



Office of the Auditor General

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MEMORANDUM

DATE : March 22, 2023

TO : Honorable City Council

FROM: Laura Goodspeed, CPA
Deputy Auditor General

RE : Response to the Legislative Policy Division Fiscal Year 2024-2023
Budget Analysis

CC : Jay Rising, Chief Financial Officer, Office of the Chief Financial Officer
Tanya Stoudemire, Chief Deputy Chief Financial Officer, Office of the Chief
Financial Officer
Steve Watson, Deputy Chief Financial Officer, Budget Department, Office of
the Chief Financial Officer
James George, Agency Chief Financial Officer, Office of Departmental and
Financial Services, Office of the Chief Financial Officer
Rachel Schafer, Budget Analyst, Office of the Chief Financial Officer
Gail Fulton, Liaison, Mayor's Office
David Whitaker, Director, Legislative Policy Division

The following are our responses to the Budget Analysis questions raised by the Legislative Policy Division, and in preparation for our Budget Hearing Wednesday, March 30, 2022 at 2:00 PM.

For FY 2024, the Mayor has recommended a slight increase for the Office of the Auditor General (OAG), increasing the department by \$61,999 (1.6%), increasing OAG from an overall budget of \$4,447,909 to \$4,385,910 in FY 2024.

As of February 27, 2023, the department has 16 of its 16 General Fund positions filled (no vacancies), and the Mayor has recommended no FTE changes in the FY 2024 proposed budget.



OAG Mayor's FY 2024 Recommendations

50-AGENCY MAYOR PROPOSED BUDGET SUMMARY OVERVIEW BY CATEGORY			
CATEGORY	<i>(Thousands of Dollars)</i>		
	FY23 APPROVED	FY24 MAYOR'S PROPOSED	FY23 vs FY24 MAYOR PROPOSED
Personnel Costs	\$ 2,050	\$ 2,099	\$ 49
Non-Personnel Costs	527	540	13
ACFR Cost	1,809	1,809	-
Grand Totals	\$ 4,386	\$ 4,448	\$ 62
FTEs	16	16	-

Auditor General's Responses to LPD's 2023-2024 Budget Analysis

- 1) Is the FY 2024 budgeted level of \$1,850,405, a \$61,114 (3.4%) increase over the current fiscal year, which includes the cost of the City's Annual Comprehensive Financial Report (ACFR), a sufficient amount to cover it and the rest of the items budgeted under cost center 500020 - Auditing Operations? Please explain the reason for the \$61,114 increase in FY 2024.
 - The \$1,850,405 reflects (only) Auditing Operations. According to the Administration the \$61,114 represents a restoration of an arbitrary 2.5% decrease in our budget the previous FY 2023. It reflects a \$56,133 increase in Salaries & Wages: a \$7,418 decrease in Employee Benefits, and \$12,399 increase in contract services and other expenses.

50-AGENCY MAYOR PROPOSED BUDGET SUMMARY OVERVIEW BY COST CENTER				
COST CENTER	DESCRIPTION	<i>(Thousands of Dollars)</i>		
		FY23 APPROVED	FY24 MAYOR'S PROPOSED	FY23 vs FY24 MAYOR PROPOSED
500010	OAG Administration	\$ 788	\$ 789	\$ 1
500020	Auditing Operations	1,789	1,850	61
500025	Auditing ACFR	1,809	1,809	-
	Grand Totals	\$ 4,386	\$ 4,448	\$ 62
	FTEs	16	16	-



- The proposed FY 2024 budget of \$1,809,000 for the ACFR should be sufficient. There are two optional years remaining on our contract with Plante Moran with slight increases in costs: FY 2025 at \$1,752,000 and FY2026 \$1,796,000.
- 2) Are 16 FTE's a sufficient number of employees for the Auditor General's Office to provide an optimal level of auditing services for the City of Detroit's governmental operations, including the auditing of the City's components units.
- No, 16 FTEs does not reflect our optimal organizational structure nor an equitable amount of funding. The Proportional Funding Working Group's recommendation is 25 FTEs for the OAG.
 - The lack of FTEs severely limits our capacity to provide an adequate level of internal auditing services while fulfilling other services mandated by Charter and by Ordinance.
 - In our previous FY year budget daily response, we cited the following:
 - Our audits are more complex and comprehensive in nature and require a higher skill level. The revised 2018 "Generally Accepted Government Auditing Standards" (GAGAS) focuses on operational (or performance) audits which encompasses both financial related and operational aspects of auditing. With operational audits, auditors are required to "learn the business" and measure both the financial related and operational risks involved.
 - The 2018 GAGAS Standards also requires adequate supervision at all levels of audit work noting that:
 - Audit supervision involves providing sufficient guidance and direction to auditors assigned to the audit to address the audit objectives and follow applicable requirements, while staying informed about significant problems encountered, reviewing the work performed, and providing effective on-the-job training.
 - Our current organization hierarchy lacks sufficient supervisory roles to allow for efficient and timely reviews.



