for year ending

September 30, 2017 contained 14 findings. Of the 14 findings, 11 are considered material weaknesses and three (3) are considered significant deficiencies.

Single Audit Findings for Year Ending September 30, 2017

Ref. #	Finding	Type of Weakness	Repeat	Disallowed Costs
2017-001	County's general ledger underlying financial records of component units not reconciled or closed timely resulting in adjustments of $33.4 million in corrected and uncorrected misstatements in revenue and expenses.	Material	No	None
2017-002	County does not have a system in place to accumulate and review census data to comply with GASB 74.	Significant Deficiency	No	None
2017-003	There is not a system in place to verify that the bank makes the changes related to terminated employees and closed accounts.	Material	No	None
2017-004	County and Wayne County Land Bank lacked appropriate monitoring of account balances during the year to compile complete and accurate financial reports.	Material	No	None
2017-005	County and three component units were not in compliance with laws and regulations: County – Construction and performance bonds not escheated to State. County – Expenditures in excess of the amount appropriated by Commission. Building Authority and Greater Wayne County Economic Development – No prepared budgets. Land Bank – Budget not approved by board.	Material	No	None
2017-006	Land Bank does not have sufficient process and controls in place to complete its accounting and financial reporting functions. Also lack of supporting documentation for balances.	Material	No	None
2017-007	No review process over reconciliation and review of fix asset module requiring adjustments of $29 million.	Material	No	No
2017-008	Controls not in place to minimize time elapsing between transfers of funds from state to sub recipients. Also lack of controls to ensure commitments and obligations were liquidated.	Material	Yes	$60,927
2017-009	Initial SEFA did not report expenditures of program income in accordance with the above regulations.	Significant Deficiency	No	None
2017-010	Subrecipient agreements provided the incorrect CFDA number.	Significant Deficiency	No	None
2017-011	Controls not in place to ensure that only those costs included in budget as federal are reimbursed by grant.	Material	No	$51,059
2017-012	Controls in place did not ensure that time and effort support was maintained. Also, the lack of documentation did not conform to requirements.	Material	Yes	None
2017-013	Controls not in place to ensure that cash receipts were initiated in a timely manner. Example, $313,000 and $63,000 of expenditures which the county did not draw down.	Material	No	None
2017-014	Controls in place were not adequate to ensure the SEFA was complete and accurate.	Material	No	None

Areas of Concern

➢ **Impact/Action**

- Staffing shortages/turnover.
- Outdated accounting software.
- Noncompliance with federal reporting requirements.
- Monitoring of component units procedures over financial reporting.
- Noncompliance with laws and regulations.
- Noncompliance with Uniform Guidance.

Commission should request periodic reports from M&B regarding corrective actions to address the noted Findings and Questionable Costs, especially those involving staff shortages, technical deficiencies, reporting requirements, and adherence to Uniform Guidance.

Views from Responsible Officials:
The Department of Management and Budget annually completes an A-133 mandated report of the "Status of Prior Year Audit Findings" (status). This report discloses, for each finding, whether the corrective action has been completed or at what stage of completion the corrective action is in. The auditors' final findings are not issued until the audit is complete, which is six months after the fiscal year end. Corrective actions are subsequently made and a new status is written, which is satisfactory for the funding sources. Reporting the status more often would not be productive.

Repeat findings do not necessarily indicate that a corrective action has not been taken. The audit is being performed months after the fiscal year end being audited and thus deficiencies are not discovered until well after the end of the fiscal year which than results in a repeat finding. Auditor disclosed questioned costs do not always result in a payback to the funding agency.

Budget Stabilization (Rainy Day) Fund

The September 30, 2017 balance in the county's Budget Stabilization Fund (BSF) was $23 million. The General Fund (Unassigned) balance at September 30, 2017 was $111,254,767. The balance in the Budget Stabilization Fund is approximately 21% of the General Fund (Unassigned) balance. It has been Management & Budget's past policy recommendation to maintain an unrestricted fund balance of no less than two (2) months of regular operating revenues or regular General Fund expenditures.

In the FY 2016 Budget Sensitive report, M&B officials stated that in the FY 2017 budget, there was a budgeted use of $6.667 million in the Budget Stabilization Fund to fund additional costs associated with Collective Bargaining Agreements that were negotiated with the unions. Based on our review of the Budget Stabilization Fund transactions, the $6.667 million was not used. The BSF remained at $23 million. No additional funds were transferred into the Budget Stabilization Fund during Fiscal 2017.

- **Impact/Action**

  - The Commission should inquire of management of their intent to fund this account in the future; and,
  - Has the $23 million in this fund been earmarked for any initiatives and, if so, what are they?

Views from Responsible Officials:

The Budget Stabilization Fund (BSF) fund balance at the end of FY2017 was $23 million and is included for CAFR presentation purposes as part of the General Fund's Unassigned Fund Balance. In FY 2017, there was a budgeted use of $6.667 million of the BSF to fund additional costs associated with the Collective Bargaining Agreements that were negotiated with the unions. As a result of the surplus generated by the General Fund, that transfer was not required and was not made. For FY 2018, no transfers from the fund were appropriated or budgeted. It is the intent of Management to hold these funds in reserve for future unidentified emergency needs. Any use of these funds would require Commission approval.

