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December 1, 2010

FINAL REPORT TRANSMITTAL LETTER

Honorable Wayne County Commissioners:

Enclosed is our final copy of the Office of Legislative Auditor General's Limited Analytical Review Engagement report of the Wayne County Prosecuting Attorney's Office, Special Operations Unit, Nuisance Abatement for fiscal years 2008, 2009 and October 1, 2009-June 30, 2010. Our report is dated October 26, 2010; DAP No. 2010-57-913. The report was accepted by the Audit Committee on November 9, 2010, and formally received by the Wayne County Commission on November 18, 2010.

We are pleased to inform you officials from the Wayne County Prosecuting Attorney's Office and the Department of Management and Budget 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/agreports.htm.

Willie Mayo, CPA, CIA, CICA
Auditor General

REPORT DISTRIBUTION

Wayne County Prosecuting Attorney's Office
Honorable Kym Worthy, Prosecuting Attorney
James Gonzales, Chief, Special Operations Division, PAO
Rosalyn Gibson, Chief of Finance and Administration, PAO

Department of Management & Budget
Carla E. Sledge, Chief Financial Officer
Terry L. Hasse – Director, Grants and Contract Administration
Kevin Haney, Director, Budget Division, M & B
Jenilyn Norman, Interim Director, Financial Reporting, M & B

Wayne County Executive

Office of Legislative
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October 26, 2010

DAP No: 2010-57-913

Honorable Kym L. Worthy
Prosecuting Attorney
Prosecuting Attorney's Office
County of Wayne, Michigan
Frank Murphy Hall of Justice
1441 St. Antoine, Room 1276
Detroit, MI 48226

Re: Limited Analytical Review of the Wayne County Prosecuting Attorney's Office, Special Operations Division, Nuisance Abatement Unit for fiscal years 2008, 2009, and October 1, 2009-June 30, 2010.

Dear Honorable Kym Worthy:

Introduction

Please consider this letter formal notification that the Wayne County Office of Legislative Auditor General (OAG) has decided to change this engagement from a Financial Assessment Limited Review to a Limited Analytical Review of the Wayne County Prosecuting Attorney's Office (PAO), Special Operations Unit, Nuisance Abatement for fiscal years 2008, 2009, and October 1, 2009-June 30, 2010.

Our decision to change this engagement to a limited analytical review was based primarily on a reduction in the financial activity associated with the Nuisance Abatement, business unit. Our determination was that the perceived operating losses or deficits for fiscal year 2010 were due to the misclassification of revenues and expenditures in the periods under review.

Scope of Work

The procedures we performed regarding this engagement were limited to an analytical review of certain account balances and do not constitute an audit or review in accordance with Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States or the International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors.

Because the procedures performed did not constitute an audit or review, we do not express any conclusion(s) or opinion(s) regarding the financial activities of the Nuisance Abatement Unit.

Analytical Review

We found Nuisance Abatement (NA) revenues recorded in business unit (BU) #22960 for fiscal years 2008 and 2009, showed a decrease while the associated expenditures remained fairly constant, resulting in operating losses or deficits of approximately $0.6 million and $1 million, respectively. For fiscal year 2010, our analysis indicated a projected annualized deficit for the nine month period ending June 30, 2010, of nearly $1 million.

Upon a closer review of BU #22960 activity, we noted expenditures were being charged to this BU for fiscal year 2010, but only nominal revenues, creating what appeared to be significant losses or deficits for this activity. After meeting with PAO officials to discuss this matter, we learned that the revenue associated with NA and other activity is now being recorded in another business unit, #22900, titled "Prosecuting Attorney." Officials in the PAO indicated they, unlike the previous Prosecuting Attorney, do not view NA as a revenue generating activity, and thus, a separate BU to record NA activity is not necessary. On more than one occasion, they indicated they had requested Management & Budget to reclassify the expenditures and revenues associated with NA from business unit #22960 to #22900.

Recommendation 2010-01

To ensure the matching principle of generally accepted accounting principles is adhered to and to enhance management and decision-makers use of the financial information used to record NA activity: we recommend Management & Budget reclassify all revenues and expenditures recorded in BU #22960 to BU #22900, for fiscal year end September 30, 2010, and no longer use BU #22960 to record this activity.

Views from Responsible Officials

An official within the PAO agreed with the report's content and the recommendation. In addition, the PAO official indicated a formal request will be addressed to M&B to suspend recording Nuisance Abatement activity in BU #22960.

Conclusion

Because our review resulted in a recommendation, in accordance with county resolution 2005-920, we will request a corrective action plan from Management & Budget within 30 days after this report is formally received and filed by the Wayne County Commission.

On behalf of the OAG, we thank the officials in the Wayne County Prosecuting Attorney's Office for their cooperation during the engagement. If you have any questions, comments, or concerns regarding the above please feel free to contact me or the Deputy Auditor General and we will be happy to address them.

Respectfully Submitted,

Willie Mayo

Willie Mayo, CPA, ~~CIA~~, CICA
Auditor General

cc. Honorable Gary Woronchak, Chairman, Audit Committee
Audit Committee Members
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James Gonzales, Chief, Special Operations Division, PAO
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