

City of Detroit

OFFICE OF THE AUDITOR GENERAL



**Audit of Detroit Media
October 2021**




Office of the Auditor General

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Mark W. Lockridge, Auditor General

DATE: October 18, 2021

TO: Honorable City Council
Honorable Mayor Mike Duggan

FROM: Mark W. Lockridge, CPA 
Auditor General

RE: **AUDIT OF DETROIT MEDIA**

CC: Linda Vinyard, Director, Detroit Media, Non-Departmental
Jay Rising, Acting Chief Financial Officer, Office of the Chief Financial Officer
John Naglick, Chief Deputy CFO/Finance Director, OCFO
Jeanet Kulcsar, Director of Strategy, OCFO
Patrick Morris, Program Analyst II, OCFO

Attached for your review is our report on the Audit of Detroit Media. This report contains our audit purpose, scope, objectives, methodology and conclusions; background; our audit findings and recommendations; and the responses from Detroit Media and the Office of the Chief Financial Officer.

Responsibility for the installation and maintenance of a system of internal control that minimizes errors and provides reasonable safeguards rests entirely with the Detroit Media. 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 that are not put into effect by the department shall be reviewed by the Finance Director¹ who shall advise the Auditor General and the City Council of the action being taken with respect to the recommendations.

We appreciate the cooperation and assistance that we received from the employees of the Detroit Media and the Office of the Chief Financial Officer.

Copies of the Office of the Auditor General reports can be found on our website at [www.detroitmi.gov/How-Do-I/View City of Detroit Reports/Auditors General-Audits](http://www.detroitmi.gov/How-Do-I/View-City-of-Detroit-Reports/Auditors-General-Audits).

¹ The 2012 City Charter does not reflect that the position and responsibilities of the "Finance Director" were replaced with the creation of the Office of the Chief Financial Officer and its positions in 2013.

Audit of Detroit Media

July 1, 2017 – June 30, 2020

CONTENTS

	Page
AUDIT PURPOSE, SCOPE, OBJECTIVES, METHODOLOGY AND CONCLUSIONS	1
BACKGROUND	3
AUDIT FINDINGS AND RECOMMENDATIONS	
1. Detroit Media and Office of Departmental Financial Services Did Not Comply with CFO Directives Regarding Cash Handling and Manual Journal Entries	7
AGENCY RESPONSE	
Detroit Media / Office of Chief Financial Officer	ATTACHMENT A

AUDIT PURPOSE, SCOPE, OBJECTIVES, METHODOLOGY, AND CONCLUSIONS

AUDIT PURPOSE

The audit of Detroit Media was performed in accordance with the Office of the Auditor General'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 City Council and report findings and recommendations to City Council and the Mayor.

AUDIT SCOPE

To conduct a performance and financial audit of Detroit Media for of July 1, 2017, through June 30, 2020.

Our audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States, except for the completion of an external peer review of the Office of the Auditor General within the last three years.

AUDIT OBJECTIVES

The audit objectives were:

- To determine the efficiency and effectiveness of Detroit Media's core operations.
- To evaluate the adequacy of Detroit Media's internal controls over the major financial reporting processes, specifically, cash receipts, disbursements, capital assets, and revenues noting any control weaknesses.
- To determine whether Detroit Media is complying with applicable Finance Directives, policies, plans, procedures, laws, and regulations.
- To determine the status of each audit finding and issue of non-compliance in the prior audit report.

AUDIT METHODOLOGY

To accomplish the audit objectives, our audit work included:

- Reviewing the prior audit report and working papers, City Charter, Municipal Manual, Oracle Cloud reports, Detroit Media's budget reports and organization charts.
- Gathering policies and procedures of core operations and similar data.
- Conducting an audit-planning meeting to determine the scope and audit objectives, and to determine the financial transactions and/or areas to audit.
- Developing questions regarding Detroit Media's transactions, controls, functions, records, and personnel.
- Identifying risks relative to financial transactions and mitigating controls with Detroit Media's personnel.

- Interviewing Detroit Media personnel, reviewing documentation, and making observations to aid in developing audit programs.

CONCLUSIONS

We determined Detroit Media:

- Was efficient and effective in their core operations.
- Resolved all prior audit findings from the audit report published in February 2009.
- Had appropriate internal controls over the major financial reporting processes.
- Detroit Media and Office of the Chief Financial Officer - Office of Departmental Financial Services (ODFS) did not comply with CFO Directive No. 2018-109-001 – Cash Handling Procedures.

ODFS did not comply with CFO Directive No. 2018-105-001 by having all supporting documentation in Oracle Cloud ERP for journal entries.

