



Office of the Auditor General

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MEMORANDUM

DATE : March 29, 2023

TO : Detroit City Council President Mary Sheffield ,

FROM: Laura Goodspeed, CPA *LG*
Deputy Auditor General

RE : Response to the Office of the Auditor General (OAG), Budget Hearing Questions, Fiscal Year 2023/2024

CC : Honorable City Council Members
City Clerk
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 memorandum from City Council President Mary Sheffield's "Office of the Auditor General (OAG), Budget Hearing Questions, Fiscal Year 2023/2024" dated March 28, 2023.

1. What is the OAG's rate of employee turnover? Is the office currently experiencing a staffing shortage? If so, what are the barriers to filling these positions?
 - We have experienced five FTE turnovers in the past four years: three resignations and two retirements. This calculates to an average turnover rate of approximately 8.9 % per year calculated below:
 - Four FTE Turnovers/ Five years = Average 1.25 FTE turnovers per year
 - Average 1.25 FTE turnovers per year/14 average FTE per year = 8.9% Average Turnover Rate



- As of today, we have no vacancies and we are fully staffed at 16 FTE's per our FY23 budgeted positions.
 - Recruiting experienced government internal auditors proves to be a challenge. We often hire individuals at the lowest level (Auditor 2) and train them to be internal auditors. We encourage them to study for and become certified internal auditors (CIA), and other certifications in the auditing profession.
2. How many auditors does the office currently have? How many auditors are necessary to provide timely audit reviews?
- We currently have 16 FTE's: Three in administration, and thirteen (13) auditors in of various levels in auditing operations.
 - According to the Proportional Funding Working Group for the Independent Agencies the proposed equitable FTE for the OAG is 25. This will enhance our ability to provide more timely audits.
3. How many audits has the office completed for FY 22-23? How many audits does the department have pending? What is the audit completion goal of FY 23-24?
- Three audits completed currently in FY23. In total it should be four or five.
 - We have five audits in process:
 - CRIO Compliance Fees
 - Property Tax Assessment Forensic Audit
 - ARPA Renew Detroit Program
 - Board of Police Commissioners
 - Human Resources Employee Services
 - We expect to complete six to seven audits in FY24.
4. In FY 2024, there is a \$64,000 increase in the budget for salaries and wages and a \$14,000 decrease in employee benefits. What is the reason for this inverse relationship?
- According to the Administration the \$64,000 represents a restoration of an arbitrary 2.5% decrease in our budget in FY23. Primarily, 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.
 - According to the Administration the employee fringe benefit rate decreased for FY24.



5. Are the salary requirements in the department up to date with other cities and municipalities? Are the salary requirements competitive to retain and attract talent?
 - All auditor positions in the OAG were restructured in FY2015 except for the Chief Auditor, Deputy Auditor General, and Auditor General.
 - A new market study would need to be completed to determine whether our auditor salaries are commensurate with comparable entities.
 - The Chief Auditor, Deputy Auditor General, and Auditor General are not commensurate with OCFO similar and/or executive positions.
 - Salary requirements attract good talent, but retention has proven to require higher salaries and/or more promotional opportunities.
6. Part of the OAG's mission is to examine and evaluate city activities to improve accountability for public funds and to improve operations of city government. How does the office meet this goal? What operating programs and services does the office provide that aligns with this goal?
 - Most of our audits include a financial audit and performance (operational) audit. When our audits are published and the Administration embraces our findings, and implements our recommendations, be it financial or operational in nature, this improves transparency, accountability of public funds and city operations.
 - Every audit we perform aligns with this provision of OAG's mission.
 - We strive for our audit reports to be compelling based on well-developed findings and recommendations. We have helped many departments over the years with their financial and operational activities, and many city directors agree that our work adds value. We rely on the Administration to make improvements by implementing our recommendations. For several reasons this is not always the case.
7. One of the goals of the office is to improve the auditing and consulting capabilities of the OAG staff. How will the office achieve this goal in FY 24? Has the OAG done an audit on the efficiency and effectiveness of the office? If not, does the office plan to do a review? If so, what is the projected completion date?
 - We will improve our auditing and consulting capabilities through continuous training, retention, and benefiting from developing experienced and certified government internal auditors.
 - The OAG is scheduled for a Peer Review in July 2023. This is an example of "the Auditor, auditing the Auditor."
 - The purpose is to determine if the OAG system of quality control is suitably designed and complying with generally accepted governmental auditing standards (GAGAS) so that it has reasonable assurance that it is performing and reporting in



conformity with professional standards and applicable legal and regulatory requirements in all material respects.

- The peer review should be completed the first quarter of FY24.

8. Another goal of the office is to expand activities to include Enterprise-wide Risk Management. What activities does the office plan to expand? What does Enterprise-wide Risk Management include?

- The Institute of Internal Auditors (IIA) provides guidance on Enterprise Risk Management. The IIA prescribes the use of the Committee of Sponsoring Organizations' (COSO) framework for ERM which identifies eight components of ERM: internal environment, objective setting, event identification, risk assessment, risk response, control activities, information and communication, and monitoring.
- With the necessary addition of resources, we plan to add more value through greater utilization of our cutting-edge audit software and experienced staff. Our audit software will enable us to perform City-wide assessments and summarize operational, financial, and strategic related risks the City faces as a whole.
- We envision our Enterprise-wide Risk Management audit activities to focus on City-wide resource planning, priorities, and performance, and the five strategic outcomes noted in the Mayor's FY24 Proposed Budget:

Over the past three years, the City of Detroit has introduced new methods of resource planning to better align the budget with strategic priorities and align resources with results. The City's budgets for the General Fund and many special revenue and enterprise funds are now organized around Strategic Outcomes, which represent the long-term vision of City leadership to deliver superior City services and improve the quality of life for Detroiters. Every year, the City establishes key priorities and initiatives that fall under one or more of these strategic outcomes.

- The FY 2024 budget classifies agency appropriations to a strategic outcome or one of its components. The strategic outcomes are:
 - Safer Neighborhoods
 - Vibrant and Beautiful City
 - Economic Equity and Opportunity
 - Effective Governance
 - Efficient and Innovative Operations