

Office of Legislative
Auditor General

MARCELLA CORA CPA, CIA, CICA, CGMA
AUDITOR GENERAL



500 GRISWOLD STREET
STE. 842 GUARDIAN BLDG
DETROIT, MICHIGAN 48226

TELEPHONE: (313) 224-8354

February 20, 2020

FINAL REPORT TRANSMITTAL LETTER

Wayne County Commission:

Enclosed is our copy of the Corrective Action Plan (CAP) and Auditor General's Assessment for the Department of Public Services – Division of Engineering Permits Office Performance Audit Report. Our report is dated January 14, 2020; DAP No. 2019-57-005. The report was accepted by the Committee on Audit at its meeting held on January 29, 2020 and formally received by the Wayne County Commission on February 6, 2020.

We are pleased to inform you that management and staff from the Departments of Public Services – Division of Engineering Permits Office and Management & Budget provided their full cooperation during the engagement. If you have any questions, concerns, or desire to discuss the CAP and summary in greater detail, we would be happy to do so at your convenience. This report is intended for your information and should not be used for any other purpose. Copies of all final reports of the Office of Legislative Auditor General can be found at our website at: <https://www.waynecounty.com/elected/commission/office-of-the-legislative.aspx>.

Sincerely,

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

REPORT DISTRIBUTION

Wayne County Department of Public Services
Beverly Watts, Director
Dr. Shawny DeBerry, Department Executive 7
Hikmat Kassem, Engineer 6

Department of Management & Budget
Hughey Newsome, Chief Financial Officer
Mathieu Dube, Deputy Chief Financial Officer
Suzanne Abouzenni, Division Director, DPS Finance Division
Shauntika Bullard, Director, Grants and Contract Management
Joan Theile, Supervisor of Financial Accounting

Wayne County Executive

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TELEPHONE: (313) 224-8354

January 14, 2020

DAP No. 2019-57-005

Honorable Raymond E. Basham, Chairman
Committee on Audit
Wayne County Commission
County of Wayne, Michigan
500 Griswold, Ave., Suite 766
Detroit, MI 48226

Subject: **Corrective Action Plan**, including the Auditor General's Assessment, dated August 29, 2019 for the Department of Public Services – Division of Engineering Permits Office.

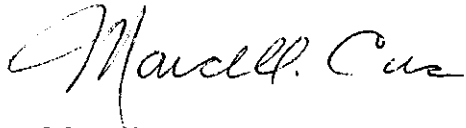
In accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States as it relates to a performance audit engagement, the Office of Legislative Auditor General (OAG) requested the Department of Public Services – Division of Engineering Permits Office to submit a Corrective Action Plan (CAP) for recommendations identified in Department of Public Services – Division of Engineering Permits Office Performance Engagement, dated October 19, 2018.

The CAP was provided as requested. Attached is a Summary and Assessment of the CAP prepared by the OAG. The summary schedule includes: the recommendations; management's comments on the findings and recommendations; management's action taken or planned; whether management has or intends to implement the recommendation; responsible person(s)/area; implementation or targeted implementation date; and the Auditor General's assessment.

Our assessment of the sixteen (16) recommendations found that management took sufficient action to address six (6) recommendations identified in the report and ten (10) are considered in-process. Therefore, a follow-up review is deemed necessary.

Honorable Raymond Basham, Chairman
DAP No. 2019-57-005
January 14, 2020
Page 2 of 2

Respectfully submitted,

A handwritten signature in black ink that reads "Marcella Cora". The signature is written in a cursive, flowing style.

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

Attachment

CC: Beverly Watts, Director, Department of Public Services
Dr. Shawny DeBerry, Department Executive 7, Department of Public Services
Hikmat Kassem, Engineer 6, Department of Public Services
Hughey Newsome, Chief Financial Officer, Dept. of Management & Budget
Mathieu Dube, Deputy Chief Financial Officer, Dept. of Management & Budget
Suzanne Abouzenni, Division Director, DPS Finance Division, Dept. of Management & Budget
Shauntika Bullard, Director, Grants and Contract Management, Dept. of Management & Budget

