

# City of Detroit

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## OFFICE OF THE AUDITOR GENERAL



**Audit of the Office of the City Clerk  
July 2013 – September 2015**




**City of Detroit**  
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Mark W. Lockridge  
AUDITOR GENERAL

**MEMORANDUM**

DATE April 26, 2016

TO: Honorable City Council

FROM: Mark W. Lockridge, CPA   
Auditor General

RE: Audit of the City Clerk

C: Mayor Michael E. Duggan  
Janice M. Winfrey, City Clerk

Attached for your review is our report on the audit of the Office of the City Clerk. This report contains our audit purpose, scope, objectives, methodology, and conclusions; background; status of prior audit findings; our audit findings and recommendations; and the response from the Office of the City Clerk.

Responsibility for the installation and maintenance of a system of internal control that minimizes errors and provides reasonable safeguards rests entirely with the Office of the City Clerk and the Finance Department. Responsibility for monitoring the implementation of recommendations is set forth in section 7.5-105(4) of the City Charter which states in part:

*Recommendations which are not put into effect by the agency shall be reviewed by the Finance Director, who shall advise the Auditor General and the City Council of action being taken with respect to the recommendations.*

We would like to thank the Office of the City Clerk for the cooperation and assistance extended to us during this audit.

This audit report can be obtained from the City of Detroit website at [www.detroitmi.gov/How-Do-I/View-City-of-Detroit-Reports/Auditor-General-Audits](http://www.detroitmi.gov/How-Do-I/View-City-of-Detroit-Reports/Auditor-General-Audits).

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## **AUDIT PURPOSE, SCOPE, OBJECTIVES, METHODOLOGY, AND CONCLUSIONS**

### **AUDIT PURPOSE**

The Office of the Auditor General (OAG) performed the audit of the Office of the City Clerk (OCC) in accordance with the OAG's charter mandate as noted in Section 7.5-105(1) which states:

*Make audits of the financial transactions, performance and operations of City agencies based on an annual risk-based audit plan prepared by the Auditor General, or as otherwise directed by the City Council.*

### **AUDIT SCOPE**

The scope of our audit was limited to the operations and duties of the OCC excluding the duties associated with the Election Commission and the Department of Elections for the period of July 1, 2013 through September 30, 2015. In addition, the OAG focused on internal control procedures for cash receipts, imprest cash, capital assets, disbursements, and compliance with the City of Detroit's year-end closing procedures.

The OAG conducted the audit in accordance with Governmental Audit Standards issued by the Comptroller General of the United States except for the completion of an external quality review of the OAG.

### **AUDIT OBJECTIVES**

The audit objectives were the following:

- To determine whether the system of internal control over cash receipts, imprest cash, capital assets, and disbursements was adequate.
- To determine if the OCC complied with the City of Detroit's year-end closing procedures.
- To determine whether the OCC is complying with applicable Finance Directives, policies, plans, procedures, laws, and regulations.
- To determine whether the OCC has resolved the prior audit findings and/or implemented the prior audit recommendations.

### **AUDIT METHODOLOGY**

To accomplish the aforementioned audit objectives, the OAG's audit work included:

- A review of the prior audit report, applicable Finance Directives, policies, plans, procedures, laws and regulations, and other pertinent information concerning the OCC.
- Interviews with the OCC personnel;
- Observation and testing of internal control processes and procedures for cash receipts, imprest cash, capital assets, disbursements, and;
- An examination of a sample of transactions that we considered satisfactory to achieve our objectives.

## **CONCLUSIONS**

Based on the audit work performed, the OAG concluded the OCC:

- Has an adequate system of internal control over cash receipts, capital assets and disbursements;
- Is not complying with the City of Detroit's year-end closing procedures;
- Is not complying with the City of Detroit's Imprest Cash Manual and Finance Directives 145;
- Has resolved two of the four prior audit findings.