Revenue Enhancements – User Fees

In FY 2017, Charges for Services was $132 million, or 23.3% of the total county General Fund revenue.

- This represents an approximate $7.4 million decrease from FY 2016.
- In FY 2017, the commission did not take any actions regarding the review of the county's fee ordinance; although in prior years, the Budget Task Force recommended to "Adjust fees for county services annually to reflect market changes and the rates charged for comparable services in peer counties."

- **Impact/Action**

  - Commission leadership should request executive management submit a report annually reviewing the costs of delivering mandated services and proposing fee increases as deemed necessary.

Views from Responsible Officials:

Management agrees that Charges For Services revenue should be reviewed on an annual basis. Each Department, Elected Office and Agency should be reviewing the charges included in the County Fee Ordinance on a regular basis.

Approximately $60 million of those fees are inter-department charges (Interdepartmental charge backs; sheriff and clerk charges to the courts and other elected officials; intra-departmental allocations of cost within departments) and are based on the cost of services provided. These fees change on an annual basis based on the amount budgeted for these services. Many other fees are based on state law. The Administration would welcome an executive/legislative task force to assess County fees and make recommendations on possible adjustments.

Overtime

In FY 2017, overtime costs countywide were $27.6 million, of which $16.9 million, or 61%, was related to the Sheriff's Office.

Overtime Expenditures -Budget to Actual
(In Millions)

	FY 2015		FY 2016		FY 2017	
	Budget	Actual	Budget	Actual	Budget	Actual
Sheriff	$4.6	$16.9	$7.1	$14.6	$6.8	$16.9
Other Departments	$7.7	$9.3	$8.6	$10.3	$9.3	$10.7
Total Overtime	$12.3	$26.2	$15.7	$24.9	$16.1	$27.6
Sheriff/Total	37%	64%	45%	59%	42%	61%

There are currently approximately 171 vacancies in the Sheriff's Office (See **Succession Planning, Recruiting, Staffing/Open FTEs)** section of report). Part of the contract negotiations for the sheriff deputies included a 5 percent wage increase. While the wage increase may be justified for the deputies, it could contribute to an increase in overtime if the vacancies are not reduced.

In addition, for the last three (3) years, actual expenditures for overtime in the Sheriff's Office have exceeded the budget significantly. In FY 2017, actual expenditures for overtime were $16.9 million or $10.1 million more than budgeted as shown in the chart above.

➢ Impact/Action

- With the changes in retirement and healthcare, even with the increase in wages, it may be hard to attract individuals to fill the significant number of vacancies in the Sheriff's Office which will continue to cost the county for the overtime needed to cover unfilled positions.
- In non-Sheriff positions, complete an assessment of overtime to see if it is more feasible to hire staff to cut down on the overtime cost, or if the amount of overtime is really needed and monitored and tracked properly and ensure countywide policies as it relates to processing overtime is in compliance. Currently, the Wayne County Auditor General's Office is conducting a performance audit on Countywide Overtime. This report can be a tool for assessing the condition of overtime and what is needed going forward to bring a cost savings to the county.

Views from Responsible Officials:

Overtime is most prevalent in three areas of the County: the Sheriff's Jail operations, the Department of Public Services – Roads Division and Management and Budget.

The most significant issue facing the Sheriff's office in regards to overtime is recruitment and retention of officers. The Sheriff's office has approximately 160 to 170 open uniform positions at any given time as well as a number of civilian positions open. As a result, overtime has increased from prior years in order to maintain required staffing levels in the jails. Additionally, the Sheriff's Office is confronted with the Family Leave challenge where over 30.5% of the officers working in the jails are on or have requested FMLA.

The Administration is working closely with the Office of the Sheriff in assisting in the filling of vacant positions and the retention of current deputies. Recruitment fairs and radio advertising is currently being used as part of the recruitment efforts. However, the competition for filling these positions is high as the City of Detroit, Oakland and Macomb Counties and the State of Michigan are also heavily recruiting as well.

In regards to the comment above related to budget actual variance in the overtime account for the Sheriff, Management agrees that there has been significant actual to budget variances. However, the County is required by the Consent Order governing the staffing of the jails to fund a certain number of positions in the jails and cannot unfund those positions to fund other areas of the Sheriff's budget but as a result of the open positions in the Sheriff's budget, there is a offsetting variance in the regular wage account.

Overtime related to DPS is primarily weather related or is the result of emergency road repairs.

Overtime related to M&B is seasonal in nature and is the result of hard deadline requirements for publishing the CAFR and the preparation of the County Budget.

