

**City of Detroit**  
**CITY COUNCIL**

**LEGISLATIVE POLICY DIVISION**  
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TO: Mark Lockridge  
Auditor General

FROM: David Whitaker, Director  
Legislative Policy Division Staff

DATE: March 11, 2019

RE: 2019-2020 Budget Analysis



Attached is our budget analysis regarding your department's budget for the 2019-2020 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Wednesday, March 20, 2019 at 10:00 a.m.** We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Council members and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

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DW:dh:ss

**Attachments:**

Issues and Questions  
Auditor General Budget Pages

CC: Councilmembers  
Auditor General's Office  
David Massaron, Acting Chief Financial Officer  
Tanya Stoudemire, Budget Director  
Stephanie Grimes Washington, Mayor's Office

## Auditor General (50)

### FY 2019-20 Budget Analysis by the Legislative Policy Division

The mission of the Office of the Auditor General (OAG) is to act as an independent, full-service auditing function to examine and evaluate the City's activities in order to improve the accountability for public funds and to improve the operations of City government. The agency promotes the economy, efficiency, and effectiveness of city government and helps to protect against fraud, waste, and abuse by conducting independent audits, investigations, and evaluations, while adhering to the professional standards of the auditing profession.

The OAG's primary responsibilities are the examination and evaluation of processes that pose the most risks to the City's interest, the adequacy and effectiveness of the City's system of internal control and the quality of performance in carrying out assigned responsibilities. This entails the following:

- A review of the reliability and integrity of financial and operating data and the means used to identify, measure, classify and report such information.
- A review of the systems established to ensure compliance with those policies, plans, procedures, laws and regulations that could have a significant impact on operations and reports.
- A review of the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- An appraisal of the economy and efficiency with which resources are employed.
- A review of operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operation or programs are being carried out as planned.

The Auditor General is also a member of the Risk Management Council, which evaluates the effectiveness of the City's overall risk management function and performs evaluations of the administration and effectiveness of risk management functions in each City agency.

#### Agency Goals

1. Improve the auditing and consulting capabilities of the OAG staff;
2. Promote an atmosphere of mutual trust, honesty, and integrity among staff and constituents;
3. Improve the quality and timeliness of all external as well as internal reporting;
4. Complete an optimal number of audits, investigations, and special projects;
5. Identify and report opportunities for expense savings and revenues increases.

	FY 2019		FY 2020		FY 2020	
	Adopted Budget		Recommended Budget		% Increase/(Decrease)	
	General Fund	All Funds	General Fund	All Funds	General Fund	All Funds
Total Revenues	-	-	-	-	-	-
Total Expenditures	\$3,902,242	\$3,902,242	\$3,972,116	\$3,972,116	1.8%	1.8%
Net Tax Cost	\$3,902,242	\$3,902,242	\$3,972,116	\$3,972,116	1.8%	1.8%

As illustrated above,<sup>1</sup> for FY 2019-20 (FY 20), the Mayor has recommended minor increases in general fund expenses, in the amount of \$69,874 (1.8%).

<sup>1</sup> Page B50-2 of the City of Detroit Four-Year Financial Plan FY2019-2022

**FOUR-YEAR BUDGET PROJECTIONS FOR THE OFFICE OF THE AUDITOR GENERAL<sup>2</sup>**

	FY 2018 Actual		FY 2019 Adopted Budget		FY 2020 Recommended Budget	
	General Fund	All Funds	General Fund	All Funds	General Fund	All Funds
Total Revenues	-	-	-	-	-	-
Total Expenditures	3,337,311	3,337,311	3,902,242	3,902,242	3,972,116	3,972,116
Net Tax Cost	3,337,311	3,337,311	3,902,242	3,902,242	3,972,116	3,972,116

	FY 2021 Forecast		FY 2022 Forecast		FY 2023 Forecast	
	General Fund	All Funds	General Fund	All Funds	General Fund	All Funds
Total Revenues	-	-	-	-	-	-
Total Expenditures	4,033,713	4,033,713	4,061,097	4,061,097	4,089,027	4,089,027
Net Tax Cost	4,033,713	4,033,713	4,061,097	4,061,097	4,089,027	4,089,027

