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Auditor General

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November 8, 2021

FINAL REPORT TRANSMITTAL LETTER

Honorable Wayne County Commission:

Enclosed is our final copy of the Office of Legislative Auditor General's report on the Wayne County Department of Public Service – Parks Division, Parks Millage Distribution Process. Our report is dated October 11, 2021; DAP No. 2019-57-006. The report was accepted by the Committee on Audit at its meeting held on October 27, 2021 and formally received by the Wayne County Commission on November 4, 2021.

We are pleased to inform you that officials from the Wayne County Department of Public Service-Parks Division 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 reports can be found on our website at: <https://www.waynecounty.com/elected/commission/oag/legislative-auditor.aspx>.

Sincerely,

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

REPORT DISTRIBUTION

Wayne County Department of Public Services

Beverly Watts, Director, Department of Public Services

Alicia Bradford, Divisional Director, Department of Public Services –Parks Division

Suzanne Abouzenni, Divisional Director, Department of Public Services Finance-M&B

Shawny DeBerry, Director of Administration, Department of Public Services –Parks Division

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Hughey Newsome, Chief Financial Officer

Yogesh Gusani, Deputy Chief Financial Officer

Shauntika Bullard, Director, Grants Compliance and Contracts Management

Wayne County Executive

County of Wayne, Michigan

Wayne County Parks Division (WCPD)

**PARKS MILLAGE DISTRIBUTION
PROCESS**

**Performance Audit
October 11, 2021**

DAP No. 2019-57-006

EXECUTIVE SUMMARY

Type of Engagement, Scope, and Audit Methodology

The Office of Legislative Auditor General conducted a performance audit of the Wayne County Parks Division (WCPD), Parks Millage Distribution Process. This type of engagement provides an objective analysis to assist management and those charged with governance and oversight. The information contained in this audit report can assist responsible parties in the improvement of controls and processes and contribute to public accountability.

Our objectives for this engagement were to: 1) Assess compliance to rules, regulations, state laws, Wayne County Ordinances, and ballot language for the allocation and distribution of parks millage funds; and, 2) Assess the allocation and distribution of parks millage funds to communities for approved capital improvement projects.

The scope of our engagement covered the period of October 1, 2017 through September 30, 2019 (fiscal years 2018 and 2019). The principal audit methodology used for this engagement was limited to observations, examination of documents, analytical procedures, and interviews and inquiries with Parks Division management.

Introduction

In 1996, Wayne County residents voted for an annual parks millage property tax levy to fund parks operations and major improvements within the Wayne County Parks System at a rate of \$24.59 per each \$100,000 of assessed property tax value (or .2459 mills). As a result, the Parks Millage Implementing Ordinance was subsequently adopted to provide rules and guidance for the allocation and distribution of millage funds for parks improvements throughout the County. The Wayne County Parks Division (WCPD) is responsible for administering the parks millage allocation and distribution process in accordance to the rules and guidelines stated within the Parks Millage Implementing Ordinance. The Parks Millage property tax levy was recently renewed for years 2021 -2025.

SUMMARY OF ISSUES	
<u>AUDIT OBJECTIVE #1:</u>	
ASSESS COMPLIANCE TO RULES, REGULATIONS, STATE LAWS, WAYNE COUNTY ORDINANCES, AND BALLOT LANGUAGE FOR THE ALLOCATION AND DISTRIBUTION OF PARKS MILLAGE FUNDS.	
Issue Identified	Type of Issue
2019-01 Monitoring and Review of Reimbursement Requests (Pg. 7)	Control Deficiency
2019-02 Enhance Monitoring Over Forfeited Parks Funds (Pg. 9)	Control Deficiency
2019-03 Validation of Parks Project Submissions Documentation (Pg.12)	Control Deficiency
<u>AUDIT OBJECTIVE #2:</u>	
ASSESS THE ALLOCATION AND DISTRIBUTION OF PARKS MILLAGE FUNDS TO COMMUNITIES FOR APPROVED CAPITAL IMPROVEMENT PROJECTS.	
Issue Identified	Type of Issue
2019-04 Parks Project Communications with Local Communities (Pg. 15)	Control Deficiency

Views of Responsible Officials

We shared the results of our audit with Parks Division management, and discussed the issues noted above. We have incorporated Management’s responses to the issues in the “Views of Responsible Officials” section of each issue identified in the audit report.