<u>Funding of Retirement System</u>

The funding objective for the Wayne County Employees Retirement System (WCERS) is to establish and receive contributions which will accumulate assets that will pay expected retirement benefits. The funded ratios for FYs 2014, 2015, 2016, and 2017 were 45%, 54%, 54%, and 55% respectively. The market value rate of return during Fiscal Year 2017 was 12% and the fund gained $102 million in investment income.

Per the Annual Actuarial Report for September 30, 2016 and 2017, the required minimum employer contributions are shown in the table below:

	Minimum Employer Contribution Dollar Amount	
	2016 Actuarial Report	2017 Actuarial Report
Fiscal Year Beginning October 1, 2017	$55,082,405	
Fiscal Year Beginning October 1, 2018		$56,869,257

Both actuarial reports stated that the amount deposited into the Retirement System for Fiscal Year 2018 should not be less than this amount assuming the payment occurs mid-year. If the payment occurs later, interest would need to be added.

The actuarial report lists a potential cash flow problem for WCERS. The assets in the plan are not sufficient to cover current retirees' liabilities and the ratio of assets (Market Value) to retiree benefit payroll is 6.2. This means that approximately six (6) years of retiree benefit payments

can be paid from current assets. The ability to make sure payments are made is heavily dependent on future contributions and future investment returns. The recommendation from the actuary is that due to the low funded status of the WCERS retiree liability, every action possible is taken to increase the funding of the plan.
It was also noted in the report that the net decrease in annual pensions was 144 or just over $1.9 million.

The Administration in their 2018 budget pledged $5 million in Road Fund and $1.06 million in wastewater treatment funds as additional payments to accelerate the reduction of the unfunded accrued liability. Management & Budget management indicated that an additional $10.5 million is budgeted for additional funding if not required for the Gratiot Jail Project. The administration also pledged to contribute the $57.5 million in proceeds from the potential sale of the Downriver Waste Water Treatment Facility toward making one-time pension and Other Post Employment Benefits (OPEB) contributions.

- **Impact/Action**

  - Commission leadership should request management's plans to fund the ARC to ensure the pension fund is properly funded.

Views from Responsible Officials:

In FY 2017, the County funded the WCERS DC plan 100% of its required funding and funded the DC Plan's actuarially determined requirement of $47.5 million and made additional contributions of over $9.96 million for a total of 57.43 million

In FY 2018, the County has funded the ARC at the required funding level of $55.08 million in the current budget and will transfer that full amount to WCERS by year end. Also, the Road Fund and ESG/ Wastewater Treatment funds are making accelerated payments, which will total $6.06 million by year end in addition to their normal ARC payment. An additional $10.5 million is budgeted which may be transferred to the DB plan if not required for the Gratiot Jail project. Management will make a determination on that transfer later in the year

In FY 2019, the County has budgeted for the full funding of the ARC payment of $56.9 million along with continuing accelerated payments from Road of $5.0 million.

Management must caution the Commission regarding the current funding policy of the WCERS Board. At the recommendation of the Board's Actuarial consultant, GRS Consultants, the Board's funding policy accelerates the amortization of the funding of the Unfunded Accrued Actuarial Liability (UAAL) by two years each year. As a result, the County will be forced to increase its funding of the UAAL exponentially in the coming years regardless of the County's ability to pay. This policy takes way the County's ability to fund other items such as employee compensation or retiree health care subsidies. Every effort should be made by the Commission and the Administration to have the Board amend this policy or the County will have a funding problem in the very near future.

Healthcare Costs

Healthcare costs are recorded in an Internal Service Fund (#676) - Health Fund. At September 30, 2017, this fund had a surplus of approximately $3.2 million. The OAG performed an analysis of the Healthcare business unit and noted the following: *(See following charts).*

Analysis of Health Insurance Business Unit
FY 2017 Budget to FY 2017 Actual

	FY 2017 Budget	FY 2017 Actual
Revenues	$61.9	$51.7
Expenditures	$61.9	$48.5
Surplus/(Deficit)	0	$3.2

The budget for FY 2018 was reduced approximately $1.7 million from approximately $62 million in FY 2017 to approximately $60 million for FY 2018.

Analysis of Health Insurance Business Unit
FY 2017 versus FY 2018 Budget
(Millions)

	FY 2017 Budget	FY 2018 Budget	Difference Inc/(Dec)
Revenues	$61.9	$60.2	($1.7)
Expenditures	61.9	60.2	($1.7)
Surplus/(Deficit)	0	0	

Actual revenues through March 31, 2018 as recorded in the county's general ledger, were approximately $29.5 million, and actual expenditures $28.4 million. This has resulted in a surplus of approximately $1.1 million through 3/31/18.

Analysis of Health Insurance Business Unit
FY 2018 Budget to FY 2018 Actual
(Annualized Through September 30, 2018)
(Millions)

	FY 2018 Budget	FY 2018 Annualized Thru 9/30/18
Revenues	$60.2	$59.1
Expenditures	$60.2	$56.7
Surplus/(Deficit)	0	$2.4

➢ **Impact/Action**

- Commission should request the administration provide an analysis of actual health care savings realized to-date vs. projected savings; and,
- Request the Budget Director explain how frequently reconciliations are performed and why they do not appear to be timely.

