

Office of Legislative Auditor General

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AUDITOR GENERAL



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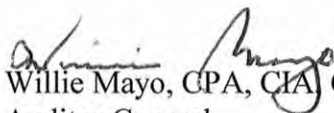
January 28, 2010

FINAL REPORT TRANSMITTAL LETTER

Honorable Wayne County Commissioners:

Enclosed is our final copy of the Corrective Action Plan (CAP) and Auditor General's Assessment for the Attestation Report, Examination of the Wayne County Department of Management & Budget - Risk Management Division and the Department of Personnel/Human Resources - Benefit Administration Division, Procurement and Payment Process for Insurance Contracts, dated October 30, 2009; DAP No. 2009-57-004. The contents of the final report did not change from the draft report previously issued. The report was accepted by the Audit Committee at its meeting held on January 12, 2010, and formally accepted by the Wayne County Commission on January 21, 2010.

We are pleased to inform you that management and staff of the Department of Management & Budget - Risk Management Division and the Department of Personnel/Human Resources - Benefit Administration Division provided their complete and full cooperation during our review. 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 Office of Legislative Auditor General's final reports can be found on our website: <http://www.waynecounty.com/mygovt/comm/AuditorReports.aspx>.


Willie Mayo, CPA, CIA, CICA
Auditor General

REPORT DISTRIBUTION

Wayne County Department of Management and Budget
Carla E. Sledge, Chief Financial Officer
Dinah Tolbert, Deputy Chief Financial Officer
Clarence McNeal, Director, Purchasing Division
Terry Hasse, Director of Grants/Contract Administration Division

Wayne County Department of Personnel/Human Resources
Timothy Taylor, Director
Livia Calderoni, Director, Benefit Administration

Wayne County Executive



RESOLUTION

No. 2010-020

By Commissioner Woronchak and Co-sponsored by Commissioner Varga

RESOLVED, by the Wayne County Commission this 21st day of January, 2010 that approval be, and is hereby, granted approving the corrective action plan report including the Auditor General's assessment for the Wayne County Department of Management and Budget, Risk Management Division and the Department of Personnel/Human Resources Benefit Administration, Procurement and Payment Process for Insurance Contracts attestation audit report; the report is dated October 30, 2009.

(2009-57-004)

Office of Legislative
Auditor General

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October 30, 2009

DAP No. 2009-57-004

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

Subject: **Corrective Action Plan**, including the Auditor General's Assessment dated October 29, 2009, for the Attestation Engagement on the Wayne County Department of Management & Budget's Risk Management Division and the Department of Personnel/Human Resources Benefit Administration Division, Procurement and Payment Process for Insurance Contracts.

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 the Divisions of Risk Management and Benefit Administration to submit a Corrective Action Plan (CAP) for the recommendations identified in the Attestation Report Wayne County Department of Management & Budget's Risk Management Division and the Department of Personnel/Human Resources Benefit Administration Division, Procurement and Payment Process for Insurance Contracts, dated October 27, 2008.

The Divisions provided the CAP 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

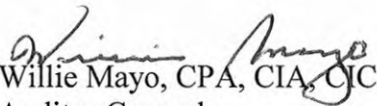


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person(s)/area; implementation or targeted implementation date; and the Auditor General's assessment.

Our assessment of the ten recommendations found that management has taken sufficient action to address four of the recommendations in the report and six recommendations remained unresolved. Therefore, a follow-up review will be necessary for those recommendations in which corrective action has not been taken.

Respectfully submitted,


Willie Mayo, CPA, CIA, CICA
Auditor General

Pc: Carla E. Sledge, Chief Financial Officer
Dinah Tolbert, Deputy Chief Financial Officer
Clarence McNeal, Director, Purchasing Division
Terry Hasse, Director, Grants & Contract Administration Division
Timothy Taylor, Director, Personnel/Human Resources
Livia Calderoni, Director, Benefit Administration Division

Attachment

Wayne County
Department of Management and Budget – Risk Management Division
and
Department of Personnel/Human Resources – Benefit Administration Division
Procurement and Payment Process for Insurance Contracts

**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
08-01 (A) Management & Budget officials should allocate resources to review and revise internal policies that are not in compliance with county ordinances, including the procurement ordinance. The review process should incorporate timely revisions to internal policies when exceptions and/or conflicts are discovered.	Agree	According to the Office of the Chief Financial Officer (OCFO) the Department of Management and Budget (M&B) - Managing for Results (MFR) Strategic Business Plan (SBP) includes performance measures for the update/revision of county financial and internal control policies and procedural adherence to such policies. The M&B Purchasing Division continues to strengthen its communication and training efforts on the procurement ordinance. Training on the procurement ordinance was held on August 13, 2009. The update of policies and procedures will be an ongoing process.	Yes	Office of the Chief Financial Officer and the Purchasing Director	January 31, 2010	The OCFO provided the OAG with correspondence from the Assistant Deputy County Executive/Chief of Staff regarding mandatory procurement training. There were two training sessions held on August 13, 2009. All contract managers were required to attend one of the two sessions. Training was conducted by the Department of Corporation Counsel. Senior M&B management indicated the Director of Purchasing is currently drafting policies and procedures which address this recommendation. If the planned action is implemented as described, the action appears to sufficiently address the recommendation. A follow-up review will be necessary in the near future to verify that the described action has occurred.

