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TO: Laura Goodspeed, Deputy Auditor General  
Auditor General

FROM: David Whitaker, Director   
Legislative Policy Division Staff

DATE: March 21, 2023

RE: 2023-2024 Budget Analysis

Attached is our budget analysis regarding your agency's budget for the 2023-2024 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Thursday, March 23, 2023, at 3:00 p.m.** We would then appreciate a written response to the issues/questions at your earliest convenience before or after your budget hearing. Please forward a copy of your responses to the Council members, the City Clerk's Office, and the Legislative Policy Division.

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

Thank you for your cooperation in this matter.

DW:dh:ss

Attachments:  
Issues and Questions

cc: Councilmembers  
Auditor General's Office  
Brad Dick, Group Executive/COO  
Jay Rising, Chief Financial Officer  
Tanya Stoudemire, Chief Deputy CFO-Policy Administrative Director  
Steve Watson, Budget Director  
James George, Agency CFO  
Rachel Schafer, Budget Analyst  
Malik Washington, Mayor's Office

## Auditor General (50)

### FY 2023-2024 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.

### Auditor General Budget Summary

For FY 2024, the Mayor has recommended a slight increase for 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.

Positions (by FTE):	2/10/2023 Actual	FY2023 Adopted	FY2024 Mayor Proposed
General Fund	15	16	16
Non-General Fund	-	-	-
ARPA	-	-	-
<b>Total Positions</b>	<b>15</b>	<b>16</b>	<b>16</b>

(Page B50-3) As illustrated in the chart above, OAG as of February 10, 2024, the department has 15 of its 16 General Fund positions filled (one vacancy), and the Mayor has recommended no FTE changes in the 2024 FY.

#### Issues and Questions:

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.

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?
3. Is the OAG planning to audit the expenses and funds collected for the Joe Louis Greenway, which is now in excess of \$200 million?
4. 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?
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.

## OFFICE OF THE AUDITOR GENERAL (50)

### Mission

The Office of the Auditor General (OAG) is an independent, full-service auditing function to examine and evaluate City activities in order to improve accountability for public funds and to improve 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.

OAG responsibilities and authority are stated in Section 7.5-105 of the Charter 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. OAG prepares written reports of audit findings and recommendations to the City Council, the Mayor and the management of each agency, and performs special projects and other work. The OAG participates in the City's independent biannual Revenue Estimating Conference process. The annual financial audit of the City's Annual Comprehensive Financial Report (ACFR) and its Federal financial assistance programs are performed by outside auditors hired by the OAG.

### Operating Programs and Services

- **Internal Controls Auditing** investigates the administration and operation of City agencies.
  - **Public Claims Hearings** promote an atmosphere of mutual trust and accountability among constituents.
  - **Budget Analysis/Revenue Consensus** identifies and reports opportunities for expense savings and revenues increases.
- **Annual ACFR Oversight** facilitates the annual financial audit of the City's ACFR and Federal financial programs.

# OFFICE OF THE AUDITOR GENERAL (50)

## Goals, Strategic Priorities and Related City Outcomes

Goals / Strategic Priorities	Timeframe	Related City Outcome
1. Complete an optimal number of audits, investigations, and special projects	July 2022 - June 2024	Effective Governance
2. Improve the quality and timeliness of all external as well as internal reporting	July 2022 - June 2024	Effective Governance
3. Improve the auditing and consulting capabilities of the OAG staff	July 2022 - June 2024	Effective Governance
4. Identify and report opportunities for expense savings and revenues increases	July 2022 - June 2024	Effective Governance
5. Promote an atmosphere of mutual trust, honesty, and integrity among staff and constituents	January 2023 - June 2024	Effective Governance
6. Expand our activities to include Enterprise-wide Risk Management	July 2022 - June 2024	Effective Governance

## Budget By Service

Services	FY 2024 Mayor Proposed	FY 2024 Mayor Proposed FTE
Administration	\$788,505	3.0
Auditing-ACFR	\$1,809,000	-
Auditing-Operations	\$1,850,404	13.0
<b>Total:</b>	<b>\$4,447,909</b>	<b>16.0</b>

## Metrics and Data

Metrics	Data	Related Goal #
Number of audits started and completed	7 audits	1
Number of contracts for the Annual Comprehensive Financial Report and Single Audit Reports	2 contracts	2
Auditors maintaining membership in the Institute of Internal Auditors by completing the required minimum number of Continuing Professional Education (CPE) hours	40 auditors	3

**Department Name:** Office of the Auditor General

**Department #:** 50

**Budget Summary:**

	FY2022 Actual		FY2023 Adopted		FY2024 Mayor Proposed	
	General Fund	All Funds	General Fund	All Funds	General Fund	All Funds
Total Revenues	-	-	-	-	-	-
Total Expenditures	3,596,656	3,596,656	4,385,910	4,385,910	4,447,909	4,447,909
<b>Net Tax Cost</b>	<b>3,596,656</b>	<b>3,596,656</b>	<b>4,385,910</b>	<b>4,385,910</b>	<b>4,447,909</b>	<b>4,447,909</b>

	FY2025 Forecast		FY2026 Forecast		FY2027 Forecast	
	General Fund	All Funds	General Fund	All Funds	General Fund	All Funds
Total Revenues	-	-	-	-	-	-
Total Expenditures	4,537,567	4,537,567	4,593,996	4,593,996	4,650,116	4,650,116
<b>Net Tax Cost</b>	<b>4,537,567</b>	<b>4,537,567</b>	<b>4,593,996</b>	<b>4,593,996</b>	<b>4,650,116</b>	<b>4,650,116</b>