Views from Responsible Officials:

The Department of Management and Budget closely monitors the Health Fund, makes periodic adjustments to ensure proper funding and levels the costs so that all departments and agencies pay the same amounts as a percentage of salary. This analysis usually takes place first in the March/April timeframe of each year in conjunction with the upcoming budget process and is repeated as necessary with a final reconciliation in October once all of the expenditures are captured. For FY 2017, the fund ended the year with a surplus of approximately $3.2 million to boost the Fund Balance to a reasonable $3.8 million in order to protect the fund from any unplanned costs that might occur.
The current Year-To-Date surplus is the result of timing difference and should be corrected by year end.

Retiree Healthcare Stipends

On November 19, 2015, the Wayne County Commission, through Enrolled Ordinance No. 2015-610, amended chapter 141 of the Wayne County Code of Ordinances by adding Section 141-44, *Payment of Stipends to Pre-Medicare eligible Members*...pursuant to the Hugh MacDonald lawsuit settlement.

The purpose of the stipends was to enable retirees to purchase their own health insurance either privately, or through the Exchange via the Affordable Care Act (Obamacare). Total stipends paid in FY 2017 were $2,875,853 and $1,355,518 through June 30, 2018.

The current Presidential Administration is seeking legislation to repeal the Affordable Care Act. There is a possibility millions of Americans will lose their healthcare coverage.

Observations:

There have been some concerns expressed regarding the implementation of the stipend program.

➢ **Impact/Action**

The commission should request the administration provide the following periodic reports:

- A quantification of the savings realized through the changes implemented to retiree healthcare;
- A cost-benefit analysis of the provided monthly healthcare stipends vs. the original payments of monthly retiree healthcare expenditures;
- The status, and potential financial impact, of stipends should the Affordable Care Act be repealed; and,

- An explanation of the decrease in stipend payments during FY 2018.

Views from Responsible Officials:

Retiree health care was eliminated for all non-mirror group retirees in December, 2016. Those affected retirees are provided one of two possible monthly stipends depending on their eligibility. The total stipend cost to the County was $10.33 million in FY 2017. In FY 2018, the projected cost is estimated to be $10.18 million. For comparison purposes, in FY 2015, the year prior to the implementation of the Recovery Plan, the net health care costs required to be funded by the County was $77.1 million.

The Stipend program has a finite number of members. Each year as the population gets older, some members of the Pre 65 group reach Medicare age and the cost on a per member basis is less than the pre 65 subsidy.

Sale of County Assets

The county recently sold and/or leased the following properties for approximately $8.5 million:

- 26116 W. Warren Avenue (Parcel 1 and 2) - $1.8 million
- 26116 W. Warren Avenue (Parcel 3 and Northerly portion 2) for lease - $1
- Northeast Sewage Disposal System (NESDS) to Southeast Macomb Sanitary District (SEMSD) - $6.7 million
- 30712 Michigan Avenue and 3412 Henry Ruff Road (Eloise) - $1

In addition, the county currently has listed 511 Woodward for sale or lease. Current county lease costs exceed $8 million a year. This number can be reduced by consolidating offices and terminating leases.

➢ **Impact/Action**

- Commission leadership should ensure that revenues generated from the proposed sale of county assets are appropriated in a manner that will address improving the county's financial position;
- Request an update on the disposition of the 511 Woodward building; and,
- Request a cost-benefit analysis of terminating leases for non-essential locations and relocating the affected departments into the Guardian Building.

Views from Responsible Officials:

A tentative agreement has been reached with the City of Dearborn Heights for the Warren Valley Golf Course. A small parcel on the course will remain under the control of the Wayne County Parks Division. Commission approval is required to consummate the agreement.

The county has marketed 511 Woodward & received several tentative offers for sale &/or lease options and is currently reviewing those offers. Once any decision is made, it would be propose to the Commission for approval.

The Guardian Building is over 90% occupied at the current time. Management continues to review County lease space availability vs, need but at the present time no additional County operations are planned to be moved to the Guardian in foreseeable future.

Jail Commissary Operations

The OAG conducted a performance audit of the Office of the Wayne County Sheriff, Jail Commissary Operations. The report contained, among other items, the following issues that have a budgetary impact on county operations:

- **Commissary Operations Net Loss**
  The Jail Commissary Business Unit, 35101, incurred a net loss of $213,817 for FY 2017.

- **Minimum Annual Guarantee (MAG) Payments**
  The contract required the vendor to remit a monthly MAG payment of $33,333.33.
    - The vendor unilaterally reduced its MAG payment to $25,708.33 per month from October 2016 through March 2017.
    - The vendor increased its monthly MAG payment to $26,708.33 for April and May 2017.
    - The vendor has not remitted a MAG payment for the months of June 2017 through May 2018. These total $400,000.
- Total MAG payments owed to the county are $460,800.