Corrective Action Plan

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

REPORT DETAILS

PURPOSE / OBJECTIVE

The Office of Legislative Auditor General conducted a performance audit of the Wayne County Parks Division (WCPD), Parks Millage Distribution Process. This type of engagement provides an objective analysis to assist management and those charged with governance and oversight. The information contained in this audit report can assist responsible parties in the improvement of controls and processes and contribute to public accountability.

Our objectives for this engagement were to: 1) Assess compliance to rules, regulations, state laws, Wayne County Ordinances, and ballot language for the allocation and distribution of parks millage funds; and, 2) Assess the allocation and distribution of parks millage funds to communities for approved capital improvement projects.

SCOPE

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

The scope of our engagement covered the period of October 1, 2017 through September 30, 2019 (fiscal years 2018 and 2019).

METHODOLOGY

To address the objectives outlined for this engagement and to obtain an understanding of the Wayne County Parks Division (WCPD), Parks Millage Distribution Process, we conducted observations, examination of documents, analytical procedures, and interviews and inquiries with Parks Division management.

We specifically conducted walkthroughs of activities involving the review and processing of parks millage allocation letters, parks project submissions, intergovernmental agreements (IGAs), and reimbursement requests. We also evaluated processes used to monitor compliance to the Parks Millage Implementing Ordinance and internal procedures. Finally, we met with Parks Division Management to discuss the issues, and to obtain input and concurrence and/or disagreement with the report's conclusions, issues, and recommendations.

BACKGROUND

The Department of Public Services (DPS) employs close to 700 personnel and has an annual budget of approximately \$300 million to conduct its daily operations. The department is comprised of the Public Services Group (PSG) and the Environmental Services Group (ESG), which has six (6) separate divisions: Administration; Buildings; Engineering; Equipment; Parks; and Roads.

Within the Department of Public Services (DPS), the Wayne County Parks Division (WCPD) is responsible for protecting, maintaining, and programming park areas, open spaces, recreation, and leisure facilities for the purpose of enhancing the quality of life for families and citizens served by the County of Wayne.

In 1996, Wayne County residents voted for an annual parks millage property tax levy to fund parks operations and major improvements within the Wayne County Parks System at a rate of \$24.59 per each \$100,000 of assessed property tax value (or .2459 mills). Wayne County residents subsequently voted to renew the levy for tax years 2021 through 2025 at the same rate. Under the renewal, the parks millage levy is expected to generate approximately \$10.9 million in revenue annually (for tax years 2021 through 2025).

The Parks Millage Ordinance requires an annual allocation of the parks millage tax collections. In accordance with Wayne County Parks Millage Implementing Ordinance, Sec. 138-4 - Allocation of parks millage funds; it reads:

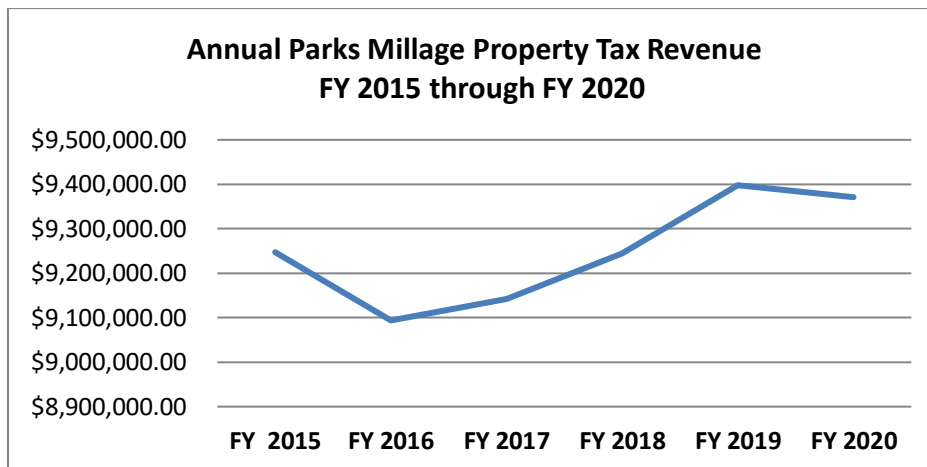
- (a) The parks millage requires an annual allocation by commission district of the greater of \$50,000.00 or 15 percent of the total funds generated from that district for the purpose of improving qualifying municipal parks in the 43 communities in the County of Wayne (hereinafter referred to as the "parks allocations").