Positions (by FTE):	1/1/2019 Actual	FY 2019 Adopted	FY 2020 Recommended	FY 2021 Forecast	FY 2022 Forecast	FY 2023 Forecast
General Fund	11	15	14	14	14	14
Non-General Fund	-	-	-	-	-	-
Total Positions	11	15	14	14	14	14

**Auditor General FTE Allocation**

50000-Office of the Auditor General Appropriation Cost Center Job Code and Title	FY 2018-19 FTE Budget	FY 2019-20 FTE Mayor	FY 2020-21 FTE Forecast	FY 2021-22 FTE Forecast	FY 2022-23 FTE Forecast
00261-OoAG Auditing Operations					
500010-Administration & General Office					
010100 Auditor General	1	1	1	1	1
13201124 Auditor Manager IV	1	1	1	1	1
43601104 Administrative Assistant IV	1	1	1	1	1
Total 500010-Administration & General Office	3	3	3	3	3
500020-Auditing-Operations					
13201102 Auditor II	8	3	3	3	3
13201103 Auditor III	1	4	4	4	4
13201104 Auditor IV	1	2	2	2	2
13201112 Supervisory Auditor IV	2	2	2	2	2
Total 500020-Auditing-Operations	12	11	11	11	11
Total 00261-OoAG Auditing Operations	15	14	14	14	14
Agency Total	15	14	14	14	14

The Mayor has recommended reduction of one FTE<sup>3</sup> (15 to 14)<sup>4</sup> in FY 20.

1) Please briefly detail the department's new expense initiatives, new capital funding requests, operational reform and savings proposals, and new revenue initiatives/proposals to be implemented in FY 2020. Please provide which appropriation/cost center the new initiative/request/proposal is impacting in FY 2020.

2) Under appropriation 12680 - OAG Auditing Operations, which contains the costs for the CAFR<sup>5</sup> (Comprehensive Annual Financial Report), the Mayor has budgeted \$2.02 million for FY 20. Is this figure sufficient to cover the costs related to the CAFR?

<sup>2</sup> Located on pg. B50-2 of the City of Detroit Four-Year Financial Plan FY2020-2023

<sup>3</sup> Full time equivalent positions

<sup>4</sup> As of 1/1/2019, the OAG had 11 of its 15 FTE positions filled for FY19.

<sup>5</sup> This report is prepared for the purpose of disclosing the City's financial condition to its residents, elected officials, and other interested parties.

3) Agency goal #5 indicates the Auditor General will: "Identify and report opportunities for expense savings and revenues increases." What key areas of potential opportunities for savings and/or increased revenues can the OAG (Office of the Auditor General) report on?

3) What is the OAG's most challenging issue?

4) What are the OAG's top accomplishments in the current fiscal year?

5) In regard to staffing, is the OAG's current staffing level sufficient to meet its goals and objectives of FY 20 and beyond?

## AUDITOR GENERAL (50)

### *AGENCY PLAN: MISSION, GOALS AND ACTIVITY SUMMARY*

#### **MISSION:**

The mission of the Office of the Auditor General (OAG) is to act as an independent, full-service auditing function to examine and evaluate the City's activities in order to improve the accountability for public funds and to improve the operations of City government. The agency promotes the economy, efficiency, and effectiveness of city government and helps to protect against fraud, waste, and abuse by conducting independent audits, investigations, and evaluations, while adhering to the professional standards of the auditing profession.

#### **AGENCY GOALS:**

1. Improve the auditing and consulting capabilities of the OAG staff;
2. Promote an atmosphere of mutual trust, honesty, and integrity among staff and constituents;
3. Improve the quality and timeliness of all external as well as internal reporting;
4. Complete an optimal number of audits, investigations, and special projects;
5. Identify and report opportunities for expense savings and revenues increases.