**Department of Public Services
DIVISION OF ENGINEERING
Permits Office**

**Summary and Assessment of
CORRECTIVE ACTION PLAN**

Auditor General's Recommendation	Management's Comments on Findings and Recommendations	Management's Action Taken or Planned	Management has or Intends to Implement the Recommendation Yes/No	Responsible Person(s)/ Area	Implementation or Targeted Implementation Date	Auditor General's Assessment
<p>2017-01</p> <p>The Wayne County Office of Legislative Auditor General (OAG) recommends that the Wayne County Department of Public Services Division of Engineering, Permits Office:</p> <p>(A) Require dual access to the safe. An individual may possess either a key or the combination, but not both.</p>	<p>Agreed</p>	<p>Wayne County purchased and installed a stationary (bolted to the floor) safe. Wayne County DPS Permit and M&B personnel are the only people to have access to the keyed safe.</p>	<p>Yes</p>	<p>DPS Engineering Division - Permits Office & M&B</p>	<p>Implemented</p>	<p>Management & Budget (M&B) has two (2) keys for the safe. The DPS Permits Office (Permits) has one (1) key for the safe. The OAG observed the opening of the safe and confirmed that it takes dual access with both an M&B key and a Permits key to open the safe.</p> <p>Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.</p>
<p>(B) Ensure that all personal/commercial checks, money orders and cashiers' checks are restrictively endorsed "<i>For Deposit Only</i>" immediately upon receipt by the Clerical Specialist.</p>	<p>Agreed</p>	<p>Completed</p>	<p>Yes</p>	<p>DPS Engineering Division - Permits Office</p>	<p>Implemented</p>	<p>The OAG confirmed that all checks and money orders held in the safe during our onsite visit were restrictively endorsed "<i>For Deposit Only</i>."</p> <p>Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.</p>
<p>(C) Obtain a new "<i>For Deposit Only</i>" stamp with the current Treasurer's name.</p>	<p>Agreed</p>	<p>Completed.</p>	<p>Yes</p>	<p>DPS Engineering Division - Permits Office</p>	<p>Implemented</p>	<p>The OAG confirmed that a new endorsement stamp was obtained and states "<i>For Deposit Only, Wayne County Treasurer.</i>" However, the name of the Treasurer is not noted in order to avoid purchasing a new stamp in the future should a new Treasurer be elected.</p> <p>Based on a limited review of the action taken, management appears to have taken sufficient action to address the recommendation.</p>

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2017-02 The OAG recommend review of the Permit Manual and makes necessary updates in addition to working with the Department of Information Technology (DoIT) to review and ensure the URLs contained within the Wayne County Rules, Specifications and Procedures for Construction Permits manual are valid and active.	Agreed	Permit office will obtain the original Permit Manual and edit the URL links in the Manual and then submit the REVISED version to DoIT. DoIT will then incorporate the necessary changes.	Yes	DPS Engineering Division - Permits Office and DoIT	In Process	DPS management has identified the URLs to be removed from the Permit Manual and will note the manual's current revision date. DPS management also will work with the Department of Information Technology to have the revised manual uploaded to the website in the near future. If the planned action is implemented as described, the action appears to sufficiently address the recommendation. Note: A follow up review may be necessary in the near future to verify that the described action has occurred.
2017-03 The OAG recommends: (A) Review and revise the Plan Review Cost Schedule to ensure it reflects their current costs of operation.	Agreed	DPS Engineering will meet with M&B to determine fringe and labor costs.	Yes	DPS Engineering Division - Permits Office and M&B	In Process	Based on our discussions, DPS management stated that based on an informal review, fees charged on the Plan Review Cost Schedule exceeded the amount of labor costs associated with performing a plan review. They also stated that their cost structure has not changed in a number of years. We confirmed going forward a formal review will be conducted prior to the end of this fiscal year to ensure their fees reflect the current cost of operations. If the planned action is implemented as described, the action appears to sufficiently address the recommendation. Note: A follow up review may be necessary in the near future to verify that the described action has occurred.

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(B) Submit the revised costs to the Wayne County Commission for approval and amendment to the county's Fee Ordinance.	Agreed	If necessary changes are required, projected revisions will be submitted to Commission for approval.	Yes	DPS Engineering Division - Permits Office	In Process	Based on the action taken in 2017-03(A), no change to the fee structure is required at this time. However, if in the future a change will be required DPS management will submit the revised costs to the Wayne County Commission for approval and amendment to the county's Fee Ordinance. If the planned action is implemented as described, the action appears to sufficiently address the recommendation. Note: A follow up review may be necessary in the near future to verify that the described action has occurred.
(C) Periodically perform an analysis to determine whether the fee amount is appropriate.	Agreed	Permit Office Staff reviewed fees charged by Macomb, Oakland and Washtenaw Counties to ensure that Wayne County's fees are comparable. If necessary changes are required moving forward, projected revisions will be submitted to Commission for approval.	Yes	DPS Engineering Division - Permits Office	In Process	DPS management indicated that a cursory review of fees charged by Macomb, Oakland and Washtenaw Counties was performed in order to determine whether fees charged by Wayne County were comparable. However, this review was not documented. Based on discussions with DPS management, a formal documented fee analysis will be performed and submitted to the OAG by the end of February 2020. If the planned action is implemented as described, the action appears to sufficiently address the recommendation. Note: A follow up review may be necessary in the near future to verify that the described action has occurred.