Annually, the Parks Division sends a notification letter to each Commissioner's district prior to the end of December each year. The notification includes a notice of the allocation of tax millage collections for that community. Once the millage allocation amounts are calculated, an award letter is sent to the community to notify them of the amount available for park projects. The community is then required to either accept or reject the allocated amount within 60 days and if accepted, submit park project information for the county to review. The Parks Division sends completed project submissions to Corporation Counsel so that an intergovernmental agreement (between the county and the community) can be drafted. The Parks Division reviews and approves the intergovernmental agreement from Corporation Counsel and then sends the signed contract to the community district.

Wayne County had an upward trend in parks millage property tax revenue collections during the period of fiscal years 2016 to 2019. As such, the Parks Special Revenue Fund generated approximately \$9.1 million in property tax revenue in fiscal year 2016 and approximately \$9.4

million in property tax revenue in fiscal year 2019. Parks millage property tax revenue collections slightly declined in fiscal year 2020.

The chart below lists the reported parks property tax revenue collections received during fiscal years 2015 through 2020. All figures were obtained from the Annual Comprehensive Financial Report (ACFR) issued for each fiscal year represented below.



Source: Annual Comprehensive Financial Report (ACFR)

During the period for fiscal years 2018 through 2019, the county allocated \$2.6 million to local community districts and \$4.6 million was retained for identified Park Division projects. During this same period, a total of approximately \$4 million in parks millage were reimbursed to the various Wayne County communities for completed parks projects as outlined within the millage language.

The excess amount of reimbursement to the local communities of \$1.4 million may have originated from completed park projects for years prior to FY 2018 due to the fact the intergovernmental agreements allow the community park projects to be completed over a 2-year period, or longer, if an extension is granted.

In addition, approximately \$2.5 million in park millage funds was spent on identified county capital improvement projects. Some of the major projects completed during this period were for Hines Park, Ann Arbor Bike Trail, and Nankin Mills renovations.

OBJECTIVE 1: ASSESS COMPLIANCE TO RULES, REGULATIONS, STATE LAWS, WAYNE COUNTY ORDINANCES, AND BALLOT LANGUAGE FOR THE ALLOCATION AND DISTRIBUTION OF PARKS MILLAGE FUNDS.

We assessed the Wayne County Parks Division (WCPD) internal control environment in order to verify whether management developed adequate controls to monitor compliance to requirements stated in the Wayne County Parks Millage Implementing Ordinance, including, but not limited to, written policies and procedures. Per the Committee of Sponsoring Organizations (COSO) Internal Control Framework, the control environment is the set of standards, processes and structures that provide the basis for carrying out internal control across the organization.

Conclusion

The Wayne County Parks Division (WCPD) developed written procedures for the allocation and distribution of parks millage funds to communities in April 2019. However, we determined WCPD management will need to revise and enhance the written procedures to align to current business practices related to the monitoring and review of parks projects.

We also found that the controls over reimbursement requests, forfeited funds, and parks project documentation submissions could be strengthened to improve the processes and procedures within the distribution of millage funds to local communities. Below are the specific areas that we identified to manage and mitigate the risks.

Monitoring & Review of Reimbursement Requests

The Wayne County Parks Division (WCPD) is responsible for the oversight and administration of the distribution of parks millage funds received through property taxes in accordance to internal policy and ordinance requirements. In accordance with the Wayne County Parks Millage Implementing Ordinance, Sec. 138-5. - Distribution of Parks Millage Funds:

- (e) - *Funds shall be distributed on a reimbursement basis only.* Funds will not be provided prior to the completion of the approved park project. A community shall timely submit invoices and appropriate documentation as reasonably required by the Wayne County Parks Division and M&B to qualify for reimbursement. The amount of the reimbursement shall not exceed the County of Wayne's contribution to the total project cost contained in the intergovernmental agreement for the park project.