## BACKGROUND

The City Clerk is an elected official of the City of Detroit and is the Chief Elections Officer of the City of Detroit. The City Clerk also serves as Chair of the Elections Commission, performs oversight duties for the Office of the City Clerk (OCC), and provides general supervision for all elections that take place in the City of Detroit.

As noted in the City Charter, the OCC serves as the keeper of the business transaction records for both the Legislative and Executive branches of city government. The OCC also serves as the City Council's clerk, which requires that the OCC create and preserve a record of all City Council ordinances, resolutions, and other proceedings. The OCC maintains the Corporate Seal of the City of Detroit, administers oaths, and takes affidavits.

In addition to carrying out its City Charter mandates, the OCC provides information to citizens relative to public services and refers them to the proper department.

The City Clerk is Janice M. Winfrey who was elected to serve a four-year term beginning January 1, 2014.

The OCC is a general fund agency. The following table shows the budgeted appropriations, revenues, and number of staff for the OCC for fiscal years 2013-14 through 2015-2016:

|                                 | <b>Fiscal Years Ended June 30</b> |                       |
|---------------------------------|-----------------------------------|-----------------------|
|                                 | <b>2014</b>                       | <b>2015</b>           |
| Budgeted Revenues               | \$ 0                              | \$ 3,593              |
| Budgeted Expenditures           | <u>2,138,967</u>                  | <u>2,077,547</u>      |
| Net Tax Cost                    | \$ <b>(2,138,967)</b>             | \$ <b>(2,073,954)</b> |
| <br>                            |                                   |                       |
| <b>Total Budgeted Positions</b> | <b>14</b>                         | <b>14</b>             |

## STATUS OF PRIOR AUDIT FINDINGS

The prior audit of the Office of the City Clerk (OCC) was for the period July 2006 through June 2008. The status of the four findings are as follows:

1. **The Office of the City Clerk (OCC) Did Not Comply with Imprest Cash Policies and Procedures**  
This finding has not been resolved and is discussed in Finding 1 on page 5 of this report.
2. **Cash Receipts Were Not Deposited and Recorded Timely**  
This finding has been resolved.
3. **Inadequate Segregation of Duties Over Voucher Disbursements**  
This finding has been resolved.
4. **The OCC Did Not Comply with the Finance Department's Year-end Closing Procedures**  
This finding has not been resolved and is discussed in Finding 2 on page 6 of this report.

## AUDIT FINDINGS AND RECOMMENDATIONS

### 1. The Office of the City Clerk Did Not Comply with Imprest Cash Policies and Procedures

According to the Office of the City Clerk (OCC) management, the OCC has an authorized imprest cash fund of \$600.00. During our review and independent count of the OCC's imprest cash fund, the Office of the Auditor General (OAG) noted the following deficiencies:

- The OCC had copies of unreimbursed receipts totaling \$514.50. The buyers of the goods and services did not sign and date any of the receipts.
- In August 2015, the OCC purchased 19 t-shirts for \$285.00 for an employee physical fitness program using imprest cash funds. The OCC did not receive the approval of the Finance Department Purchasing Division to make such a purchase.
- Receipts for June 2015 totaling \$190.50 and August 2015 receipt for \$285.00 were not submitted to the Finance Department Accounts Payable Division for reimbursement the month following when the purchase was made.,
- The custodian stated they performed intermittent counts of the imprest cash fund; however, the results of those counts were not documented.
- The OCC did not submit a letter to the Finance Department changing the department's custodian from the City Clerk to the Deputy City Clerk.

The Finance Department's Imprest Cash Procedures Manual requires:

- The employee making the imprest cash purchase must sign and print their name either on the front or back of the receipt.
- Purchases over \$100 and not exceeding \$400 must have a Finance Department approved requisition before the department makes the purchase.
- The Finance Department Accounts Payable Division requires requests for reimbursement be submitted within 30 days of the end of the month.
- Once every quarter, the imprest cash fund should be audited by supervisors or accounting personnel. The audits should be unannounced, and the department must retain a written record of such audits until the Auditor General has made an audit from the particular period.

