Office of Legislative
Auditor General

WILLIE MAYO, CPA, CICA
AUDITOR GENERAL

208 WAYNE COUNTY BUILDING
600 RANDOLPH
DETROIT, MICHIGAN 48226
TELEPHONE: (313) 224-0924

March 17, 2009

FINAL REPORT TRANSMITTAL LETTER

Honorable Wayne County Commissioners:

Enclosed is our final copy of the Office of Legislative Auditor General's Corrective Action Plan, and the Auditor general's assessment, for the Wayne County Prosecuting Attorney's Office Fraud Investigative Policies at the County consulting engagement. Our report is dated February 12, 2009; DAP No. 2008-57-008. The contents of this final report did not change from the draft report previously issued. The report was accepted by the Audit Committee at its meeting held on February 24, 2009 and formally accepted by the Wayne County Commission on March 5, 2009.

We are pleased to inform you that the officials from the Prosecuting Attorney's Office, the Wayne County Commission, the Sheriff's Office, the Wayne County Inspector General, and the Department of Personnel/Human Resources 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 at: http://www.waynecounty.com/mygovt/comm/AuditorReport.aspx

Willie Mayo, CPA, CICA
Auditor General

REPORT DISTRIBUTION

Wayne County Prosecuting Attorney's Office
Honorable Kym L. Worthy, Wayne County Prosecutor
Donn Fresard, Chief of Staff

Wayne County Sheriff's Office
Honorable Warren C. Evans, Wayne County Sheriff
Daniel Pfannes, Undersheriff

Wayne County Commission
Bill Johnson, Director, Administration
John Pfeiffer, Director, Office of Policy Research & Analysis

Wayne County Inspector General
David Esper, Wayne County Inspector General

Department of Personnel/Human Resources
Tim Taylor, Director, Department of Personnel/Human Resources

Department of Management & Budget
Carla E. Sledge, Chief Financial Officer
Terry Hasse, Director, Grants & Contract Administration

Wayne County Executive

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RESOLUTION

No. 2009-101

By Commissioner Woronchak

RESOLVED, by the Wayne County Commission this 5th day of March, 2009 that approval be, and is hereby, granted approving the corrective action plan report including the Auditor General's assessment for the Wayne County Prosecuting Attorney's Office, Fraud Investigative Policies at the County consulting report. The report is dated February 12, 2009.

(2008-57-008)

Office of Legislative Auditor General

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208 WAYNE COUNTY BUILDING
600 RANDOLPH
DETROIT, MICHIGAN 48226
TELEPHONE: (313) 224-0924

February 17, 2009

DAP No. 2008-57-008

Honorable Gary Woronchak, Chairman
Audit Committee
Wayne County Commission
County of Wayne, Michigan
600 Randolph, Suite 445
Detroit, MI 48226

Subject: **Corrective Action Plan,** including the Auditor General's Assessment, dated February 12, 2009, for the County of Wayne Prosecuting Attorney's Office Fraud Investigative Policies at the County.

Dear Chairman Woronchak:

In accordance with Government Auditing Standards issued by the Comptroller General of the United States, and the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, the Office of Legislative Auditor General (OAG) requested various county departments to submit a Corrective Action Plan (CAP) for the nine recommendations identified in the consulting engagement of the Fraud Investigative Policies at the County dated July 17, 2007. There were two recommendations addressed to the Prosecuting Attorney's Office; two recommendations were addressed to the Wayne County Commission; three recommendations were addressed to the Department of Personnel/Human Resources; one recommendation was addressed to the Sheriff's Office; and, one recommendation was addressed to the Wayne County Inspector General.

The CAP was provided as requested. Attached is a Summary and Assessment of the CAP prepared by the OAG. The summary schedule includes: the audit 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/area; implementation or targeted implementation date; and the Auditor General's assessment.

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Our assessment of the nine recommendations found two recommendations were resolved, three recommendations were in process, and four recommendations were unresolved. Therefore, a follow-up review is deemed necessary.

Respectfully submitted,

Willie Mayo, CPA, CICA
Auditor General

Pc: Honorable Kym L. Worthy, Wayne County Prosecuting Attorney
Donn Fresard, Chief of Staff, Prosecuting Attorney's Office
Honorable Warren C. Evans, Wayne County Sheriff
Darryl Fordham, Chief of Staff, Sheriff's Office
David Esper, Office of Inspector General
Tim Taylor, Director, Department of Personnel/Human Resources
Carla E. Sledge, Chief Financial Officer
Terry Hasse, Director, Grants & Contracts Administration
John Pfieffer, Director, Office of Policy Research & Analysis

Attachment

County of Wayne Prosecuting Attorney's Office
Fraud Investigative Policies at the County
A Consulting Engagement