- We are requesting three (3) additional FTE's in FY2024 as follows:

Requested Position		FY24 Requested Salary Amount	... Rank and Cost of (3) New FTE's	... Rank and Cost of (2) New FTE's	... Rank and Cost of (1) New FTE
1	Auditor Manager 3	\$ 102,501	2nd	2nd	-
2	Auditor 4	\$ 83,175	1st	1st	1st
3	Auditor 3	\$ 78,000	3rd	-	-
Subtotal Base Salary Costs		\$ 263,676	263,676	185,676	\$ 83,175
Employee Benefits		84,192	84,192	59,286	26,558
FY24 FTE Staffing Ask					
Priority/Cost Ranked		\$ 347,868	\$ 347,868	\$ 244,962	\$ 109,733

The rationale for this additional ask is to increase our capacity to perform more audits and other OAG related services. The positions requested represent a fully functioning audit team consisting of an Audit Manager, Audit Supervisor, and an experienced Auditor. These positions requested are strategic in nature and will enhance our quest for achieving our optimal organizational structure.

- Is the OAG planning to audit the expenses and funds collected for the Joe Louis Greenway, which is now in excess of \$200 million?
 - No, it is not in OAG's FY 2024 Annual Plan. A lack of resource limits our ability incorporate such audits into our annual plan. However, performing audits for emerging issues such as the funds collected for the Joe Louis Greenway project often originates as a formal request by City Council.
 - Sometimes Council requests for audits are quite significant and require our resources for long periods. The Audit of Citywide Demolition Activities is a good example. The City's Demolition Activities were interconnected with four city agencies and several component units. That audit was a huge undertaking and took several years to complete a series of published audits.
 - Sometimes is preferable to outsource these types of special audit requests through our office.
- The City has received a sizable infusion of funds such as the \$826 million from the American Rescue Plan and \$250 million from the Neighborhood Improvement Plan Bonds. Is the OAG planning on auditing the use of these funds along with their respective related



programs?

- The OAG’s contract with Plante Moran includes the “Single Audit” of Expenditures of Federal Awards granted to the City annually. In FY 2022, the Single Audit included a “Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance.” That audit included more than \$56.0 million associated with Direct Programs funded by the Department of the Treasury and the Michigan Department of Health and Human Services:
 - COVID-19 Coronavirus Relief Fund
 - Emergency Rental Assistance Program (ERAP)
 - Coronavirus State and Local Fiscal Recovery Funds.
 - COVID-19 Immunization and Vaccines for Children
- Currently, the OAG is conducting an in-house performance audit of the “ARPA Renew Detroit Program” focusing on the effectiveness and efficiency of the program.
- We propose to outsource specific ARPA-related audit projects through professional services contract(s) through a competitive bid process. You should note that OAG is the only legislative branch which the Charter does not allow for us to hire temporary employees that are exempt from collective organization and collective bargaining. This means that we cannot hire temporary contracted staff or Temporary Administrative Special Services Staff (TASS’s) to function and perform necessary work as a supervised employee.
- The audits considered in the OAG’s annual risk-based audit plan originates from the selection of City agencies and financial processes. Conducting audits on activities such as the long-term plans for the Neighborhood Improvement Plan Bonds (Proposal N) usually originates as a formal request from Council. These types of audits can be performed quicker if the scope is limited.



- 5) 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 2024.
- We have no new: expense initiatives, new capital funding requests, operational reform and savings proposals, or revenue initiatives/proposals to be implemented in FY 2024.
 - We requested and was approved for capital funding for office renovation. As of March 2023, we are in the planning and design phase, ... we expect to begin construction in August 2023 and complete it in February 2024.
 - It is our understanding that the capital funding for our office renovations is intact, and it is now a part of the Mayor's Office overall strategic planning for office space in CAYMC. We have reached out to the Mayor's Office and are awaiting an update on the status of our office renovations.