We performed a review of parks project reimbursements that were processed during fiscal years 2018 and 2019 to determine if adequate controls and procedures were in place to ensure that reimbursements were:

1. Remitted for services and amounts approved in the IGA contract and adequately supported by billed invoices;
2. Distributed to the communities timely and in accordance to internal business standards;
3. Posted accurately and timely in the JD Edwards accounting system;

4. Reviewed and approved timely by DPS staff to ensure proper segregation of duties existed within the process.

For our assessment, we requested the reimbursement requests and support for a sample of ten (10) completed projects within community districts; however, the WCPD informed us that they had not received documentation for three (3) of these selected projects from the community.

For the remaining seven (7) completed projects, we reviewed eight (8) reimbursements that were remitted in order to properly validate that the reimbursements were adequately supported by billed invoices and agreed to the services and amounts approved in the IGA contract. Based on our assessment, we determined the following:

1. Two (2) of the provided county reimbursements did not have adequate invoice support for the reimbursement payment to the community. Therefore, we were unable to determine that the WCPD performed a review to ensure that: the community remitted payment to the vendor for the billed services; and, that the billed services agreed to the terms of the IGA contract (i.e. dates, performance, and amount). Specifically, two (2) of the project reimbursements (the City of Livonia - Rotary Park and the City of Dearborn - Lapeer Park) did not submit invoices for work performed by the contractors and only remitted community check payments to the contractors and/or general ledgers records.
2. While we found the WCPD performed an initial sign-off of the reimbursement request and supporting documentation acknowledging receipt from the community, we found no evidence of a subsequent sign-off that an independent or secondary review was performed to validate the supporting documentation for the billed services was submitted and was complete and adequate prior to the reimbursement payment.
3. In addition, we noted three (3) of the eight (8) reimbursements did not have a Payment Authorization Form from the WCPD to evidence that the payment entry and check disbursement was approved prior to providing to DPS Finance. Therefore, we were unable to determine that the payment entry and check disbursement was properly authorized by a separate individual from the preparer.
4. We also noted while the eight (8) reimbursement payments appeared to have been entered by the Account Clerk; we were unable to verify if a supervisory review was performed over the payment entries to validate approval of the payment.

WCPD management stated that they did not have written procedures to address the Parks Millage Allocation processes prior to April 2019. WCPD written procedures that were made effective in April 2019 did not address the internal review of supporting documentation to ensure its accuracy and time frame to remit the reimbursement to the communities for completed parks projects. WCPD management also stated that the Account Clerk periodically performs verifications of check reimbursements to the communities in the JD Edwards financial system to validate the disbursement.

By not having established policy and defined procedures for the review, approval and payment of the reimbursement can result in non-compliance to the terms of the IGA contracts and the Wayne County Parks Millage Implementing Ordinance. Also, without an adequate review of

reimbursement documentation could result in the remittance of payments to communities for unapproved expenditures.

Recommendation #2019-01 – Control Deficiency

To mitigate risks related to the reimbursements process for county parks projects, we recommend WCPD management establish written policies and procedures over the reimbursement of capital park expenditures to:

- a) Ensure that timely communications are held with the communities to obtain reimbursement requests as mandated in the intergovernmental agreement.
- b) Ensure that the authorization, recording, payment, and review functions are segregated and performed by separate staff persons for each reimbursement request.
- c) Ensure a subsequent detailed review of reimbursement documentation is performed and documented to validate that billed invoices are complete and accurate prior to payment processing.

Views of Responsible Officials

Management Agrees with the Recommendation(s)

Written procedures have been implemented through our Standard Operating Procedures to outline the review process. As indicated, the Dept Supervisor II, Dept Supervisor I and Design Manager review the reimbursement request and verify that all required documentation is received prior to processing and approving the pay application. The pay application is submitted to DPS-Finance for review and approval prior to submission to Payables.