Department Name: Office of the Auditor General  
 Department #: 50

**Budget Summary:**

	FY 2018 Actual		FY 2019 Adopted Budget		FY 2020 Recommended Budget	
	General Fund	All Funds	General Fund	All Funds	General Fund	All Funds
Total Revenues	-	-	-	-	-	-
Total Expenditures	3,337,311	3,337,311	3,902,242	3,902,242	3,972,116	3,972,116
Net Tax Cost	3,337,311	3,337,311	3,902,242	3,902,242	3,972,116	3,972,116

	FY 2021 Forecast		FY 2022 Forecast		FY 2023 Forecast	
	General Fund	All Funds	General Fund	All Funds	General Fund	All Funds
Total Revenues	-	-	-	-	-	-
Total Expenditures	4,033,713	4,033,713	4,061,097	4,061,097	4,089,027	4,089,027
Net Tax Cost	4,033,713	4,033,713	4,061,097	4,061,097	4,089,027	4,089,027

Positions (by FTE):	1/1/2019 Actual	FY 2019 Adopted	FY 2020 Recommended	FY 2021 Forecast	FY 2022 Forecast	FY 2023 Forecast
	General Fund	11	15	14	14	14
Non-General Fund	-	-	-	-	-	-
<b>Total Positions</b>	<b>11</b>	<b>15</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>14</b>

## **AUDITOR GENERAL (50)**

### **ACTIVITY DESCRIPTION:**

The OAG promotes the economy, efficiency, and effectiveness of City government and protects against fraud, waste and abuse by conducting independent audits, investigations and evaluations. We adhere to governmental standards of the auditing profession; and promote an atmosphere of mutual trust, honesty and integrity among OAG staff and the people we serve. The OAG performs audits of each City agency and prepares written reports which convey the resultant audit findings and recommendations to the City Council, the Mayor and the management of each agency.

The OAG also performs special projects and other work as requested by City Council, as initiated internally, or as required by City Code. Many of these projects result in formal reports or other communications to City Council. The OAG participates in the City's independent biannual Revenue Estimating Conference process and contributes to the revenue forecast adopted by the conference principals for use in the City's annual budget and four-year financial plan. The annual financial audit of the City's CAFR and its Federal financial assistance programs are performed by outside auditors hired by the OAG.

The OAG has the responsibilities and authority stated in Section 7.5-105 of the Charter of the City of Detroit to make audits of the financial transactions, performance, and operations of city agencies with a focus on high-risk areas; to perform financial analysis of agencies; to make a report of the financial position of the City after the close of each fiscal year; to investigate the administration and operation of City agencies; to settle all disputed claims in favor of or against the City as provided by ordinance, and to make reports to City agencies of irregularities of practice and erroneous accounting methods.

**CITY OF DETROIT  
BUDGET DEVELOPMENT  
EXPENDITURES BY SUMMARY CATEGORY - ALL FUNDS**

Department # - Department Name Summary Category	FY2019 Adopted	FY2020 Recommended	FY2021 Forecast	FY2022 Forecast	FY2023 Forecast
<b>50 - Office of the Auditor General</b>	<b>3,902,242</b>	<b>3,972,116</b>	<b>4,033,713</b>	<b>4,061,097</b>	<b>4,089,027</b>
Salaries & Wages	1,150,222	1,221,125	1,245,269	1,269,895	1,295,013
Employee Benefits	431,246	429,097	431,800	434,558	437,370
Professional & Contractual Services	2,060,000	2,100,000	2,148,750	2,148,750	2,148,750
Operating Supplies	116,361	67,235	67,235	67,235	67,235
Operating Services	124,593	126,659	126,659	126,659	126,659
Equipment Acquisition	820	-	-	-	-
Other Expenses	19,000	28,000	14,000	14,000	14,000
<b>Grand Total</b>	<b>3,902,242</b>	<b>3,972,116</b>	<b>4,033,713</b>	<b>4,061,097</b>	<b>4,089,027</b>