Wayne County
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08-01 (B) Benefit Administration officials should allocate resources to review and revise internal policies that are not in compliance with county ordinances, including the procurement ordinance. The review process should incorporate timely revisions to internal policies when exceptions and/or conflicts are discovered.	Agree	Personnel/Human Resources, including the Division of Benefit Administration, are continually reviewing its internal policies and procedures to ensure compliance with all Wayne County ordinances, including the procurement ordinance. However, a formal internal review process for the Benefit Administration Division has not been implemented to date.	Yes	Director, Benefit Administration	December 31, 2009	The Director of Benefit Administration indicated she will be responsible for conducting the internal review. However, the director stated that shortages in staffing due to layoffs, displacements, and other related matters have caused some delay in the review process. Further, the Director stated due to numerous priorities that required the director's immediate attention, the targeted implementation date to formalize the process for this recommendation had to be delayed from October 1, 2009 to December 31, 2009. If the planned action is implemented as described, the action appears to sufficiently address the recommendation. A follow-up review will be necessary in the near future to verify that the described action has occurred.

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08-02 (A) Risk Management establish policies and procedures to ensure all property, casualty, and liability insurance contracts, including the Broker's contract, requiring commission approval be submitted to the Wayne County Commission in sufficient time prior to the policy(ies) renewal dates	Agree	Management has begun drafting a comprehensive policy guide describing the Risk Management Division's core operations (insurance, claims processing, and safety) and the responsibilities of division staff. This policy guide will incorporate by reference, where appropriate, the provisions of other county policies/ordinances. The draft guide is under review by the OCFO. County-wide notifications will also be used for dissemination of more specific divisional policy guidance.	Yes	Office of the Chief Financial Officer	January 31, 2010	The OCFO provided the OAG with a draft copy of the Risk Management Policy Guide. Included are procedures regarding the procurement of property, casualty, and liability insurance contracts. References to provisions of other county policies/ordinances (including commission approval of contracts under the procurement ordinance) still need to be added. If the planned action is implemented as described, the action appears to sufficiently address the recommendation. A follow-up review will be necessary in the near future to verify that the described action has occurred.

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08-02 (B) Benefit Administration establish policies and procedures to ensure health benefits and related contracts requiring commission approval be submitted to the Wayne County Commission in sufficient time prior to the policy(ies) renewal dates.	Agree	Benefit Administration has taken steps to bring all contracts for health and disability benefits and related services into compliance. Only two contracts remain to be submitted to commission for approval – dental and EAP. We intend to submit the contracts before the end of the calendar year.	Yes	Director, Benefit Administration	December 31, 2009	The Director of Benefit Administration provided a schedule of health benefits and related contracts as of October 2009, which require commission approval. The OAG's review of this schedule disclosed that, except for the two contracts noted, expiring contracts received commission approval and the dental and EAP contracts were in process. If the planned action is implemented as described, the action appears to sufficiently address the recommendation. A follow-up review will be necessary in the near future to verify that the described action has occurred.

Wayne County
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08-03 To improve managerial oversight, segregation of authority, and transparency over the property, casualty, and liability insurance contract selection process, we recommend: (A) Risk Management should document in writing the discussion with the Broker on the selection of insurance carriers for the county and place the memorandum in the respective carrier's file. (B) Risk Management discuss and provide a memorandum to senior management within Management & Budget that documents the rationale and recommendations for the selection of insurance carriers prior to executing the	Agree	Management officials within the OCFO are directing this process. For those insurance policies that have already been renewed for the 2009-2010 insurance policy year, the broker formally presented the premium and insurance coverage proposals from the insurance carriers to the OCFO. Such proposals were scheduled, compared, and evaluated. Once all of the 2009-2010 insurance policies have been renewed, the OCFO can meet with the commission to review the decision making process.	Yes	Office of the Chief Financial Officer	Implemented May, 2009	The OAG reviewed the documentation provided by the broker for insurance policies that have already been renewed for the 2009-2010 period. It was noted that the broker presentations were reviewed by the OCFO. Based on the limited review of the action taken, management appears to have taken sufficient action to address the recommendation.

Wayne County
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contracts. (C) The Broker and Risk Management appear on an annual basis before the Committee on Government Operations and provide a report on all insurance policies procured by Risk Management including coverage, policy limits, annual premiums, self-insured retentions, and deductibles for each policy.						
08-04 (A) Risk Management develop formal written policies and procedures for the procurement and approval of property, casualty, and liability insurance, and the processing of related expenditures. In addition, we recommend policies and procedures be submitted to senior management	Agree	The Risk Management Division has begun drafting a comprehensive policy guide describing the Risk Management Division's core operations (insurance, claims processing, and safety) and the responsibilities of division staff and the departments. This policy guide will incorporate by reference, where appropriate, the provisions of other county policies/ordinances. The draft guide is under review by the OCFO. County-wide notifications will also be	Yes	Office of the Chief Financial Officer	January 31, 2010	The OCFO provided the OAG with a draft copy of the Risk Management Policy Guide. Included are procedures for the procurement and approval of property, casualty, and liability insurance contracts. Procedures for the processing of insurance related expenditures need to be included. Management indicated the policy will be disseminated county-wide.