Enhance Monitoring Over Forfeited Parks Funds

The Wayne County Parks Division (WCPD) has procedures which require communities to submit documentation for proposed parks projects within a specified time-period to receive allocated parks millage funds. As stipulated in WCPD's Park Millage Allocation Procedures for Communities, (revised April 2019):

- *If a community has not responded within 60 days; a follow-up notification will be sent via email with additional 30-day extension and request for status update. Additional notification to the respective Commissioner maybe required:*
- *If a community fails to respond or submit a project within 90 days (3 months), WC Parks Administration will notify DPS Administration and the respective Commissioner to determine if funding will be reallocated to another community.*

OR

- *If a community fails to respond or submit a project within 90 days (3 months) the funding is forfeited for that fiscal year. WC Parks Administration and DPS Administration will determine if funding can be utilized for Wayne County Parks' capital projects.*

During our period of review, WCPD management stated that parks millage funds were forfeited in instances where:

- The community did not submit the parks project documentation by the requested deadline which is sixty (60) days from receipt of the Parks Millage Fund Allocation Letter, or by the end of a thirty (30) day granted extension.
- The community did not submit the parks project reimbursement request prior to expiration of the two (2) year intergovernmental agreement (IGA).

Our procedures evaluated whether adequate controls were developed to ensure that Parks Division personnel:

1. Performed timely follow-up with communities to obtain project documentation and/or reimbursement requests prior to the decision to forfeit allocated funds.
2. Adequately document the rationale for decisions to forfeit allocated funds for all community parks projects in review.
3. Accounted for and reported on all forfeited parks funds that occurred during the audit scope period.

The Wayne County Parks Division (WCPD) provided a listing of five (5) communities that had forfeited funds during the scope period of October 1, 2017 through September 30, 2019 (Fiscal Years 2018 and 2019). The total amount of forfeited funds for the five (5) communities was \$104,855 (see chart below):

Parks Millage Funds Forfeited During Fiscal Years 2018-2019		
Community	Allocation Year	Forfeited Funds
City of Ecorse	2017-2018	\$ 19,000
City of Flat Rock	2018-2019	\$ 9,000
City of Inkster	2017-2018	\$ 12,161
City of Plymouth	2018-2019	\$ 61,694
City of Rockwood	2018-2019	\$ 3,000
Total Funds Forfeited		\$ 104,855

Based on our assessment and review we noted the following:

1. We requested WCPD management to provide the emails and other communications (i.e., calendar alerts) that were used to follow-up with the five (5) communities to obtain the requested project documentation and/or reimbursement requests prior to forfeiting the allocated parks millage funds. WCPD management stated the follow-up emails were only archived up to six (6) months, and therefore were not available for our review.
2. Specifically, we noted that:
 - a. Three (3) of the communities did not submit the parks project documentation to the Wayne County Parks Division (WCPD) within sixty (60) days of receipt of the Parks Millage Funding Allocation Letters, that were distributed on February 25, 2019 (City of Plymouth Township) and April 1, 2019 (City of Flat Rock & City of Rockwood). WCPD management stated the three (3) communities did not request an extension of

- an additional thirty (30) days to provide the project documentation and receive the millage funding.
- b. Two (2) of the communities (City of Ecorse & City of Inkster) did not submit the parks project reimbursement request to the Wayne County Parks Division (WCPD) prior to expiration of the two (2) year intergovernmental agreement (IGA) on September 30, 2019; therefore the funds were forfeited.
3. We also requested WCPD management to confirm the forfeiture status of an additional eight (8) communities that appeared to not have an assigned project name and/or status of completion in the 2017-2019 Capital Project Spreadsheet, in order to determine whether the communities had forfeited funds.
- WCPD management stated three (3) of the eight (8) communities should have been included in the initial listing of forfeited funds that was previously provided for our review; Specifically, we determined:
 - a. Two (2) of the communities that were allocated funds during fiscal years 2017-2018 (City of Flat Rock) and 2018-2019 (City of Brownstown) had their funds forfeited due to not submitting project documentation.
 - b. One (1) of the communities that were allocated funds during fiscal year 2018-2019 (City of Inkster) had their funds forfeited due to not submitting the signed intergovernmental agreement (IGA) by the requested deadline. WCPD management stated that a modified IGA was submitted to the City of Inkster on June 3, 2020; however, the community never provided the signed IGA to the WCPD for final review.
 - c. Based on our discussion with WCPD management, the remaining five (5) communities projects and supporting documentation were in compliance with WCPD and IGA requirements and should not have been included on the forfeiture listing.