**CITY OF DETROIT  
BUDGET DEVELOPMENT  
EXPENDITURES BY SUMMARY CATEGORY - FUND DETAIL**

Department # - Department Name Fund # - Fund Name Summary Category	FY2019 Adopted	FY2020 Recommended	FY2021 Forecast	FY2022 Forecast	FY2023 Forecast
<b>50 - Office of the Auditor General</b>	<b>3,902,242</b>	<b>3,972,116</b>	<b>4,033,713</b>	<b>4,061,097</b>	<b>4,089,027</b>
1000 - General Fund	3,902,242	3,972,116	4,033,713	4,061,097	4,089,027
Salaries & Wages	1,150,222	1,221,125	1,245,269	1,269,895	1,295,013
Employee Benefits	431,246	429,097	431,800	434,558	437,370
Professional & Contractual Services	2,060,000	2,100,000	2,148,750	2,148,750	2,148,750
Operating Supplies	116,361	67,235	67,235	67,235	67,235
Operating Services	124,593	126,659	126,659	126,659	126,659
Equipment Acquisition	820	-	-	-	-
Other Expenses	19,000	28,000	14,000	14,000	14,000
<b>Grand Total</b>	<b>3,902,242</b>	<b>3,972,116</b>	<b>4,033,713</b>	<b>4,061,097</b>	<b>4,089,027</b>

CITY OF DETROIT  
 BUDGET DEVELOPMENT  
 FINANCIAL DETAIL BY DEPARTMENT, FUND, APPROPRIATION, & COST CENTER  
 EXPENDITURES

Department # - Department Name	FY2019 Adopted	FY2020 Recommended	FY2021 Forecast	FY2022 Forecast	FY2023 Forecast
Fund # - Fund Name					
Appropriation # - Appropriation Name					
Cost Center # - Cost Center Name					
50 - Office of the Auditor General	3,902,242	3,972,116	4,033,713	4,061,097	4,089,027
1000 - General Fund	3,902,242	3,972,116	4,033,713	4,061,097	4,089,027
00261 - OAG Auditing Operations	1,992,242	2,022,116	2,034,963	2,062,347	2,090,277
500010 - Administration & General Office	619,723	679,468	687,453	695,597	703,904
500020 - Auditing - Operations	1,372,519	1,342,648	1,347,510	1,366,750	1,386,373
12680 - OAG Auditing	1,910,000	1,950,000	1,998,750	1,998,750	1,998,750
500025 - Auditing - CAFR	1,910,000	1,950,000	1,998,750	1,998,750	1,998,750
<b>Grand Total</b>	<b>3,902,242</b>	<b>3,972,116</b>	<b>4,033,713</b>	<b>4,061,097</b>	<b>4,089,027</b>

**CITY OF DETROIT**  
**FY2020 - 2023 Positions - Mayor**

<b>50000-Office of the Auditor General</b>	<b>FY 2018-19 FTE</b>	<b>FY 2019-20 FTE</b>	<b>FY 2020-21 FTE</b>	<b>FY 2021-22 FTE</b>	<b>FY 2022-23 FTE</b>
<b>Appropriation</b>	<b>Budget</b>	<b>Mayor</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
<b>Cost Center</b>					
<b>Job Code and Title</b>					
<b>00261-OoAG Auditing Operations</b>					
500010-Administration & General Office					
010106.Auditor General	1	1	1	1	1
13201124.Auditor Manager IV	1	1	1	1	1
43601104.Administrative Assistant IV	1	1	1	1	1
<b>Total 500010-Administration &amp; General Office</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>500020-Auditing-Operations</b>					
13201102.Auditor II	8	3	3	3	3
13201103.Auditor III	1	4	4	4	4
13201104.Auditor IV	1	2	2	2	2
13201112.Supervisory Auditor IV	2	2	2	2	2
<b>Total 500020-Auditing-Operations</b>	<b>12</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>11</b>
<b>Total 00261-OoAG Auditing Operations</b>	<b>15</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>14</b>
<b>Agency Total</b>	<b>15</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>14</b>



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