BACKGROUND

The following information is quoted from the FY 2020-23 Mayor's Recommended Four-Year Financial Plan: Section B – Agency Descriptions, Agency Plan: Mission, Goals and Activity Summary. **The Detroit Media**, formerly the Detroit Cable Communications Commission ("Cable Commission") which was established by ordinance in 1981, operates as the City of Detroit's local video franchising authority with direct responsibility for the review and issuance of franchise agreements and permit agreements to telecommunications providers who seek to obtain access to and ongoing use of the City's right-of-way for telecommunications facilities.¹

As the City of Detroit's video production and television broadcast services provider, Detroit Media is responsible for the daily programming, operation and management of Government Access Channel 10, the Education Access Channel 22, the Neighborhoods Channel 21 and the Public Access Channel 68. Detroit Media interfaces with the Mayor's Office; City Council; City departments and commissions; educational institutions; and community organizations to produce programming that is responsive to the public's diverse information needs and interests.²

Communications Services staff promotes a positive city image by planning, coordinating and implementing effective communications with the City's customers - residents, business owners, employees, visitors and the media. As the communications arm for the City of Detroit, staff provides high-quality service to city agencies and elected officials in their efforts to communicate programs, initiatives and information to various audiences. Services include strategic communications planning and counseling, media relations, event planning, website management, writing, graphic design, photography and copying services.³

Major functions include the development and implementation of communications initiatives including Motor City Makeover and Halloween in the "D"; assisting departments and elected officials in communicating information and services to the public; maintaining the City's web site; operating the Total Copy Center; and providing an account of city initiatives, activities and events through photography.⁴

The Mayor's Communications Director sets the direction for Media and Communications Services activity. Communications integrates publicity, graphics, photography and the Total Copy Center services into existing media services.

¹ City of Detroit FY 2020-2023 Mayor's Recommended Four-Year Financial Plan: Section B – Agency Description, p B35-3.

² Ibid.

³ Ibid.

⁴ Ibid

Fiscal Year Ended June 30

Budget Item	2019	2020
Revenues	\$2,012,273	\$3,546,033
Appropriations	3,746,427	3,548,237
Net Tax Cost	\$1,734,154	\$ 2,204
Budgeted Staff	36	37

Office of the Chief Financial Officer

Emergency Manager Order no. 41 dated March 28, 2013, ordered in part, that the Chief Financial Officer establish a centralized financial management organizational structure, to be called the Office of the Chief Financial Officer (OCFO). The OCFO is a centralized financial management operation that consolidates all finance related functions within the City. The OCFO oversees, controls and directs all finance personnel within all City departments, divisions, and agencies. The OCFO includes the following divisions:

- Executive Office of the Office of Chief Financial Officer
- Office of Budget
- Office of Assessor
- Office of Contracting & Procurement
- Office of Controller
- Office of Departmental Financial Services
- Office of Financial Planning & Analysis
- Office of Grants Management
- Office of Treasury

The Office of Departmental Financial Services (ODFS) is a financial partner to City agencies. Areas of focus include budget administration, program analysis/evaluation, finance and accounting, internal controls, financial systems, strategic planning, and performance metrics. Every city department has an ODFS Agency CFO assigned to assist it in various financial transactions. James George is the current ODFS Agency CFO assigned to Detroit Media and is responsible for the ODFS staff assigned to Detroit Media.

STATUS OF PRIOR AUDIT FINDINGS

Listed below are prior audit findings for the Cable Commission report published February 2009.

1. **Inappropriate Segregation of Duties**
This finding has been resolved.
2. **Controls Over Cash Receipts Are Inadequate**
This finding has been resolved.
3. **Inadequate Monitoring of Payroll Process**
This finding has been resolved.
4. **Recordkeeping for Fixed Assets Is Inadequate & Does Not Conform to the Capital Asset Policy**
This finding has been resolved.
5. **Inadequate Management Oversight of Personal Service Contractors**
This finding has been resolved.
6. **Failure to Adequately Control Fuel Cards**
This finding has been resolved.

PRIOR AUDIT FINDING RELATED TO OTHER DEPARTMENTS

1. **The Finance Department Did Not Provide Documentation Showing that the Cable Commission's Imprest Cash Accounts Was Closed Appropriately**
This finding has been resolved.
2. **There Were Unexplained Irregularities in the Cable Commission's Payroll**
This finding has been resolved.

AUDIT FINDINGS AND RECOMMENDATIONS

Detroit Media and Office of Departmental Financial Services (ODFS) Did Not Comply with CFO Directives Regarding Cash Handling and Manual Journal Entries

Conditions

We reviewed Detroit Media and ODFS' compliance with CFO Directives regarding cash handling and manual journal entries. We noted the following during our examination of 45 cash receipts (checks) received by the department:

- A1. There were no received dates for 20 of the 45 checks or 44%.
- A2. Thirteen of the 25 remaining checks or 52% were not deposited that day per City policy although the checks exceeded the \$500 minimum deposit requirement.

