




Office of the Auditor General

Mark W. Lockridge, Auditor General

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MEMORANDUM

DATE : September 1, 2020
TO : Honorable City Council
FROM: Mark W. Lockridge, CPA 
Auditor General
RE : Office of the Auditor General, Fiscal Year 2019-20 Fourth Quarter Report
CC : Irv Corley, Executive Policy Manager, Legislative Policy Division

Honorable Council Members,

Attached for your review is the Office of the Auditor General's (OAG) Fiscal Year 2019-20 Fourth Quarter Report. This report contains an overview of our audit activities, TeamMate Projects, and a review of our Fiscal Year 2020-21 Adopted Budget.

Please let me know if you have any questions, comments or concerns regarding the information as reflected in the report, and I will respond in a timely manner. Thank you for your continued support and recognition of the value of an effective internal audit shop that is the Office of the Auditor General of the City of Detroit.


Copies of all of the Office of the Auditor General Reports can be found on our website at <https://detroitmi.gov/government/office-auditor-general>.



OFFICE OF THE AUDITOR GENERAL

OAG Fiscal Year 2019-20 Fourth Quarter Report

As of June 30, 2020



Contents

- ▶ **Fiscal Year 2020-21 Adopted Budget Review**
- ▶ **OAG Fiscal Year 2019-20 Fourth Quarter Report**

Budget	Millions	FTE's
FY20 OAG Adopted	\$3,972	14
FY21 OAG Adopted	\$3,696	14

- ▶ Overview of Audit Activities
- ▶ OAG TeamMate Project

Fiscal Year 2020-21 Adopted Budget Review

- OAG FY20 versus FY21 Adopted Budget
- FTE Position Review

OAG FY20 versus FY21 Adopted Budget

Adopted Budget	\$000	Adopted Budget	FTE's
Fiscal Year 2019-20	\$3,972	Fiscal Year 2019-20	14
Fiscal Year 2020-21	\$3,696	Fiscal Year 2020-21	14
Increase/(Decrease)	\$ (276)	Increase/(Decrease)	-0-

▶ \$151K Net Decrease in CAFR Costs

- ▶ The original five year contract included an increase of \$149K in FY21 costs;
- ▶ The contract was renegotiated resulting in a five year extension, and a \$300K reduction of FY21 costs.
- ▶ Overall, the amended contract represents savings of \$2.1M over the next five years.

▶ \$106K Net Decrease in Salaries, for COVID Workforce Savings

▶ \$19K Decrease in All Other Expense

▶ No change in Total FTE's

- ▶ The Adopted budgets agree on total FTE's but they do not reflect OAG's current or desired position structure;
- ▶ The FY21 Adopted does not fund OAG's current or desired position structure.


FTE Position Review

Job Title	Actual Year End FY20	Adopted Budget FY20	Adopted Budget FY21	OAG Proposed Repositioning	OAG Proposed FY21*
Supervisory Auditor IV	2	2	2	-	2
Auditor IV	-	2	1	+1	2
Auditor III	3	4	3	+1	4
Auditor II	3	3	5	(2)	3
Subtotal Operations Administration	8	11	11	-	11
Total OAG	11	14	14	-	14

*The FTE positioning in the FY21 Adopted budget does not meet our operational needs. We are working with the OCFO Budget Department realign our positions.

OAG Fiscal Year 2019-20 Fourth Quarter Report

- Status of Audits as of June 30, 2020
 - Audits In Process
 - Audits Not Started
- TeamMate Automation Project



“The Role of Internal Auditing in Public Sector Governance
Good governance typically includes setting strategy, providing oversight, and instilling ethics in organizations. Independent auditing, including internal and external audit services, supports good governance in the public sector. Auditors provide assurance that public organizations are performing effectively and efficiently and in accordance with legal and ethical obligations to their public constituencies.”

“Unique Aspects of Internal Auditing in the Public Sector”, The Institute of Internal Auditors, The International Professional Practices Framework®, a type of Supplemental Guidance Practice Guides - Public Sector, March 2020.