WCPD management stated that they did not retain the emails that were used to follow-up with the communities prior to the forfeiture of funds. Management further stated that they have an internal practice to only archive emails up to six (6) months.

WCPD management also stated they do not send follow-up notification letters to communities to provide advance notice of fund forfeiture. WCPD management indicated they relied upon the clause in the Parks Millage Fund Allocation Letter, which states, “The County encourages the utilization of all allocated funding. Unused funds are not carried over to the next fiscal year.” WCPD management also indicated that they did not update the CIP spreadsheet to include all forfeited amounts by local communities and will review this process going forward.

By not retaining the follow-up communications with the communities, the ability to assess the monitoring of the follow-up process by third party review is diminished. Also, without implementing additional procedures that document the timely tracking and monitoring of the submission of project documentation etc. from the communities, management may not have the ability to make timely decisions to forfeit parks millage funding that could be reallocated to other communities.

Recommendation #2019-02 – Control Deficiency

To enhance the control environment and mitigate risks related to the forfeiture of parks millage funds for local communities; we recommend WCPD management implement the following:

- a) Establish and/or modify current business practices and written procedures to:
 - i. Enhance the monitoring over the submission of parks project documentation, reimbursement requests, and follow-up communications to local communities prior to the forfeiture of funds.
 - ii. Ensure WCPD personnel adequately retain all emails and documentation provided by the communities, at minimum during the IGA period, for accountability and third-party review.
- b) Ensure WCPD personnel record the rationale when park millage funds are forfeited in accordance to ordinance and policy.

Views of Responsible Officials

Management Agrees with the Recommendation(s)

Parks Division Administration has created a spreadsheet to track progress of project IGA with the respective communities. All email communications are now archived for retrieval and logged. The established spreadsheet will assist in noting when projects/agreements are close to completion/expiration and if correspondence is required with the communities.

Validation of Parks Project Submissions Documentation

In accordance with the Wayne County Parks Millage Ordinance, the community must timely submit to the County: proof of municipal ownership of the park; parks project scope and specifications; budgets; and, other requested documentation prior to the drafting of an intergovernmental agreement (IGA).

We selected a sample of ten (10) community parks projects that were completed during fiscal years 2018 and 2019 and requested Parks Division Management to provide the project documentation for each project selected for testing.

We evaluated whether Parks Division personnel performed adequate reviews to ensure that:

- 1. The communities remitted a title deed of ownership, legal description, project description, and any other required documentation for WCPD review.
- 2. The project met the ordinance criteria to receive parks funds: qualified municipal park; capital improvement purposes; and non-operating expense usage.

Based on our review, we noted the following:

- 1. For our sample of ten (10) community parks projects, we attempted to verify whether Parks Division personnel validated that each community submitted a title deed of ownership,

legal description, and project description by the deadline stated within the WCPD Procedures and the Parks Millage Funding Allocation Letter during their review process.

- We obtained support from WCPD management for ten (10) community parks projects and determined that the support provided by management satisfied the documentation requirements for six (6) of the ten (10) as indicated in Chapter 138 of the Parks Millage Implementing Ordinance.
 - For the remaining four (4) community parks projects: (Huron Township-Lajko Park; City of Romulus - Fernandez Park; City of Dearborn – Lapeer and Levagood Parks; and City of Taylor – Papp Park) we noted that the community did not include a title deed of ownership within their parks project submission as proof of ownership.
 - i. Parks Division Management stated each community was required to provide a title deed of ownership in their parks project submission in order to obtain an approved intergovernmental agreement (IGA) for the project.
 - ii. A subsequent discussion with management revealed that they accepted for the Dearborn projects a copy of a tax statement as evidence of municipal ownership. However, this conflicts with the existing operational procedures to acquire a title deed.
 - Parks Division Management also stated they notified non-compliant communities through phone or email on rare instances. However, the division did not retain the correspondence emails or documented the phone communications as supporting documentation of the actions taken.
 - We also requested for Parks Division Management to provide evidence that a review was performed and documented over the submitted documentation provided by the communities. Although management stated that they had performed a review of the submitted project documentation, management indicated that they did not retain documentation of the intrinsic reviews performed for the parks project submissions.
2. We also reviewed the ten (10) community parks projects and noted that the projects appeared to meet the Ordinance requirements to receive parks millage funding (i.e. qualifying municipal park; non-administrative expenses; capital improvement purposes).