Batch	Treasury Stamp Date	Cash Receipt Date	Days to Deposit	Total Receipts included in deposit
1	1/13/2017	1/9/2017	4	2
2	2/1/2017	1/9/2017	23	1
3	8/9/2017	8/4/2017	5	1
4	8/9/2017	8/4/2017	5	2
5	5/31/2019	5/14/2019	17	2
6	5/23/2019	5/14/2019	9	1
7	8/20/2019	8/15/2019	5	3
8	1/28/2020	12/20/2019	39	1
				13

Each check amount ranged from \$300,000 dollars to over \$1 million.

- A3. Checks received from one vendor were made payable to the former Director instead of the City of Detroit Treasurer per City policy.
- A4. There were no logs kept for PEG and Franchise fee checks received by Detroit Media staff.
- B1. In addition, manual journal entries in Oracle did not have all supporting documentation needed for verification. Missing documentation included copies of checks and deposit slips.

Criteria

A. CFO Directive No. 2018-109-001 - Cash Handling requires:

- 6.2.1. Deposits of cash and checks shall be made each day when the cumulative total amount reaches \$500.00, or once per week, whichever comes first.

- 6.4.1. Ensure every check is payable to the City of Detroit - Treasurer.
- 6.9. Departments shall ensure that copies of all deposit information required for reconciliation or tracking purposes are retained prior to deposit with the bank.

B. CFO Directive No. 2018-105-001 - Manual Journal Entries requires:

- 6.6 - All manual journal entries shall have appropriate supporting documentation attached in Oracle Cloud ERP. Appropriate documentation shall explain why the manual journal entry is required and shall be in enough detail such that an independent party can follow and substantiate the need for the journal entry.

Effect

Failure to follow OCFO directives for Cash Handling and Manual Journal entries when dealing with cash receipts could lead to theft, fraud, and misappropriation of funds.

We determined the following:

- Checks were not deposited timely due to lag time between when ODFS receives the check from Detroit Media staff.
- ODFS staff did not ensure that appropriate document was maintained and attached in Oracle for manual journal entries created for Detroit Media.

According to a Detroit Media staff person they were advised to have all checks made payable to the City of Detroit Treasurer.

Recommendations

We recommend that Detroit Media and ODFS management:

A. Follow CFO Directive No. 2018-109-001 by:

- Modifying or mitigating the risk of check handling through alternative methods such as implementing ACH payments for Detroit Media cash receipts.

We recommend ODFS management:

B. Follow CFO Directive No. 2018-105-001 by:

- Ensuring that all manual journal entries have appropriate supporting documentation attached in Oracle Cloud ERP by ODFS personnel.



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October 13, 2021

Mark W. Lockridge, CPA
Auditor General
Office of the Auditor General
2 Woodward Avenue, Suite 216
Detroit, Michigan 48226

Dear Mr. Lockridge:

This letter and attachments represents our response for the indicated findings and related recommendations in the draft audit of Detroit Media prepared by the Office of the Auditor General, dated October 2021. We have provided responses, along with an estimated/projected implementation date, contact person, and contact person number and email address, in the formatted template as requested.

In addition, I wanted to inform you that the OCFO – Office of the Treasury implemented a new Point of Sale (POS) Cashiering software that went live on April 1, 2021. This new POS is an integral part of the Electronic Payment Center (EPC) housed in the Detroit Taxpayer Service Center (DTSC), Room 154. The EPC and corresponding process improvements will result in reducing risk exposure to employees, reducing fraud risks, and improving research and reconciliation capabilities. Please see attached memo from Deputy Treasurer Paul Zelenak, dated April 16, 2021, for additional information on current processes related to Accounts Receivable and Miscellaneous Receipts (non-billed receipts), which is how the transactions identified in the draft audit report are categorized.

Please do not hesitate to contact me if you have any further questions or concerns.

Sincerely,

John Naglick, Jr.