Summary and Assessment of
CORRECTIVE ACTION PLAN

No.	Auditor General Recommendation	Management's Comments on Findings and Recommendation(s)	Management's Action Taken or Planned	Management Has or Intends to Implement the Recommendation Yes/No	Responsible Person/Area	Implementation or Targeted Implementation Date	Auditor General's Assessment
07-01	We recommend the Prosecuting Attorney's Office (PAO) finalize the fraud investigation policies and procedures, including incorporating the Mortgage Deed Fraud Investigative Unit's duties, responsibilities and/or limitations of this unit into their external policy and communicate them throughout the county.	Agree. The Wayne County Prosecuting Attorney's Office internal fraud investigative policies for the County have been finalized, and are reflected in Ordinance 73-1. Mortgage Deed Fraud Investigative Unit operations are separate and distinct from County internal fraud investigative policies, absent a County employee's involvement.	In addition to finalizing the policy, the Prosecuting Attorney's Office has requested the Department of Personnel/Human Resources to implement procedures to comply with Section 73-2 of the Fraud Investigation Policy as it relates to communicating the Fraud Investigation Policy to elected officials and county employees.	Yes. Internal fraud investigation policies have been implemented. Deed Fraud recommendations involving County employees are already encompassed by Ordinance 73.	Prosecuting Attorney's Office, Chief of Staff	January 1, 2009	Our review of the PAO's internal Fraud Investigation Policy determined the PAO has established procedures to conduct investigations of fraud complaints by county personnel. Further, the internal policy states the Chief of Investigations shall prepare a report semi-annually regarding the number and nature of investigations conducted, and present the report before the commission's Committee on Audit in June and December of each year. Deed fraud is encompassed in Section 73-3 (1) regarding "…falsification, destruction or unauthorized sale of public records…" We also reviewed the PAO's communication sent to the Director of Personnel/Human Resources requesting the department to disseminate the Fraud Policy to elected officials and county employees as required by Section 73-2. Based on the action taken, and intended, we determined this recommendation is resolved.
07-02	The Wayne County Sheriff's Office develop formal policies and	Agree	Effective January 28, 2009, the Wayne County Sheriff's Office issued **GENERAL**	Yes	Sheriff's Office, Internal Affairs Unit	January 28, 2009	Our review of the Sheriff's Office General Order 09-01 determined the policy established procedures to

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	procedures for investigating suspected fraud/wrongdoing of county employees, which address a collaborative investigation and/or notification process with the PAO to ensure compliance with the ordinance.		**ORDER 09-01.** The purpose of the general order is to establish a procedure for the Wayne County Sheriff's Office in regard to fraudulent/wrongdoing activities involving County of Wayne employees. This policy addresses Sheriff's procedures for the investigation, reporting/communication of fraud, waste, and wrongdoings by county employees in conjunction with Wayne County's Fraud Investigation Policy.				address the reporting of fraud, waste, and wrongdoing by county employees. In addition, the policy states the Sheriff's Office will contact the PAO if complaints of fraud /wrongdoing are reported directly to the Sheriff's Office, which is in compliance with the Fraud Ordinance. Also, the policy states the Sheriff's Office will assist the PAO, if requested, in any investigation of a complaint of fraudulent/wrongdoing activity by county employees. Based on the action taken, management appears to have taken sufficient action to address the recommendation. Therefore, we consider this recommendation to be resolved.
07-03	We recommend that the Inspector General (IG), as an employee of the county, limit its role to information gathering and turn over any reports of suspected wrongdoing or fraud to the PAO on a timely basis; alternatively, the IG could enter into a collaborative agreement with the PAO to consolidate their resources and each role is clearly	Disagree. Inherent in the legal authority of the County Executive is the right – indeed the obligation – to monitor the conduct of executive branch employees and, when appropriate, initiate disciplinary proceedings and implement corrective	The Inspector General has met with Donn Fresard, PAO Chief of Staff, and other representatives of the Prosecuting Attorney on this subject. The IG has agreed that such matters shall be reported to the Chief Investigator in the Prosecutor's Office. We will also coordinate, as necessary, any concurrent administrative and criminal investigation.	No	Inspector General	None	Our discussion with the IG determined he still performs a preliminary investigation of suspected wrongdoing or fraud and determines whether the matter warrants further investigation. It is after his investigation that he reports suspected wrongdoing to the Prosecuting Attorney's Office. It is the OAG's opinion that the IG's investigation process continues to violate the following sections of the county's Fraud Investigation Policy

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	defined.	measures. A legal tool in this regard is the ability of the County Executive to conduct internal, administrative investigations within the executive branch.	The Inspector General has been and continues to be in compliance with the reporting requirements of the county ordinance. Open channels of communication have been established between the IG and Prosecutor's Office, and regular reporting shall occur.				ordinance:
							
							• Sec. 73-3
							  ○ (1) "If a county officer or employee becomes aware of facts or circumstances which give cause to suspect any kind of intentional wrongdoing which involves county property or services, or which involves county employees while engaged in their scope of employment, he/she shall promptly make a report to the chief of operations, department of the prosecuting attorney…."
							  ○ (6) "A supervisor or department head shall not attempt to conduct his/her own investigation of suspected wrongdoing…."
							
							Our discussions with the PAO Chief of Staff revealed that the PAO has received two reports from the IG for the period of September 2008 through January 2009 of suspected wrongdoing or fraud.