Parks Division Management stated they did not utilize a checklist or similar document during their internal reviews of parks project submissions to ensure that all requested documents were provided in compliance to the Ordinance requirements.

Parks Division Management also stated division personnel did not retain or document the communications (i.e., phone calls, emails) during their review of the parks project submissions. Park Division personnel stated they contacted communities through phone or email in instances where project documentation was not received or if the parks project was non-compliant to the Ordinance.

While Parks Division Management provided copies of a tax statement for the City of Dearborn listing showing ownership of Lapeer and Levagood Parks, they plan to work with Corporation

Counsel to revise current WCPD policies and Allocation Letters to be in line with the County Ordinance.

Without documented evidence of a review performed of submitted park project documentation, projects may be approved without complete information. Also, without retaining all follow-up communications with local communities, validation of the actions taken regarding missing documentation cannot be verified. As a result, this reduces the ability to validate compliance with the Park Millage Ordinance.

Recommendation #2019-03 – Control Deficiency

We recommend, to enhance transparency over the review process, Parks Division Management implement the following:

- a) Revise and update written procedures to identify acceptable documentation to validate property ownership.
- b) Revise and update written procedures documenting and approving the reviews performed over parks project documentation submissions.
- c) Ensure all correspondence, including follow ups are documented and retained by park project.

Views of Responsible Officials

Management Agrees with the Recommendation(s)

DPS Parks Administration has revised practices and policies to reflect the initial recommendations. Communication with communities are archived and tracked including project progress status. We accept the finding and will continue the practice per ordinance and park millage requirements for communities to present the deed and legal description for property ownership.

OBJECTIVE 2: ASSESS THE ALLOCATION AND DISTRIBUTION OF PARKS MILLAGE FUNDS TO COMMUNITIES FOR APPROVED CAPITAL IMPROVEMENT PROJECTS.

We assessed the Wayne County Parks Division (WCPD) internal control environment to assess whether management developed adequate controls to ensure that parks millage funds were allocated and distributed to communities on a timely basis. According to the Committee of Sponsoring Organizations (COSO) Internal Control Framework, the control environment is the set of standards, processes and structures that provide the basis for carrying out internal control across the organization.

Conclusion

The Wayne County Parks Division (WCPD) developed a process to send parks millage allocation letters to communities on an annual basis to facilitate the timely allocation and distribution of parks millage funds. However, we determined WCPD management can revise and enhance processes

and written procedures to ensure that a consistent timeframe is followed in notifying communities of parks millage fund allocations.

We also determined the controls over discussions of project status need to be strengthened to improve operations. Below are the specific areas that we identified to manage and mitigate the risks.

Parks Project Communications with Local Communities

We requested from WCPD management their written procedures for the allocation procedures for communities during our scope period. WCPD management provided written procedures that were dated April 2019.

The Park Millage Allocation Procedures for Communities, dated April 2019, stated the following:

Notification Letters to Communities

- The community Recreation Department or designated agency will receive notification no later than December 1 earmarking the fiscal year allocation.
- If a community has not responded within the 60 days; a follow-up notification will be sent via email with additional 30-day extension and request for status update. Additional notification to the respective Commissioner maybe required.

Project Status Updates

- Within six (6) months of the agreement expiration, notification is sent to the community for project status update.

For our period of review, we evaluated whether adequate controls were developed to ensure that:

- a) Parks Division personnel distributed the Parks Millage Fund Allocation Letters timely to each community, and
- b) A status update notification was sent to each community prior to expiration of the intergovernmental agreement (IGA).

We reviewed a sample of ten (10) community parks projects that had an IGA completion date of September 2019 and September 2020. The IGA allows the local community to complete the park projects over a two-year period. As such, the Parks Allocation Notification Letters were sent out in 2018.

