

Office of Legislative Auditor General

WILLIE MAYO, CPA, CICA
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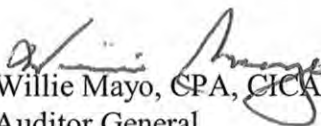
March 4, 2009

FINAL REPORT TRANSMITTAL LETTER

Wayne County Commissioners:

Enclosed is our final copy of the Office of Legislative Auditor General's Corrective Action Plan (CAP) for the Wayne County Department of Public Services, Parks Division Audit of the Lightfest Proposed Contract and Related Controls, an attestation audit, dated February 3, 2009, DAP No. 2008-57-009. 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 10, 2009, and formally accepted by the Wayne County Commission on February 19, 2009.

You will be pleased to know that officials and staff in the Department of Public Services, the Wayne County Commission and the Department of Management & Budget, 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.wc/commission/agAuditReports.asp>.


Willie Mayo, CPA, CICA
Auditor General

REPORT DISTRIBUTION

Department of Public Services
Beverly Watts, Director-Parks Division

Department of Management & Budget
Stacie Durant, Finance Director-DPS
Carla E. Sledge, Chief Financial Officer
Dinah Tolbert, Deputy Chief Financial Officer
Terry Hasse, Director, Grants & Contract Administration

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

Wayne County Executive



RESOLUTION

No. 2009-077

By Commissioner Woronchak and Co-sponsored by Commissioner Varga

WHEREAS, the Office of the Auditor General recommends management should establish policies over the disbursement of checks related to deposits prepayments, and advances on all contracts and require specific documentation to accompany the request in order to provide assurance that the expenditure does not exceed the limitation of authority granted to the CEO by the procurement ordinance; and

WHEREAS, the Commission should consider amending the procurement ordinance to develop a mechanism to resolve contract disputes between the executive and legislative branches of government and a special committee should be set up to review contracts that appear to violate the spirit and intent of the procurement ordinance and make a recommendation to the Commission Chair; and

WHEREAS, the Commission should amend the procurement ordinance by making county elected officials and employees personally liable when they knowingly and deliberately violate the procurement ordinance; penalties and sanctions oftentimes can serve as good preventative controls; and

WHEREAS, senior management in the Department of Management and Budget and Corporation Counsel should expedite their review, approval and issuance of the draft policies and procedures related to the procurement of goods and services; and

WHEREAS, Management and Budget should complete their assessment and evaluate the internal controls over donated cash collections and the process for counting all vehicles attending the event prior to the 2008 annual lightfest event and explore ways to strengthen controls in these areas;

Now therefore be it

RESOLVED, by the Wayne County Commission this 19th day of February, 2009 that approval be, and is hereby, granted approving the Corrective Action Plan and Auditor General's Assessment report on the attestation audit of the Wayne County Department of Public Services, Parks Division, Light Fest Proposed Contract and Related Controls. The report is dated February 3, 2009.

(2008-57-009)

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February 3, 2009

DAP No. 2008-57-009

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 February 3, 2009, for the Audit of the Light Fest Proposed Contract and Related Controls.

Dear Chairman Woronchak:

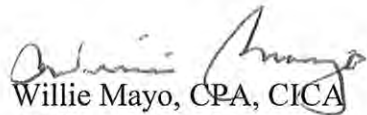
In accordance with Government Auditing Standards issued by the Comptroller General of the United States, and the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, the Office of Legislative Auditor General (OAG) requested the Department of Public Services – Parks Division, the Department of Management & Budget and the Wayne County Commission to submit a Corrective Action Plan (CAP) for the six recommendations identified in the Attestation Audit Report of the Audit of the Light Fest Proposed Contract and Related Controls dated February 3, 2009. There were three recommendations addressed to the Department of Public Services – Parks Division; one recommendation was addressed to the Department of Management & Budget; and, two recommendations were addressed to the Wayne County Commission.

The Departments provided the CAP 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.



Our assessment of the six recommendations found four recommendations were unresolved, one recommendation is in process, and one recommendation is considered partially resolved. Therefore, a follow-up review is deemed necessary.

Respectfully submitted,



Willie Mayo, CPA, CICA
Auditor General

Pc: Stacie Durant, DPS-Finance Director
Beverly Watts, Parks Director
Carla E. Sledge, Chief Financial Officer
Dinah Tolbert, Deputy Chief Financial Officer
Terry Hasse, Grants & contract Administration
John Pfeffer, Fiscal Director

Attachment

County of Wayne Department of Public Services – Parks Division
Audit of the Lightfest Proposed Contract and Related Controls
An Attestation Engagement