The Role of Internal Auditing in Public Sector Governance

Types and Phases of OAG Audits

- ▶ **Types of Audits**
 - ▶ **Performance/Operational**
Focuses on the process and problems, identifies causes; attention more on people and resources; includes a financial component
 - ▶ **Financial Related**
Focuses on internal controls over financial cycles; does not focus on any specific problem; attention on figures; limited scope
 - ▶ **Financial - CAFR**
OAG required to make a report of the financial position of the City
Contracted to Plante Moran (External Auditors)
- ▶ **Phases of Internal Audits**
 - ▶ **Planning - General**
Determining engagement objectives, scope, and methodology; establishing criteria to evaluate matters subject to audit
 - ▶ **Planning - Risk Assessment**
Using a risk-based approach, auditors may consider additional procedures if they become aware of evidence that conflicts with that provided by management
 - ▶ **Fieldwork**
Performing tests and procedures necessary to accomplish the engagement objectives
 - ▶ **Wrap-Up and Report**
Determining the report content and substance or reviewing reports to determine whether the engagement objectives have been accomplished and the evidence supports the report's technical content and substance prior to issuance

Audits In Process

Public Lighting Department

Source: City Council Request, March 2017
Type: Performance Audit
Period: July 1, 2015 - June 30, 2019

- Published Audit of Public Lighting Interim Report PLD Salvage Operations (February 2020)
- In the wrap-up and report phase for PLD revenues
- In the wrap-up and report phase for capital assets and PLD decommissioning

Public Lighting Authority

Source: City Council Request, July 2017
Type: Performance Audit
Period: July 1, 2015 - June 30, 2019

- Completed general
- planning and the audit risk assessment
- Fieldwork expected to begin August 2020 (Delayed from April 2020 due to COVID)

Audits In Process

Detroit Transportation Corporation

Source: OAG Annual Plan

Type: Follow-up Performance Audit

Period: July 1, 2015 - June 30, 2017

- Fieldwork completed
- In final phases of wrap-up and reporting

DLBA Demolition Forensic Audit

Source: City Council Request

Type: Financial (Forensic) Audit

Period: July 1, 2015 - June 30, 2019

- Outsourced to external forensic accounting firm
- Fieldwork completed
- In final phases of wrap-up and reporting

Audits In Process

CRIO Compliance Fees

Source: City Council Request, September 2018
Type: Financial Audit
Period: December 1, 2016 - June 30, 2019

- Completed general planning and the audit risk assessment
- Fieldwork completed for CRIO compliance fees cash receipts
 - In final phases of wrap-up and reporting for CRIO compliance fees cash receipts
- Fieldwork completed for DESC operations
 - In final phases of wrap-up and reporting for DESC operations
 - In Fieldwork for CRIO compliance fees operations

Audits In Process

Department of Public Works

Source: OAG FY19 Annual Audit Plan
Type: Performance Audit
Period: July 1, 2017 - June 30, 2019

- Completed fieldwork
- In final phase of wrap-up and reporting

Media Services

Source: OAG FY20 Annual Audit Plan
Type: Performance Audit
Period: July 1, 2015 - June 30, 2019

- Conducted entrance conference October 2019
- Completed general planning
- Performing the planning risk assessment

Audits Not Yet Started

Police
Commissioners

Source: City Council Request, March 2020

Police Secret
Service Fund

Source: OAG FY20 Annual Audit Plan

Police Drug Law
Enforcement Fund

Source: OAG FY20 Annual Audit Plan

OCFO Assessors
Division

Source: City Council Special Request, July 2020
Limited Scope Related to Property Tax
Overassessments

OAG TeamMate Project

What is TeamMate AM?

TeamMate AM (Audit Management) is a comprehensive audit management system that helps auditors and audit department leadership manage all aspects of the audit process. TeamMate helps organizations around the world to identify and evaluate risk, create and manage audits, schedule projects and allocate resources, capture Time and Expenses, manage issue remediation, monitor and report on status with notifications and dashboards.