Based on our review of documentation for the ten (10) community park projects, we noted the following:

Notification Letters:

Management stated that a decision was made to remit the 2017-2018 Parks Millage Fund Allocation Letter to each community by a target deadline of January 31, 2018 and not by the December 1st deadline stated in the written procedures.

1. As a result, we noted this deadline of January 31, 2018 has not been updated within the written procedures (i.e. Parks Millage Allocation Procedures for Communities, effective April 2019) that were provided as guidance.

2. In addition, we noted the following:
 - Two (2) community letters were dated January 31, 2018 and February 1, 2018;
 - Eight (8) communities Parks Millage Fund Allocation Letters were not sent by the January 31, 2018 deadline. Specifically:
 - Seven (7) of the Parks Millage Fund Allocation Letters were remitted to the communities between February 23, 2018 through May 2018;
 - The Parks Millage Fund Allocation Letter for the remaining community could not be provided for our review upon request because of a miscommunication between the Commission and Parks Division. Therefore, WCPD stated they were unable to timely remit the notification letter to the local community for the 2017-2018 allocation year.

Status Updates:

For our sample of ten (10) completed parks projects, we attempted to review and assess whether a status update notification (i.e., email, letter, etc.) was sent to each community prior to termination of the intergovernmental agreement (IGA).

Based on our inquiry, WCPD management stated personnel would periodically contact various communities regarding status updates within six (6) to nine (9) months of intergovernmental agreement (IGA) expiration. However, management was unable to provide documented evidence of the follow-up communications and did not retain any record of the discussions held. As a result, we were also unable to assess whether WCPD personnel communicated with the local communities.

Untimely distribution of Parks Millage Fund Allocation Letters to the communities can create a delay in parks project execution and completion. Without retaining documented evidence on the status updates obtained from the communities, the Parks Division reduces the transparency of the monitoring performed over parks project compliance to intergovernmental agreement (IGA) terms.

Recommendation #2019-04 – Control Deficiency

To enhance the monitoring and tracking of community parks communications, we recommend WCPD management:

- a) Revise written procedures to align to the current business practice that WCPD management and staff utilized when sending out the annual Notification letters to local communities.
- b) Establish procedures to track and document parks project communications held with commission staff, including written letters and electronic mail, related to the approval of the Parks Millage Allocation letters to be sent to local communities.
- c) Retain all communications, including written letters and electronic mail, held with the communities regarding the status update on park projects prior to the termination of the intergovernmental agreement.

Views of Responsible Officials

Management Agrees with the Recommendation

As reviewed, the written procedures will be aligned with our current business practices. Correspondence will be sent to the communities will be within 30 days after receiving notification from the Commissioners of the community allocations.

OAG OVERALL CONCLUSION

The Wayne County Parks Division (WCPD) has been effective in meeting its goals and objectives to ensure that all community parks projects are approved by the Wayne County Commission through a drafted intergovernmental agreement (IGA), and that parks millage funds are disbursed within the guidelines (i.e. amounts) that are stated in the Park Millage Ordinance.

However, we determined that Parks Division management can strengthen controls within the following areas that include, but are not limited to: monitoring and review of reimbursement requests; enhanced communications with local communities for parks projects; enhanced monitoring of forfeited parks funds; and, validation of parks project submissions and documentation.

There were a total of four (4) issues and 12 recommendations that were presented to strengthen controls and processes within the Wayne County Parks Division (WCPD) operations. All four (4) of the issues are classified as control deficiencies, which are deemed to be low risk.

We discussed the issues and corresponding recommendations with representatives from the Wayne County Parks Division (WCPD). Management agreed with all four of the issues. We have included Management's responses to the issues and recommendations within the audit report.

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

This audit report is intended solely for the information and use of the Wayne County Department of Public Services-Parks Division and the Wayne County Commission and is not intended to be and should not be used by another other than these specified parties. This restriction is not intended to limit the distribution of the audit report, which is a matter of public record.

Sincerely,



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

Appendix A

Definition of Internal Control Deficiencies

Control Deficiency (low risk)

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

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

Significant Deficiency (medium risk)

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

Material Weakness Deficiency (high risk)

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