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<p>2017-04</p> <p>The OAG recommends that:</p> <p>(A) DPS Finance – Management & Budget establish a financial report that captures the revenues and expenditures for the DPS – Permits Office to enhance the financial accountability over this county function.</p>	<p>Agreed</p>	<p>The County's current financial system, JDE's, along with the current structure of the fund and business units, limits the ability to capture details of the revenues and expenditures for the Permit office; however, the new PLL system that is in the process of being implemented will be able to capture the necessary financial reporting recommended for the Permit Office.</p>	<p>Yes</p>	<p>DPS Engineering Division - Permits Office</p>	<p>In Process</p>	<p>Based on discussions with DPS management, the Permit, Licensing & Land (PLL) System will be able to track the amount received for each permit as well as track cost for time spent and equipment/material used to generate each permit, however, it will not generate a report that captures all revenue and expenses for the Permits Office as a whole. In addition, DPS Permits office is unable to itemize the expenditures and revenue from JD Edwards for their operations as all DPS Engineering revenue and expenditures are captured on an aggregate basis.</p> <p>In addition, DPS management indicated they will contact M&B to request this type of functionality is contained in the new Enterprise Resource Planning system (ERP). It is hoped that there can be integration between the ERP and PLL systems that will provide more detailed financial reporting.</p> <p>If the planned action is implemented as described, the action appears to sufficiently address the recommendation.</p> <p>Note: A follow up review may be necessary in the near future to verify that the described action has occurred.</p>

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<p>(B) DPS senior management establishes performance measures and reporting for the DPS Permits Office to assist with sound budgetary decision making, ensuring the function is meeting its mandated services, and meeting its strategic business objectives.</p>	<p>Agreed</p>	<p>Monthly Budget to Actual reports are created to ensure sound budgetary decision-making occurs within the Engineering Division. A variance analysis is done on a regular basis.</p>	<p>Quarterly Reporting measures have been implemented</p>	<p>DPS Finance/DPS Administration</p>	<p>In-Process</p>	<p>DPS management stated that quarterly budget to actual reports are prepared, but only at the division level. They are unable to provide an itemized expenditure and revenue report because the Permits Office is a part of the Engineering Division, thus, all revenue and expenditures are captured on an aggregate basis in the Engineering Division.</p> <p>However, DPS management will request an upgrade to the PLL system in FY 2021 to provide these additional reporting capabilities.</p> <p>In addition, DPS management indicated they will contact M&B to request this type of functionality is contained in the new Enterprise Resource Planning system (ERP). It is hoped that there can be integration between the ERP and PLL systems that will provide more detailed financial reporting.</p> <p>If the planned action is implemented as described, the action appears to sufficiently address the recommendation.</p> <p>Note: A follow up review may be necessary in the near future to verify that the described action has occurred.</p>

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<p>2017-05</p> <p>We recommend: (A) DPS Permits Office adheres to Wayne County Rules, Specifications & Procedures for Construction Permits Manual, Rule 2.19.1 through 2.19.5 in order to notify Permit Holders of impending permit expiration within 30 days of the expiration date and initiate any required actions.</p>	<p>Agreed</p>	<p>The PA system does not have the ability to track expiring permits. WC DPS Permits Staff is introducing new software, Cityworks PLL database that will have the capability to trigger notifications to Permit Staff prior to expiration.</p>	<p>Yes</p>	<p>DPS Engineering Division - Permits Office</p>	<p>In Process</p>	<p>Based on discussion with DPS management, the upgraded PLL system will have the ability to automatically notify Permit Holders of impending permit expiration within 30 days of the expiration date through automatically generated email communication. The new PLL system is scheduled to rollout in June 2020.</p> <p>If the planned action is implemented as described, the action appears to sufficiently address the recommendation.</p> <p>However, a follow-up review may be necessary in the near future.</p>
<p>(B) DPS Permits Office should implement a process to manually generate an impending expiring permits report on a monthly basis for review.</p>	<p>Agreed</p>	<p>WC DPS Permits Staff is introducing new software, Cityworks PLL database that will have the capability to trigger notification to Permit Staff prior to expiration. Once permits are identified, the review engineers will notify the applicant via e-mail or a letter.</p>	<p>Yes</p>	<p>DPS Engineering Division - Permits Office</p>	<p>In Process</p>	<p>Based on discussion with DPS management, the office does not currently have the ability to manually notify current Permits Holders of impending expiration due to staffing constraints. However, the upgraded PLL system is expected to have the capability to automatically generate emails to notify Permit Holders of impending permit expiration 30 days in advance.</p> <p>If the planned action is implemented as described, the action appears to sufficiently address the recommendation.</p> <p>However, a follow-up review may be necessary in the near future.</p>