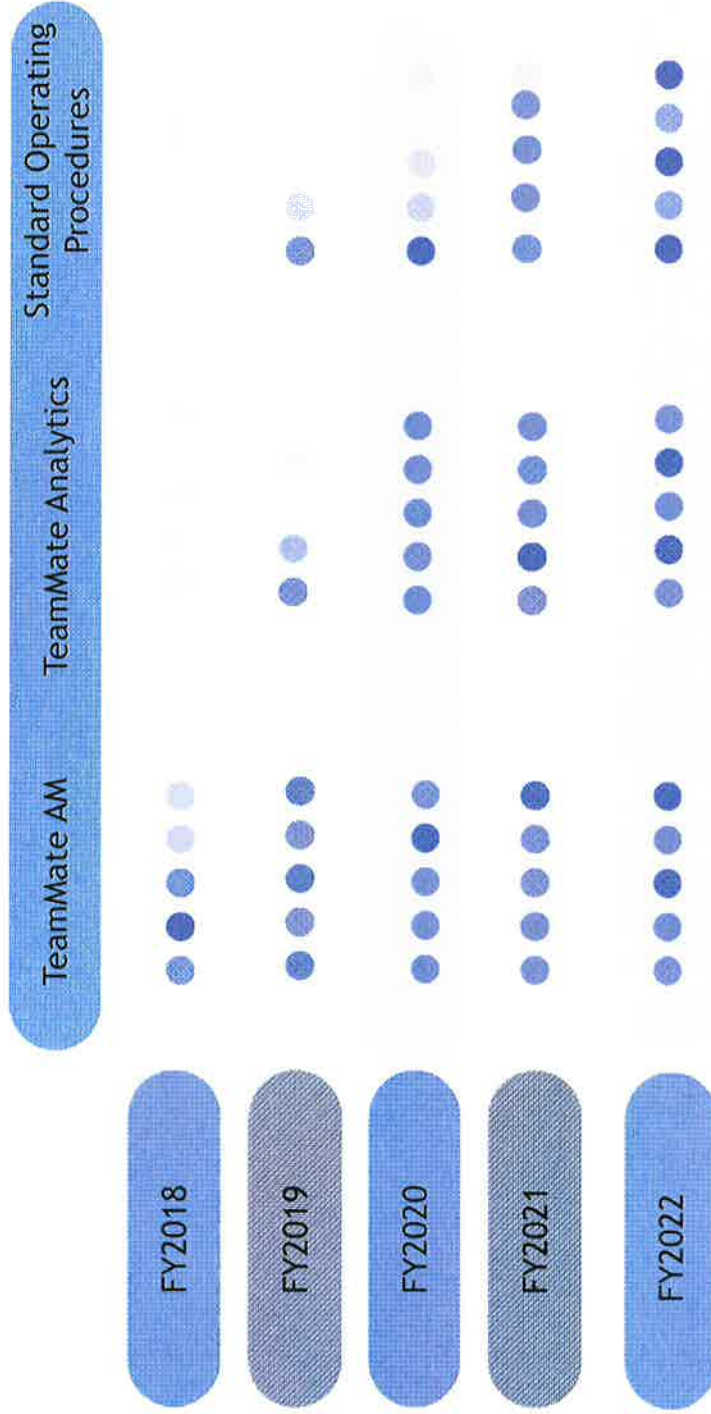
What is TeamMate Analytics?

TeamMate Analytics is a suite of more than 150 Computer Aided Audit Tools (or CAATs) that allows auditors to easily perform powerful data analysis to deliver significant value for their team, their internal or external clients and their organization as a whole. Unlike other solutions, which require programming and DBA skills, TeamMate Analytics is designed to be used by every auditor in our department.

Who's using TeamMate AM and TeamMate Analytics?

TeamMate AM is used by more than 90,000 auditors and TeamMate Analytics is used by more than 60,000 auditors in over 70 countries around the world to conduct their work more efficiently and effectively.

OAG TeamMate Project



OAG is preparing for an external peer review to be performed by reviewers independent of our organization, in accordance with Generally Accepted Government Auditing Standards (GAGAS) in FY2022.

The End

The Office of the Auditor General thanks the Honorable City Council for receiving and review of our Fiscal Year 2020-21 Adopted Budget and our Fiscal Year 2019-20 Fourth Quarter Report. Please send any follow-up questions and comments to this office for our response.

Mark W. Lockridge, CPA
Auditor General
City of Detroit