Chief Deputy CFO/ Finance Director

Att: AG Response Template
Treasury New POS Cashier System Go-Live Memo – April 21, 2021

**Audit of Detroit Media
October 2021**

FINDING #	AUDIT FINDING	REF	SPECIFIC RECOMMENDATION	DEPARTMENT RESPONSE(S)	ESTIMATED/ PLANNED IMPLEMENTATION DATE	CONTACT PERSON	IMPLEMENTATION CONTACT INFO
1.	Communication and Creative Services Department (CCSD) and Office of Departmental Financial Services (ODFS) Did Not Comply with CFO Directives Regarding Cash Handling and Manual Journal Entries	A	We recommend that Detroit Media and ODFS management: Follow CFO Directive No. 2018-109-001 by: <ul style="list-style-type: none"> Modifying or mitigating the risk of check handling through alternative methods such as implementing ACH payments for Detroit Media cash receipts. 	OCFO will work with the vendor to request setup of ACH payments. Also, OCFO/ Media Services will communicate with vendor to request checks are sent to ODFS instead of Media Services. ODFS will deliver to Electronic Payment Center (EPC) Cashier office upon receipt and Treasury will deposit per CFO Directive No. 2018-109-001.	Department and OCFO management will agree upon a timeline for plan implementation. We will send out communication no later than 11/1/21.	Linda Vinyard	313-971-8053 Linda.vinyard@detroitmi.gov
						James George	313-224-1167 georgej@detroitmi.gov
						Paul Zelenak	313-224-1399 zelenakp@detroitmi.gov
		B	We recommend ODFS management: Follow CFO Directive No. 2018-105-001 by: <ul style="list-style-type: none"> Ensuring that all manual journal entries have appropriate supporting documentation attached in Oracle Cloud ERP 	The current deposit recording through Oracle Accounts Receivable module eliminates the manual journal entries for Revenue recording.	NA	James George	313-224-1167 georgej@detroitmi.gov



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER
OFFICE OF THE TREASURY

Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 1200
Detroit, MI 48226

MEMO

Date: April 16, 2021

To: Office of Department Financial Service

From: Paul Zelenak, Office of Treasury, Deputy Treasurer

RE: Treasury New POS Cashier System Go-Live

The Office of the Treasury is pleased to announce that our new Point of Sale (POS) Cashiering software has gone live as of April 1st. This implementation kicks off a number of process improvements that will help us enact our mission of providing the best customer service possible to Detroit residents, taxpayers and City Departments. The new POS is an integral part of the Electronic Payment Center (EPC) housed in the Detroit Taxpayer Service Center (DTSC) Room 154. The EPC and corresponding process improvements helps us align with the Mayor's goal of eliminating cash handling by City employees.

Our vendor for the project is DivDat, who you will recognize as our payment kiosk vendor. The new system replaces the Netvantage system. A key advantage of the new DivDat system is that it will be directly connected with Oracle, which will dramatically improve our efficiency and the timeliness and accuracy of the recording of receipt transactions.

What has changed?

- 1) With the implementation of the new POS system, **the receipt of each check or batch of checks must be recorded in Oracle prior to presentation to the EPC Cashier.** This is done through one of two methods; 1) Oracle Miscellaneous Receipt (non-billed receipt) or 2) Oracle AR (billed receipt). **Coded deposit slips are no longer used or accepted. EOS Cashier will generate a daily electronic file (Check 21) to initiate deposit with TCF Bank.**

- a. **Oracle Miscellaneous Receipt** – A Miscellaneous Receipt must be created in Oracle for non-billed payments. The prior deposit ticket codes are now incorporated into the Oracle Miscellaneous Receipt Method Number. ODFS is required to create a miscellaneous receipt in Oracle, and present screen print of the receipt along with the check(s) to the EPC Cashier. The EPC Cashier will input the Oracle receipt number in the POS system and also use that number to code the Check 21 file generated for TCF bank. The POS system will generate a separate receipt for reference and record keeping by ODFS.

- b. **A/R Module** – An A/R invoice is required for billed revenue. The new POS is directly integrated with Oracle AR. A copy of the Oracle Invoice will be required when presenting a check to the EPC cashiers. The POS will be able to lookup the invoice and post the payment in Oracle and the invoice will also provide the EOS Cashier with the necessary code for the Check 21 file sent to TCF Bank. Oracle AR will immediately reflect the payment and a POS system receipt will be provided to the depositor for reference and record keeping
- 2) In addition to the above, Treasury has created a new process for **Unidentified Checks** that are received by ODFS. Any unidentified check should be brought to the EPC cashiers and noted that it is an unidentified item. Treasury will conduct research to identify the payment and then post appropriately.

In this packet, you will find the work instructions, standard operating procedures, workflows, and supporting documentation that you and your team need to successfully implement process changes. Also included is a contact directory so that you can easily locate the person or team who can best assist you in processing payments. If you would like to schedule training on Oracle A/R or Miscellaneous Receipt transactions or for general information about the new POS processes, please reach out to me at zelenakp@detroitmi.gov.

Thank you for your support as we work to implement these new processes. You are an important part of making this transition a success. Please do not hesitate to reach out to me with any questions that arise.