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for review and approval, and then communicated to the division's staff.		used for dissemination of more specific divisional policy guidance.				If the planned action is implemented as described, the action appears to sufficiently address the recommendation. A follow-up review will be necessary in the near future to verify that the described action has occurred.
08-04 (B) The Director of Benefit Administration develop formal written policies and procedures for the procurement and approval of health benefits and related contracts, and the processing of related expenditures. In addition, we recommend policies and procedures be submitted to senior management for review and approval, and then communicated to the division's staff.	Agree	The Director of Benefit Administration has begun the process of formalizing written policies and procedures for the procurement and approval of contracts related to employment benefits (health and disability) and the processing of related expenditures. In essence, these procedures will follow the procedures established through the Department of M&B as well as the procurement ordinance itself. These policies will be submitted to senior management for review and approval.	Yes	Director, Benefit Administration	December 31, 2009	Discussion with the Director of Benefit Administration stated that numerous priorities have required the director's immediate attention. The director has not been able to provide adequate time to drafting the policies and procedures as intended. As a result, the director requested to extend the implementation date of this recommendation from October 1, 2009 to December 31, 2009. If the planned action is implemented as described, the action appears to sufficiently address the recommendation. A follow-up review will be necessary in the near future to verify that the described action has occurred.

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08-05 A disbursement authorized signer list for Treasurer's Office transactions be instituted by Management & Budget and transmitted to the Treasurer's office annually or whenever changes occur. This will help strengthen the signature validation process for authorized county disbursements.	Agree	The OCFO is revising its current Authorized Signer Form and policy guidance. In connection with that effort, a separate Authorized Signer Form will be created to include M&B personnel authorized to approve transactions for processing by the Treasurer's Office.	Yes	Office of the Chief Financial Officer	Implemented	The Office of the Chief Financial Officer (OCFO) issued Policy No. 10023 <i>Authorized Signers</i> , dated October 1, 2009, which provides instructions to department heads for identifying staff employee(s) as an authorized signer for their departments. Included with the policy distribution was the <i>Authorization Signature Form</i> , which is the official record to document the delegation of signature authority for the entire county.
08-06 The Risk Management Division, in conjunction with Corporation Counsel, should review and consider amending the existing Broker contract to include specific performance measures within the Scope of Services that	Agree	Management within the OCFO discussed with Corporation Counsel matters relating to strengthening the language in the broker's contract regarding scope of services. It was the opinion of Corporation Counsel that the scope of services was adequate to protect the county's interests.	No	n/a	n/a	Based on the limited review of the action taken, management appears to have taken sufficient action to address the recommendation. Management discussed this recommendation with Corporation Counsel. It was Corporation Counsel's opinion that the detailed scope of services in Appendix A, of the contract, with Goodman Venegas Insurance Agency, the county's new insurance broker that was approved by the commission on

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would require the Broker to address, within a specified time, any county request for information as it relates to the insurance coverage with the carriers.						August 20, 2009, was adequate to protect the county's interests. The OAG reviewed the commission approved contract's Appendix A – Scope of Services item #17, which requires the broker to: "At the request of the County's Risk Management Division, meet and confer with, and provide information to, representatives of Corporation Counsel and other County departments about insurance, liability, and risk management issues relating to the County and its employees." As a result of management's request to Corporation Counsel and the opinion provided by the county's legal division, we deem management has taken sufficient action to address this recommendation.

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08-07 The Risk Management Division, in conjunction with Corporation Counsel, should review and amend the existing Broker contract to delete the provisions that require insurance payments be submitted to the Broker and add provisions that require the county to remit the payments directly to the insurance carriers. Alternatively, we recommend the existing Broker contract be amended to include (1) specific timeframes in which the Broker shall submit all county premium payments to the insurance carriers, and (2) have the Broker forward the county a statement of confirmation that premium payments have been made.	Agree	Senior management within the OCFO stated the recent commission approved broker contract requires that insurance premium payments be made directly to the insurance carriers, where possible, and language was also revised to include more transparency on the treatment of any policy commissions. The 2009-2010 insurance policy premiums paid thus far were all made to the insurance carriers and not to the county's broker.	Yes	Office of the Chief Financial Officer	June 4, 2009	The OAG reviewed the broker's contract with Goodman Venegas Insurance Agency (Goodman Venegas), noting that the contract's language provided for the county to remit insurance premium payments directly to the insurance carriers. The OAG also reviewed documentation supporting the county's payment of insurance premiums directly to the insurance carriers. Based on the limited review of the action taken, management appears to have taken sufficient action to address the recommendation.