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							Based on our limited review and discussion with the IG and PAO, the IG has not limited his function to information gathering. Therefore, this recommendation is considered unresolved. We will be performing a follow up review in the 1st quarter of FY 2010.

Summary and Assessment of
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07-04	We recommend the Department of Personnel/Human Resources develop and implement a consent affidavit in accordance with the Fraud Investigation Policy.	Agree	The Department of Personnel/Human Resources will include a handout, to be read and signed, explaining the Fraud Investigation Policy during New Employee Orientation. This handout will also be distributed and signed off as part of the annual ethics class for all employees. In addition, The Department of Personnel/Human Resources will request Executive appointees and department heads read, sign and return the Fraud Investigation Policy with the Annual Disclosure Form sent out yearly.	Yes	Director, Department of Personnel/Human Resources	Spring 2009	Our discussion with the Director of the Department of Personnel/Human Resources determined the department intends to implement a communication explaining the Fraud Investigation Policy. This communication is scheduled to be read and signed by employees during new employee orientation. The communication will also be implemented as part of the annual ethics class for all employees. However, the Director of the Department of Personnel/Human Resources provided no process as to how the communication will be addressed to elected officials as required by the Fraud Investigation Policy Sec. 73-2. Therefore, we determined this recommendation is in-process until the handout is implemented during the New Employee Orientation, the annual ethics class and is disseminated to elected officials. We will be performing a follow up review in the 1st quarter of FY 2010.

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07-05	We recommend the Department of Personnel/Human Resources develop fraud, whistleblowers', and ethics training and work collaboratively with the PAO to educate all employees on fraud identifiers, rights under the Whistleblowers' Protection Act, detection and reporting on an annual basis. This training can be combined with the annual training county employees currently receive on sexual harassment.	Agree	The Department of Personnel/Human Resources is in the process of creating materials for a new Ethics Class, expected to begin Spring of 2009, which will become, on an annual basis, required training for all employees.	Yes	Director, Department of Personnel/Human Resources	Spring 2009	Our assessment of management's intended action points to the creation of an annual ethics class for all county employees. We believe this intended action will enhance the employees' awareness of ethical standards. Therefore, we determined this recommendation is in-process until the ethics class is instituted. We will be performing a follow up review in the 1st quarter of FY 2010.
07-06	We recommend the Department of Personnel/Human Resources modify new employee orientation to incorporate review of the fraud policy, whistleblower act, consent affidavit and ethics.	Agree	The Department of Personnel/Human Resources, beginning March 2009, will disseminate the appropriate information during New Employee Orientation as it relates to reviewing the fraud policy, whistleblower act, consent affidavit and ethics.	Yes	Director, Department of Personnel/Human Resources	March 2009	Our assessment of management's intended action determined the Personnel Department in its dissemination of the fraud policy during New Employee Orientation will strengthen the county's goal to make employees more aware of the fraud policy, and whistleblower act, in an effort to enhance the county's ethical environment. Therefore, this recommendation is in-process until the New Employee Orientation is modified to include reviewing the fraud policy, whistleblower act, consent affidavit, and ethics.

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							We will be performing a follow up review in the 1st quarter of FY 2010.
07-07	We recommend the county consider revising the Fraud Investigation Policy to include fraudulent financial reporting as promulgated under SAS 99, and to incorporate The Whistleblowers' Protection Act.						Commission leadership is in possession of and reviewing the recommendation. However, as of our report date, the OAG has not received management's comments and corrective action. Therefore, a follow-up review will be performed during the 1st Quarter of Fiscal Year 2010.
07-08	We recommend the county consider developing a comprehensive county-wide code of ethics ordinance and require all employees to annually sign an affidavit affirming compliance with the code of ethics.						Commission leadership is in possession of and reviewing the recommendation. In addition, the OAG believes the Audit Committee Chairperson has expressed an interest in starting an exploratory task force to review the adoption of a county-wide code of ethics. Therefore, a follow-up review will be performed during the 1st Quarter of Fiscal Year 2010.
07-09	We recommend the PAO establish a task force to investigate the feasibility and cost-benefit of establishing a county-wide hotline under the operating control of the PAO.	Disagree. The PAO has inadequate resources to establish a task force. The Inspector General currently has a hotline.	None	No	Prosecuting Attorney's Office Chief of Staff		Our assessment of management's comments determined that, due to limited resources, the PAO is not able to establish a task force at this time; and therefore, is not able to establish a separate county-wide hotline.

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							However, to address the intent and sprit of Fraud Ordinance Section 73-3 (2), which states "a person shall report all cases of work related intentional wrongdoing to the chief of operations, office of prosecuting attorney, first by phone ..." the OAG is of the opinion that, at a minimum, the PAO should request the Executive Branch to revise the county's intranet website for reporting waste, fraud and abuse to include the PAO's office as the first point of contact. This initiative would follow the intent and spirit of the Fraud Investigation Policy. We believe this initiative would also demonstrate the Executive Branch and the PAO's intent to address the statutory requirements of the Fraud Ordinance. As a result, this recommendation is considered unresolved. We will be performing a follow up review in the 1st quarter of FY 2010.