In addition, Finance Directive Number 145 states:

*“Public purpose” is synonymous with “governmental purpose” and is defined as serving the convenience, welfare, or safety of the entire community, and not the welfare of a specific individual or class of persons. The essential requisites are that a public purpose must affect the inhabitants as a community, not merely as individuals, and must advance the interests and good government of the municipality.*



The failure of the OCC to follow the Finance Department's Imprest Cash Manual and Finance Directive #145 could result in the OCC:

- Seeking reimbursement for goods and/or services the Finance Department Accounts Payable Division has previously reimbursed;
- Allowing the purchase of items outside of the City of Detroit's intended use of the imprest cash fund;
- Being without the necessary funds in an emergency if reimbursement is not requested within 30-day after the end of the month; and
- Imprest cash fund having unaccounted for monies if unannounced quarterly audits are not performed.

The Deputy City Clerk/Imprest Cash Custodian stated that the OCC:

- Was unaware of the requirement to have the buyers sign and date the receipts;
- Seeks replenishment of the imprest cash fund quarterly due to the low activity of the fund;
- Performs intermittent counts of the fund however, the count results are not documented.

### **Recommendations**

We recommend the OCC do the following:

- The imprest cash purchases are for a public/government purpose;
- Have the buyers of goods and services sign and date the receipts before turning them in;
- For imprest cash purchases exceeding \$100 and less than \$400, obtain an approved requisition from the Finance Department Purchasing Division before making the purchase;
- Submit receipts for reimbursement to the Finance Department Accounts Payable Division within 30 days of the end of the month;
- Perform quarterly unannounced audits of the imprest cash fund by supervisors or accounting personnel and maintain a written record of the audits until the Auditor General has made an audit of the particular period.

## **2. The Office of the City Clerk Did Not Comply with the Finance Department's Year-end Closing Procedures**

During our review of the Office of the City Clerk's (OCC) year-end closing forms submitted to the Finance Department for the fiscal years ending June 30, 2014 and June 30, 2015, we noted the following:

- The OCC did not submit three of the 22 (14%) required forms for fiscal year 2013-14.
- For fiscal year 2014-15, the OCC failed to submit two of the required 20 (10%) required forms.
- Of the 20 required forms, the OCC failed to submit nine (45%) of the forms timely for fiscal year 2014-15.

The Finance Department's year-end closing instructions require all departments to submit all of the forms to the Finance Department. If a form does not apply to the department's operations, the instructions required the department to enter "N/A" on the form, have the approver sign the form and submit the forms to the Finance Department by the applicable due date.

In addition, the instructions note the due dates when the departments must turn in the forms to the Finance Department. The dates are staggered to allow the departments to record transactions needed to complete the fiscal year.

For the three missing forms for fiscal year 2013-14, the Department manager could not explain why the OCC did not submit the forms because she was not a staff member during that period. For fiscal year 2014-15, the individual who prepared the forms was new and was unaware of the due dates for the forms. In addition, the two missing forms were an oversight.

### **Recommendation**

We recommend the OCC follow the year-end instructions by submitting all of the forms to the Finance Department by the applicable due dates and having both the preparer and approver sign all of the forms.

## OTHER FINDING RELATED TO THE FINANCE DEPARTMENT

### **1. The Finance Department Imprest Cash Records Are Inaccurate**

During our review of the Office of the City Clerk (OCC) Imprest Cash fund, we noted that the Finance Department's imprest cash records documenting the department custodians, alternate custodians (if applicable), and the authorized amount were not maintained. The OCC management indicated the custodian was the Deputy City Clerk and the authorized amount was \$600. The Finance Department records indicated the custodian being the City Clerk and the authorized amount being \$300. A review of the Finance Department's documents did not indicate the change of the custodian and the change in the authorized amount from \$600 to \$300.