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2017-06 We recommend the Department of Public Services, Permits Office implement procedures to follow up on municipalities' open permits to determine if the work has been completed and receives a final inspection by DPS.	Agreed	DPS Permit Office has adopted the following procedure: At the beginning of each calendar year the Permit Construction Department Manager will review the previous year's Annual Permits (roughly 174). At that time, he/she will close the permits that have had no work performed during that year. The ones with construction activities performed will then require the Department manager to audit and follow up with the applicant concerning required reparations to obtain permit closure.	Yes	DPS Engineering Division - Permits Office	Implemented	DPS Permits office issued 172 annual permits to municipalities and utility companies for 2018. 79 of the 172 annual permits issued remained open on September 25, 2019. The DPS department Manager closed these open permits on September 26, 2019. DPS management closed the other 93 annual permits in April and August 2019 DPS Management stated permits cannot be closed if work was started but had not been completed. Based on our review of the action taken, it appears that management has taken appropriate actions to address the recommendation.

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<p>2017-07</p> <p>We recommend: (A) DPS-Finance and Management & Budget collaborate their efforts to determine ultimately the amount of inspection fees that should be retained by the county through the forfeiture process and as a last resort those fee that cannot be retained or returned to the permit holders are escheated to the state.</p>	<p>Agreed</p>	<p>Management and Budget will assist the Permits office in identifying temporary support that can focus strictly on the outstanding inspection fees and help to determine how much of the outstanding fees can be retained by the county through the forfeiture process and/or need to be escheated to the state. The Permit office will also work with Corporation Counsel as well as to assist in the process to ensure that the process is done under the proper legal channels as well.</p>	<p>Yes</p>	<p>M&B and DPS Engineering Division - Permits Office</p>	<p>In Process</p>	<p>As of September 30, 2019, the Deposit - Bid Performance & Other account (#201.283002) had a balance of \$18,799,872.38, an increase of \$7,312,386.40 since September 30, 2017. Based on communications with DPS Management, the Permits Office has held ongoing discussions with M&B and Corporation Counsel pertaining to the legality and steps involved in the forfeiture and escheatment of outstanding inspection fees. DPS has assigned a member of its staff to work directly with M&B and Corporation Counsel on a regular basis until the project is complete. The first phase of the project is scheduled to begin in mid to late December 2019. However, DPS management is unable to provide an estimated completion date of the project in its entirety until Phase I is completed. If the planned action is implemented as described, the action appears to sufficiently address the recommendation. However, a follow-up review may be necessary in the near future.</p>

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(B) The county implements a process to ensure inspections are performed when a project is completed and develop a dormant permit notification process.	Agreed	The process for a final inspection is initiated by the permit holder and not the Permit Office; however, since there are so many dormant permits due to the lack of requests for final inspections, the Permit Office will be looking into processes, again with the assistant from Corporation Counsel, that will allow the County to retain the fees through the forfeiture process.	Yes	DPS Engineering Division - Permits Office	In Process	<p>During our fieldwork, we obtained the list of open permits and determined, excluding annual and maintenance permits, there were 429 open permits that expired as of August 31, 2019. The 429 permits were issued from October 1, 2015 through August 31, 2017, and had a two-year expiration date.</p> <p>Based on discussions with DPS Management, the Permits Office has attempted to contact a number of dormant permit holders; however, their efforts were not successful. Currently, DPS is collaborating with M&B and Corporation Counsel to develop processes to reduce the number of dormant permits while retaining fees owed to the County.</p> <p>If the planned action is implemented as described, the action appears to sufficiently address the recommendation.</p> <p>However, a follow-up review may be necessary in the near future.</p>

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2017-08 (A) The OAG recommends the Department of Public Services Permit Office implement procedures to ensure each permit file contains the required documents.	Agreed	A checklist was created for the requirements. The form will be completed for each project.	Yes	DPS Engineering Division - Permits Office	Implemented	Based on the review of ten (10) selected permit files, we noted: <ul style="list-style-type: none"> • DPS Management check list implementation date was August 2019 • Each file contained a checklist however the check lists date ranged between September 24 and 27, 2019 and each file selected was started prior to the check list implementation date. • The checklist is used as an audit tool. The OAG suggests enhancements to the checklist such as "date of receipt" and "received by" columns would identify when documents were received and the ability to determine missing documents prior to issuing or closing a permit. <p>Based on our review of the action taken, it appears that management has taken appropriate actions to address the recommendation.</p>
2017-09 The OAG recommends: Plan review deposits are recorded in a liability account when received. Once the plan review occurs, the liability account should be reduced and the associated revenue recorded.	Agreed	M&B began recording the plan review deposits in a liability account as of November 1, 2018.	Yes	M&B	Implemented	The OAG reviewed five (5) permit files and determined that the fees charged for plan reviews with completion dates after November 1, 2018, (the effective date when plan review deposits began to be recorded in a liability account), were properly recorded in the liability account. Based on our review of the action taken, it appears that management has taken appropriate actions to address the recommendation.