- **Debit Card Release Program**
  The vendor was to provide a Debit Card Release Program for inmates being released from the jails. This was never implemented. As a result, issuing checks to inmates has cost the county as much as $200,000 per year.

- **Bail Revenue Transactions**
  Per the contract, the booking kiosks would also receive deposits for bail bonds, with the county receiving $1.00 per transaction. However, bail bonds are not being deposited through the kiosks; therefore, the county is not receiving the Bail Bond fee of $1.00 per transaction. Bail bonds are still being received by Wayne County Sheriff's office (WCSO) staff. There were 12,229 bond/cash deposits between August 15, 2015 and July 31, 2017. This resulted in $12,229 lost transaction fees due to the county.

- **Competitive Solicitation for More Favorable Revenue Terms**
  The current contract with the vendor provides the county an annual Minimum Annual Guarantee of $400,000. To determine if the county's revenue contract utilizing a MAG was most beneficial to the county, we benchmarked the Wayne County Jail Commissary contract with the following revenue generating contracts in other locations to determine if there were any financial terms in these agreements that might be beneficial for adoption by the Wayne County Jail Commissary in future contract negotiations. The two (2) agreements we reviewed were:
    - ***Commissary Services Agreement between Macomb County and Canteen Correctional Services.***
    - ***Agreement between the County of Santa Clara and Aramark Correctional Services, LLC for Inmate Commissary Services.***

- We noted that in both agreements, the commission was based on a percentage of gross sales, as follows:
    - o Macomb County Commissary commission is based on 40.5% of gross sales of all products.
    - o Santa Clara commission is primarily based on 50% of gross inmate commissary sales.
- The Wayne County Jails Total Commissionable Sales from August 2015 through May 2017 was $2,202,391. Wayne County could have potentially received an additional $290,808 to $482,746 for these commissionable sales if the commission percentage structure was similar to those of Macomb County or Santa Clara County.

➢ **Impact/Action**

Commission should request Jail Commissary management take necessary action to:

- Eliminate the operating net loss.
- Obtain payment of the past due MAG of $460,800.
- Ensure Bail Revenue transactions are received.
- Issue an RFP that will contain terms to maximize potential revenue for the county.

Views from Responsible Officials:

(This response was provided by the Wayne County Sheriff's Office) As of 7/30/18, the Jail Commissary Business Unit, 35101 indicates a fund balance of $213,840. Continental Distributors Inc. has paid a total of $321,733 in MAG payments. The MAG payments have been negotiated to $340,100 for the period of October 1, 2016 through September 30, 2017. The decrease was due to the fact that the County was unable to integrate the Jail Management System to the Continental Distributors Inc.'s system and because the County did not provide adequate inmate labor in that period. The MAG payments were also negotiated to $375,000 from October 1, 2017 through September 30, 2018 and $380,000 from October 1, 2018 through September 30, 2019.

The Sheriff's Office received two Mag payments one on May 15, 2018 and another on June 29, 2018 for a total of $321,733. On August 15, 2018, Continental Distributors Inc. will submit a check in the amount of $156,666 for a total of $478,399 in MAG payments.

After careful analysis, the Sheriff's Office decided to exercise its right to renew the contract with Continental Distributors Inc., for two years. In fiscal year 2019, the Sheriff's Office will issue an RFP for the services. The new RFP will structure the commission to be based on gross sales of inmate commissary sales.

The Vendor was to provide a Debit Card Release Program that was a component of the proposed Canteen Manager Inmate Banking Program. The County chose to use the 'JMS' Inmate Banking system instead of Canteen Manager. With the expected extension of the vendor agreement, the vendor is willing to install a Debit Card Release Program that can integrate with the current JMS system. The vendor proposes to pay for the integration cost to link the JMS system and the Debit Release Card. The Sheriff's Office is investigating the possibility of implementing this option.

The vendor was to provide a revenue share of Bail Revenue upon implementation of the Booking Kiosks as a component of the Canteen Manager Inmate Banking System. The county chose to use the 'JMS' Inmate banking system instead of Canteen Manager. With the expected extension of the vendor agreement, the vendor is willing to install a Bail Acceptance program through their existing Lobby Kiosks and work with the county to place booking kiosks in Division 1 and 3 Booking areas. The vendor proposes to pay for the integration costs to link the JMS system with the Bail Revenue Program. The Sheriff's Office is investigating the possibility of implementing this option.

FUTURE BUDGETARY ISSUES

Guardian Building

- The Guardian Building had a net operating income of $18,463 for FY 2016/2017. This is compared to net loss of $62,847 for FY 2015/2016.
- In FY 2015 tenant lease space was 39.84%, county leased space 37.81%, and vacant 22.35%.
- In FY 2016 tenant lease space was 43.26%, county lease space 44.05%, and vacant 12.69%.
- In FY 2017 total occupied space increased to 93.60% (6.3% increases) and vacant space decreased to 6.4%. (Note: 511 Woodward (30,000 square feet) continued to remain vacant for FY2017.