**Summary and Assessment of
CORRECTIVE ACTION PLAN**

No.	Auditor General's 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(s)/Area	Implementation or Targeted Implementation Date	Auditor General's Assessment
08-01	To minimize the execution of contracts that in their totality exceed \$50,000, management should establish policy and procedures to fully and thoroughly review the completeness of transactions prior to their approval.	Finance's approval was for the budgetary oversight. Parks had the amount in their budget, which was separately approved by Commission via the Capital Improvement Plan.	Finance will continue budgetary approval of purchase orders however, we will not assume that prior Commission approval of the Capital Improvement Plan satisfies the legislative role.	Yes	DPS – M&B Finance Director	Implemented review process No date provided – For policies and procedures	The DPS – Finance director stated going forward their approval process will receive closer scrutiny, including reviewing the totality of project payments, to ensure compliance with the procurement ordinance. However, our inquiry determined that departmental policies and procedures have not been formalized.
08-02	Management should establish policies over the disbursement of checks related to deposits, prepayments, and advances on all contracts, and require specific documentation to accompany the request in order to provide assurance that the expenditure does not exceed the limitation of authority granted to the CEO by the procurement ordinance.	Management received supporting documentation for the amount paid. The procurement ordinance is silent on the handling of advances, deposits and prepayments. DPS – M&B Finance has no authority on amending the ordinance.					Our discussion with senior management within M&B determined a policy could be established to address the treatment of prepayments, deposits, and advances on contracts that in their totality exceed \$50,000. However, management believes that an amendment to the procurement ordinance related to the treatment of prepayments, deposits, and advances on contracts would be more effective since it relates to the procurement of contracts. Therefore, we will forward the

County of Wayne Department of Public Services – Parks Division
Audit of the Lightfest Proposed Contract and Related Controls
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08-03	The Commission should consider amending the procurement ordinance to develop a mechanism to resolve contract disputes between the executive and legislative branches of government. Further, we recommend that a special committee be set up by the commission and executive branch to review contracts that appear to violate the spirit and intent of the procurement ordinance and make a recommendation to the commission chair.	We agree in principle with recommendation 2008-03 and we are consulting with the appropriate parties to determine the feasibility of implementing the recommendation. Newly elected commission leadership indicated they will review the recommendation and will inform the OAG at a later date of the status of the recommendation's implementation.					recommendation to the commission and ask that they consider amending the procurement ordinance as it relates to prepayments, deposits, and advances on contracts. As a result, this recommendation is considered unresolved. We will be performing a follow up review in the 4 th quarter of FY 2009. Based on management's comments, the OAG is unable to assess management's intended actions and therefore the recommendation is unresolved. Therefore, a follow up review will be performed during the 4 th quarter of FY 2009.
08-04	The Commission should consider amending the procurement ordinance by making county elected	We neither agree nor disagree with recommendation 2008-04. The					Based on management's comments, the OAG is unable to assess management's intended actions and therefore the recommendation is

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	officials and employees personally liable when they knowingly and deliberately violate the procurement ordinance; penalties and sanctions oftentimes can serve as good preventive controls.	procurement ordinance formerly included such provisions and they were removed due to being legally problematic. We will refer the possibility of adding such penalties to Corporation Counsel and Commission Counsel for opinions on the legal viability of such sanctions.					unresolved. Therefore, a follow up review will be performed during the 4 th quarter of FY 2009.
08-05	Senior management in the Department of Management & Budget and Corporation Counsel should expedite their review, approval and issuance of the draft policies and procedures related to the procurement of goods and services.	Commission leadership stated they will inform the OAG at a later date of the status of the recommendation's implementation. Several Purchasing Division policies and procedures were issued during FY 2008, which included: Authorized Use of Payment Vouchers – issued May 14, 2008.	Senior management within M&B, in conjunction with the Purchasing director, have issued several policies that established requirements for the procurement of goods and services during FY 2008.	Yes	Deputy CFO Purchasing Director	March, 2009.	Our review confirmed several policies were issued by M&B during FY 2008 addressing the requirements for the procurement of goods and services. We believe the policies issued are sufficient and provide guidance to county and elected officials responsible for procuring goods and services for their departments.

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		Emergency Procurements – issued July 7, 2008. Department and Suspension Process for Contracts and for Federal Grants – issued September 30, 2008. The Purchasing Division has completed several other purchasing policies which are now in the final review phase. Those policies are expected to be issued before March 31, 2009.					Based on our review of the action taken, and intended to be taken, we consider this recommendation to be in process. Therefore, a follow up review will be performed during the 4 th quarter of FY 2009.
08-06	Management and Budget should complete their assessment and evaluate the internal controls over donated cash collections and the process for counting all vehicles attending the event prior to the 2008 annual Lightfest event and explore ways to strengthen controls in these areas.	The cash collection is a suggested donation amount and not a required fee. Cars are counted regardless of their payment and it's difficult to assess which are paid or unpaid vehicles. We further recommend the Commission approve a fee for the	Parks has installed cameras at both booths. In addition, Parks will issue a pre-numbered ticket to those patrons who refuse to pay the suggested donation. These tickets will be included in the reconciliation process at the end of the evening. Finally, the Parks division has procured a new vehicle counter at each booth.	Yes	DPS – Director DPS – M&B Finance Director	Partially Implemented	Our observations determined management has procured new vehicle counters at the entrance booths. Cameras have also been installed in both booths. Pre-numbered tickets are included in the reconciliation process at the end of the evening. However, the OAG also determined the following: To test management's assertions, an OAG staff

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		event.					member visited the Lightfest event, and did not receive a pre-numbered ticket when she did not pay the suggested donation amount. We informed DPS management of this exception and they indicated they would follow up on it. - The cameras are pointed at the opened cash box inside the booths and are not focused on the point of cash collections occurring outside of the booths. - The cash box is kept unsecured in the booths throughout the hours of operation. - We found the pre-numbered tickets did not record the amount of cash collected for patrons that paid less than the \$5 suggested donation. Therefore, while management has implemented some controls, we determined existing and additional internal controls could be strengthened and implemented. As a

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							result, this recommendation is considered partially implemented, and will be assessed during a follow up review in the 4 th quarter of FY 2009.