Positions (by FTE):	2/10/2023 Actual	FY2023 Adopted	FY2024 Mayor Proposed	FY2025 Forecast	FY2026 Forecast	FY2027 Forecast
General Fund	15	16	16	16	16	16
Non-General Fund	-	-	-	-	-	-
ARPA	-	-	-	-	-	-
<b>Total Positions</b>	<b>15</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>16</b>

**CITY OF DETROIT  
BUDGET DEVELOPMENT  
EXPENDITURES BY SUMMARY CATEGORY - ALL FUNDS  
DEPARTMENT 50 - OFFICE OF THE AUDITOR GENERAL**

Department # - Department Name Summary Category	FY2023 Adopted	FY2024 Mayor Proposed	FY2025 Forecast	FY2026 Forecast	FY2027 Forecast
<b>50 - Office of the Auditor General</b>	<b>4,385,910</b>	<b>4,447,909</b>	<b>4,537,567</b>	<b>4,593,996</b>	<b>4,650,116</b>
Salaries & Wages	1,526,874	1,591,064	1,622,885	1,647,228	1,671,936
Employee Benefits	522,806	508,026	518,887	527,014	534,229
Professional & Contractual Services	2,109,000	2,110,198	2,152,402	2,173,926	2,195,665
Operating Supplies	84,506	84,700	86,394	87,258	88,131
Operating Services	118,324	118,320	120,686	121,893	123,112
Other Expenses	16,900	28,101	28,663	28,950	29,239
Equipment Acquisition	7,500	7,500	7,650	7,727	7,804
<b>Grand Total</b>	<b>4,385,910</b>	<b>4,447,909</b>	<b>4,537,567</b>	<b>4,593,996</b>	<b>4,650,116</b>

**CITY OF DETROIT  
BUDGET DEVELOPMENT  
EXPENDITURES BY SUMMARY CATEGORY - FUND DETAIL  
DEPARTMENT 50 - OFFICE OF THE AUDITOR GENERAL**

Department # - Department Name Fund # - Fund Name Summary Category	FY2023 Adopted	FY2024 Mayor Proposed	FY2025 Forecast	FY2026 Forecast	FY2027 Forecast
<b>50 - Office of the Auditor General</b>	<b>4,385,910</b>	<b>4,447,909</b>	<b>4,537,567</b>	<b>4,593,996</b>	<b>4,650,116</b>
<b>1000 - General Fund</b>	<b>4,385,910</b>	<b>4,447,909</b>	<b>4,537,567</b>	<b>4,593,996</b>	<b>4,650,116</b>
Salaries & Wages	1,526,874	1,591,064	1,622,885	1,647,228	1,671,936
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<b>Grand Total</b>	<b>4,385,910</b>	<b>4,447,909</b>	<b>4,537,567</b>	<b>4,593,996</b>	<b>4,650,116</b>

**CITY OF DETROIT  
BUDGET DEVELOPMENT  
FINANCIAL DETAIL BY DEPARTMENT, FUND, APPROPRIATION, & COST CENTER - EXPENDITURES  
DEPARTMENT 50 - OFFICE OF THE AUDITOR GENERAL**

Department # - Department Name					
Fund # - Fund Name	FY2023	FY2024	FY2025	FY2026	FY2027
Appropriation # - Appropriation Name	Adopted	Mayor Proposed	Forecast	Forecast	Forecast
Cost Center # - Cost Center Name					
50 - Office of the Auditor General	4,385,910	4,447,909	4,537,567	4,593,996	4,650,116
1000 - General Fund	4,385,910	4,447,909	4,537,567	4,593,996	4,650,116
28500 - Internal Controls Auditing	4,385,910	4,447,909	4,537,567	4,593,996	4,650,116
500010 - OAG Administration	787,619	788,504	804,466	815,555	826,513
500020 - Auditing Operations	1,789,291	1,850,405	1,887,921	1,914,809	1,941,335
500025 - Auditing - ACFR	1,809,000	1,809,000	1,845,180	1,863,632	1,882,268
<b>Grand Total</b>	<b>4,385,910</b>	<b>4,447,909</b>	<b>4,537,567</b>	<b>4,593,996</b>	<b>4,650,116</b>



**CITY OF DETROIT  
BUDGET DEVELOPMENT  
POSITION DETAIL BY DEPARTMENT, FUND, APPROPRIATION, & COST CENTER  
DEPARTMENT 50 - OFFICE OF THE AUDITOR GENERAL**

Department # - Department Name					
Fund # - Fund Name					
Appropriation # - Appropriation Name	FY2023	FY2024	FY2025	FY2026	FY2027
Cost Center # - Cost Center Name	Adopted	Mayor Proposed	Forecast	Forecast	Forecast
Job Code - Job Title					
<b>50 - Office of the Auditor General</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>16</b>
<b>1000 - General Fund</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>16</b>
<b>28500 - Internal Controls Auditing</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>16</b>
<b>500010 - OAG Administration</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
010101.Deputy Auditor General	1	1	1	1	1
010106.Auditor General	1	1	1	1	1
43013376.Executive Administrative Assistant II	1	1	1	1	1
<b>500020 - Auditing Operations</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>13</b>
13201102.Auditor II	4	4	4	4	4
13201103.Auditor III	4	4	4	4	4
13201104.Auditor IV	2	2	2	2	2
13201112.Supervisory Auditor IV	2	2	2	2	2
13201124.Auditor Manager IV	1	0	0	0	0
13201127.Auditor Manager IV	0	1	1	1	1
<b>Grand Total</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>16</b>