Guardian Building
Leased Space Analysis
As of September 30, 2017

		Occupied		Vacant Space	
	Total Sq. Ft.	Sq. Ft.	% of total	Sq Ft.	% of total
Guardian Bldg	469,025	439,015	93.60%	30,010	6.40%
511 Woodward	30,000	-	0%	30,000	100%
Totals	499,025	439,015	87.97%	60,010	12.03%

According to the monthly operating report, total accounts receivable as of September 30, 2017 was $12,548. There were three (3) tenants who were either delinquent and/or in litigation with the county, totaling $10,112.

Event revenue was increased by 65% in 2017 with the hosting of events such as, weddings, corporate events, and fundraisers for non-profit organizations. Net operating income for events totaled $54,149 for 2017.

➢ **Impact/Action**

The OAG acknowledges the Administration's positive actions regarding potential consolidation of county departments into the Guardian Building. In addition, the increase in the building's occupancy rate with the additional interest in renting building space to outside private/corporate individuals has helped in the increase of revenue for the county.

- The commission should request periodic status updates on relocating county offices into the Guardian Building.
- The commission should request monthly operating reports on the Guardian Building and the First Street Parking Structure.
- Request frequent updates from Executive Management on the status of the consolidation plans and the cost savings generated.

Views from Responsible Officials:

Management has no comment.

Economic Development Plans/Land Bank

As noted above, the Community and Economic Development fund had an almost $2.7 million deficit at the end of FY 2017. In addition, the Economic Development Corporation increased their Unassigned Fund balance deficit from $261,617 in FY 2016 to $2,648,712 in FY 2017, an increase of $2,387,095 or 912.4%. The deficit is primarily the result of expenditures exceeding revenues in the two (2) Business Units that record the transactions for the Guardian Building. See the table below:

Financial Activity of Guardian Building Business Units
Fiscal Year 2017

		17242 Dev. Proj. 21st Century	26560 Guardian Operations	26570 Guardian Building Operations	26580 First Street Parking	Total of Fund
Revenues						
	Local Grants	452,250				
	Charges, Fees, and Fines	104,127	699,921	77,805	2,940,356	
	Interest Income	10,048	(9,983)			
	Rents & Expense			3,582,712	207,740	
Total Revenue		**566,425**	**689,938**	**3,660,517**	**3,148,096**	**8,064,976**
Expenditures						
	Materials & Supplies			61,060	13,727	
	Services & Contracts	724,477	2,448,677	1,936,890	470,595	
	Operating Expenditures		30,698	1,287,838	218,018	
	Other Charges	3,248		356,266	451,482	
	Rentals		137,111			
	Capital			1,701,745	504,830	
	Debt Services				8,390	
Total Expenditures		**727,725**	**2,616,486**	**5,343,799**	**1,667,042**	**10,355,051**
Surplus/(Deficit)		**(161,299)**	**(1,926,548)**	**(1,683,282)**	**1,481,054**	**(2,290,075)**

- ## **Impact/Action**

  - The commission should request the Administration to explain why both the Economic Development Corporation and Economic and Community Development Funds are running deficits and how the Administration plans to address them.

Views from Responsible Officials:

The Economic Development Corporation and Economic and Community Development Funds are incorporated into the Deficit Elimination Plan approved by the County Commission and State Treasurer:

The Community & Economic Development Fund deficit plan is on pace to completely eliminate the deficits by FY 2021 as planned by increasing the General Fund General Purpose (GFGP) appropriations to those funds. Specifically, funding from unallocated revenue sharing and unallocated excess tourist tax collections have been identified for this purpose. In future years, these GFGP sources will be appropriated specifically for the elimination of these deficits prior to the allocation of GFGP to other governmental operations.

The Economic Development Corporation (EDC) was added as part of the 2017 Plan. The unassigned fund balance deficit of $2.65 million is primarily the result of a prior year adjustment of $1.89 million for Guardian Building/First Street parking and unbudgeted capital improvements on the Guardian Building. Historically, the Guardian building has operated as a near breakeven operation but has required capital improvements of approximately $1.5 to $2.0 million annually over the years. The 1st Street Parking Deck operation has produced a surplus of approximately $1.5 million annually. This surplus was transferred to the Guardian Building for the necessary capital improvements. Any remaining surplus after the capital improvements was recorded in the General Fund.

Beginning in FY 2018, and until the deficit is eliminated, the County will no longer record any surplus transfers from the Guardian Building/Parking Deck operations in the General Fund and any surplus generated by the Guardian Building/Parking Deck operations will remain in the Fund to be used to reduce the deficit. Further, in FY 2018 through FY 2022, the County will budget $530,000 each year to eliminate the deficit. In FY 2018, building capital improvements previously planned will be deferred and the funding will be set aside for deficit elimination. A budget adjustment will be processed to ensure funding.

In FY 2019 through FY 2022, deficit elimination funding of $530,000 will be included in the adopted operation budgets. Additionally, because the proposed deficit elimination plan will reduce the amount available for capital improvements, Guardian Building rent expense will be increased from $13.75 per square foot for Wayne County Tenants to $15.70 per square foot. This increase will result in an additional $500,000 in rent collections which will be used to supplement capital improvements.