The Imprest Cash Manual indicates the Finance Department, specifically the Treasurer, will approve the authorized amount of the department's imprest fund. The department's request should be sent in a letter to the Treasurer. In addition, the Treasurer is also notified in writing of any changes to the custodian of the department's imprest cash fund.

The lack of accurate records related to imprest cash could result in a greater risk of misappropriation, theft, and fraudulent activity.

A Finance Department manager stated that a number of employees have been responsible for maintaining the imprest cash records. There is a possibility that some of the documents were either lost or misplaced.

### **Recommendation**

We recommend the Finance Department update its imprest cash records to indicate the current custodians, alternate custodians (if applicable), and the authorized amounts of the outstanding imprest funds.

**City of Detroit**  
**OFFICE OF THE CITY CLERK**

Janice M. Winfrey  
City Clerk

Vivian A. Hudson  
Deputy City Clerk

May 4, 2016

Mark W. Lockridge, Auditor General  
Office of the Auditor General  
2 Woodward Avenue  
Coleman A. Young Municipal Center, Room 216  
Detroit, MI 48226

Dear Mr. Lockridge:

The following represents the Office of the City Clerk's responses for the indicated findings and related recommendations in the audit of the Office of the City Clerk, as prepared by the Office of the Auditor General.

**Finding No. 1. The Office of the City Clerk Did Not Comply with Imprest Cash Policies and Procedures**

**Department's Response:**

The Clerk's office absolutely does comply with the Imprest Cash Policies and Procedures. However, based on your one (1) finding in this area, we will ensure that the Policies and Procedures as it relates to the one finding are implemented.

- ✓ Perform quarterly unannounced audits of the Imprest Cash fund by a Supervisor and maintain a written record of the audits.
- ✓ Submit receipts for reimbursement to the Finance Department Accounts Payable division within 30 days of the end of the month.
- ✓ Have buyers of good and services sign and date the receipts before turning them in.
- ✓ Obtain an approved requisition from the Finance Department for Imprest Cash purchases exceeding \$100.00 and less than \$400.00 before making a purchase.

**Finding No. 2. The Office of the City Clerk Did Not Comply with the Finance Department's Year-end Closing Procedures**

**Department's Response:**

Future Year-end Closing documents will be completed and submitted by the due dates and have both preparer and approver sign all forms.

Sincerely,

  
Janice M. Winfrey  
Detroit City Clerk



CITY OF DETROIT  
OFFICE OF THE CHIEF FINANCIAL OFFICER  
OFFICE OF THE TREASURY – INCOME TAX BRANCH

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May 31, 2016

Mark W. Lockridge, Auditor General  
Office of the Auditor General  
2 Woodward Avenue  
Coleman A. Young Municipal Center, Room 216  
Detroit, MI 48226

Dear Mr. Lockridge:

Following is the response from the Office of the Chief Financial Officer to the Findings and Recommendation found in the audit of the Office of the City Clerk as prepared by the Office of the Auditor General.

Finding No. 1. The Office of the City Clerk Imprest Cash Records Are Inaccurate.

Response of the Office of Chief Financial Officer:

Initially it must be stated that with the restructuring of City offices the Finance Department was eliminated. Financial functions now reside in the Office of the Chief Financial Officer (OCFO) and, therefore, the OCFO responds. The OCFO has determined that the correct amount for this account is \$600 and that the records of the OCFO indicate the amount to be \$300 in error. Additionally the records at the OCFO as to custodians of the account have not been properly updated. Request has been made of the City Clerk to update these records and it is anticipated this corrective action will conclude within 21 days. The OCFO is in the process of eliminating Imprest Cash and therefore is repealing all Finance Directives associated therewith.

Sincerely,

David J. Szymanski  
Deputy Chief Financial Officer - Treasurer