Land Bank

In May 2017 an intergovernmental agreement was approved between the Wayne County Treasurer and the Wayne County Land Bank Corporation. According to the agreement, prior to execution of the agreement, 1,921 properties were conveyed from the Treasurer to the Land Bank and maintenance funds were earmarked as consideration for the Land Bank's administrative and maintenance expenses. The Per Property Allocation is based on a disbursement of $450 times the number of properties and an administrative payment of $100 times the number of properties with a structure. For those properties without a built structure, the disbursement is $200 times the number of properties and an administrative payment of $100 times the number of properties. In addition, the Treasurer is to transfer an additional annual maintenance of $200 times the number of properties and administrative payment of $100 times the number of properties owned by the Land Bank. For the period beginning October 1, 2016 through current, the Treasurer has transferred $1,232,500. However, based on our analysis of expenditures recorded within this unit, $333,928, resulting in over $900,728 excess for maintaining properties

- **Impact/Action**

  - The commission should inquire what will be the disposition of the excess maintenance funds and the need for the Treasurer to continue to transfer funds to the Land Bank for maintenance with an excess in maintenance funds.

Views from Responsible Officials:

The Wayne County Land Bank currently owns over 1,400 blighted and tax-foreclosed properties across the County. One of the Land Bank's core functions is to remediate blight on these properties by (1) expending resources to maintain the properties and (2) selling the properties with targeted maintenance and remediation requirements. Outside of the maintenance funds transferred from the Treasurer's Office Delinquent Tax Revolving Fund, as discussed above, the Land Bank receives no funding from the County or from any other governmental entity.

The above analysis correctly notes that the Treasurer's Office DTRF has transferred $1,232,500 to the Land Bank since October 2016 for maintenance activities. However, the analysis does not completely and accurately reflect the Land Bank's maintenance expenditures. Since October 2016, the Land Bank has spent $508,191 on contractual maintenance services, which includes activities such as cutting grass, trimming trees, and securing vacant homes. This number should increase appreciably prior to the end of the current fiscal year, as most of the Land Bank's contractual maintenance work occurs during the warmer months. Additionally, the Land Bank has spent significant resources on in-house maintenance activities, which include administering maintenance contracts; reviewing and processing maintenance invoices; conducting field reviews of maintenance work; addressing maintenance questions and issues raised by the local communities; conducting field assessments of properties under the Land Bank's Compliance Program; and drafting, monitoring, and enforcing agreements under the Land Bank's Compliance Program. During the present fiscal year, the Land Bank estimates it has spent $105,588 on these in-house activities through July 6, 2018.

Accordingly, the Land Bank disagrees that it is receiving an excess amount of maintenance funds. In fact, the Land Bank is expecting a decrease in the Treasurer's maintenance transfer in FY2019 (down to an estimated $415,000) and an increase in the Land Bank's maintenance expenditures (the budget anticipates $430,000 in contractual services and $194,748 in in-house activities). The decrease is due to an estimated reduction in properties remaining unsold following the Treasurer's tax foreclosure auction this fall, while the increase is due to growth in the Land Bank's Compliance Program. It is crucial that the Land Bank continues to receive proper maintenance funding so that it can be an effective steward of its blighted property inventory. If the Land Bank did not own and maintain these properties, their liability would likely fall to the Treasurer DTRF/Forfeiture program.

OAG Reply

The OAG's analysis was through 5/31/18. As of 7/31/18 we agree with management's figure of $508,191 being spent on contractual maintenance services. In addition, $114,475 has been spent on internal administrative costs. Thus, total expenditures through 7/31/18 are $622,666 which still leaves $609,834 in excess for maintaining properties.

Implementation of Enterprise Resource Planning (ERP) System

As noted in the SAS 114 letter, issued by the county's external auditors in conjunction with the audit of the FY 2016 CAFR, "the county is currently using JD Edwards version 9.1A as its general ledger software, which is no longer supported by Oracle." M&B management acknowledged that the county's accounting system is out of date and is not supporting our financial reporting needs.

On September 13, 2016 the county issued RFP No. 37-17-006, ***Proposal to Provide Enterprise Resource Planning (ERP) System for The Charter County of Wayne, Michigan.*** On November 14, 2016 Cherry Road Technologies submitted its proposal and was selected to implement the project.

- Corporation Counsel is in the process of drafting a contract with Cherry Road.
- Project implementation is estimated at three (3) to four (4) years.
- Per M&B management, the project was not evaluated for cost savings. Rather, the focus is on replacing the current system (JD Edwards) before it fails.
- The county does not have a backup plan when JD Edwards fails.
- The project is expected to cost approximately $30 million.

- **Impact/Action**

  - The commission should request updates on the status of the ERP system implementation and what plans are in effect if the JD Edwards system crashes.

Views from Responsible Officials:

The replacement of the County's current Enterprise Resource Planning systems (JD Edwards and PeopleSoft) is underway. The County's selection committee has selected Cherry Road as the implementation vendor for Oracle Cloud. The next phases of the replacement include sourcing a project support vendor, data cleansing vendor(s), and other consultant vendors. The project is expected to take up to 36 months to complete.

Succession Planning, Recruiting, Staffing/Open FTEs

According to Personnel/Human Resources they are developing succession planning as a part of overall Employee Engagement transformation. Various elements of the engagement strategy must be in place before succession planning can be implemented. The estimated completion date is the third quarter of 2019.

While steps are underway for succession planning, the county has difficulty hiring and retaining employees. Below is a table of budgeted versus actual FTEs for the last three (3) Fiscal Years. The FY 2018 FTE's are as of July 17, 2018.

Budget versus Actual FTEs
Fiscal Years 2016, 2017, and 2018

	FY 2016			FY 2017			FY 2018		
	Budget	Actual	Diff.	Budget	Actual	Diff.	Budget	Actual	Diff.
FTEs	3,989	3,437	-552	4,008	3,385	-623	3,981	3366	-615

In FY 2018, the following departments/elected officials accounted for approximately 87% of the 615 net total vacancies.

• Circuit Court	152
• Sheriff	189
• Health, Veterans, Community Wellness	45
• DPS	117
• M&B	31
• Total	534

P/HR is implementing strategies to address filling these vacant positions. The concern is losing "institutional knowledge" through the attrition of employees. That could pose a serious concern regarding adequately providing county services, as well as fulfilling departmental responsibilities.

In the county's Single Audit (A-133) for FY 2017, the external auditors wrote several findings that county management stated were the result of staff shortages/turnover. In addition, completion of the county's FY 2017 CAFR was impacted by staff shortages within M&B.

The county's hiring, and retention of employees, is paramount to any plan for succession planning. Key positions may not be filled timely, which could jeopardize a department/division from achieving its business objectives and delivering mandated services timely.

- **Impact/Action**

  - Commission leadership should request periodic updates from Personnel/Human Resources on the progress of its hiring initiatives and retention policies.

Views from Responsible Officials:

(This response was provided by the County Personnel/Human Resources Department).
Our Engagement Division has made good progress with their strategic priorities. As discussed previously, succession is a part of the overall Employee Engagement transformation. That said, we have communicated that Employee Engagement is a bit liner, as various elements of the Engagement strategy must be in place before succession can be implemented. We are pleased to advise, that we are well underway with these priorities, including a succession strategy. As a reminder, we previously communicated the target for implementation was TBD 2019, which still seems realistic, but most likely Q3 2019.

The following represents the sequence and status of the Employee Engagement focus:

1. Communication/Intakes and Needs Assessments – Are in process and continue
2. Employee Training – Live and eLearning trainings have been implemented, enterprise-wide, and continue. (These trainings have primarily focused on Professional Standards, Sexual Harassment and Bridging the Supervisor Gap).
3. Partnership with a, cloud-based, eLearning provider of 24-7 learning – Selection has been made and procured – the application was configured and launched effective July 11th, 2018. (Course catalogs and targeted delivery plan is being developed)
4. Partnership with a leadership development provider – Selection has been made - Procurement is in process. (TBD 9-1-2018)
5. Review of a "Performance and Goal Setting" application – Providers are being vetted and demos are under review – Procurement will start once comparable sources are vetted
6. Review of a "Career and Succession Planning" application – Providers are being vetted and demos are under review – Procurement will start once comparable sources are vetted

CONCLUSION

Over the period covered by this report, the Wayne County Office of Legislative Auditor General (OAG) reviewed matters of budgetary concerns, audits, consulting, and other engagement reports that contain issues which could have a budgetary impact on county operations and its financial position.

We believe the county's financial condition is moving in the right direction but there will be continued fiscal challenges faced by Wayne County that could have an impact on the county's fiscal year 2018-2019 budget. As such, we believe these issues may be useful to the commission as part of the budget deliberation process for fiscal year 2018-2019.

This report is intended solely to provide information to the Wayne County Commission and should not be used for any other purposes. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

Marcella Cora

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

APPENDIX A

Summary of Budgetary Impact Issues for Consideration for FY 2018-2019 and Beyond

Description	FY 2018-2019 Budgetary Impact	Page Number
Unassigned Fund Deficits	$ 11,202,782	4
Single Audit Questioned Costs	111,986	6
Budget Stabilization Fund	23,000,000	8
Sheriff Overtime	16,900,000	9
Overtime	10,700,000	9
Retiree Health Care Stipends	3,924,992	14
Jail Commissary Operations		
Net Loss	213,817	15
Past Due MAG Payments	460,800	15
Debit Card Release Program	200,000	15
Bail Revenue Transactions	12,229	16
Competitive Solicitation	482,746	16
Implementation of Enterprise Resource Planning (ERP) System	30,000,000	22
Total Budgetary Impact	$ 97,209,352	