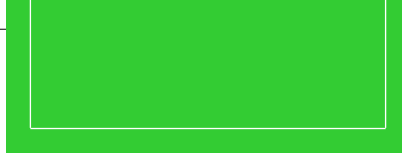




OFFICE OF THE AUDITOR GENERAL

Fiscal Year 2024 Budget Hearing
March 23, 2023

Laura Goodspeed
Deputy Auditor General



WHO WE ARE AND WHAT WE DO

We Are The Office of the Auditor General ...

Detroit City Charter Sec. 7.5-105. Powers and Duties (abbreviated)

The Auditor General shall:

- **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.
- **Make a full report to the City Council** of each individual audit and file a copy with the Mayor.
- After the close of each fiscal year, **make a report of the financial position of the City**. The report shall be a public record [e.g., the City's "**Annual Comprehensive Financial Report**" or "**ACFR**".]
- **Settle all disputed claims** in favor of or against the City to the extent and in the manner provided by ordinance.

We Perform Internal Auditing

1. Internal Auditing...

- Is an independent, objective, assurance and consulting activity.
- Adds value and improves operations.

2. Internal Auditing brings a...

- Systematic and disciplined approach to evaluate and improve the effectiveness of operations and governance.

3. Internal Auditing provides assurance...

- That internal controls in place are adequate to mitigate risks.

Note: Management is responsible for the systems of internal controls.

- Governance processes are effective and efficient.
- And organizational goals and objectives are met.

Our Audit Plan



- Is a “risk-based” audit plan that focuses on high-risk agencies and/or processes identified during our annual city-wide risk assessment.
- Each agency, department or entity is assigned a score based seven metrics:
 1. Revenues
 2. Expenditures
 3. Number of staff
 4. Fund Type (general or special)
 5. Source of the audit request
 6. Date of last audit
 7. Emerging issues

Audits in Process

- CRIO Compliance Fees
 - Scope: December 1, 2016 – June 30, 2020
 - Third Report Target: April 2023
- Property Tax Assessments Forensic Audit
 - Scope: January 1, 2010 – December 31, 2020
 - Second Report Target: May 2023
- ARPA Renew Detroit Program
 - Scope: July 1, 2021 – December 31, 2026
 - First Interim Report Target: July 2023



Copies of all Office of the Auditor General reports can be found on the City's Website:

<https://www.detroitmi.gov/government/auditor-general>

Audits in Process (cont'd)

- Board of Police Commissioners
 - Scope: July 1, 2020 – June 30, 2022
 - First Interim Report Target: October 2023
- Human Resources Employee Services
 - Scope: July 1, 2020 – June 30, 2023
 - First Interim Report Target: February 2024



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Upcoming 2023 – 2024 Audits

- DPD Drug Law Enforcement Fund
 - Scope: July 1, 2020 – June 30, 2023
 - Expected Start Date: April 2023
- DPD Special Operations (Secret Service Fund)
 - Scope: July 1, 2020 – June 30, 2023
 - Expected Start Date: June 2023
- Payroll Audit
 - Scope: July 1, 2021 – June 30, 2023
 - Contracted Services
 - Expected Start Date: June 2023



ARPA Audits Through Contract Services



- OAG cannot hire temporary employees.
- We plan to outsource high-risk ARPA-related performance audit projects.
- Estimated cost to outsource three to five ARPA specific audits is \$800,000 per year.
- We plan to use ARPA funds previously resolved and set aside for City Council.
- We plan to contract for services in FY24 prior to the deadline to encumber ARPA funds.
- OAG is requesting additional supervisory staff to oversee the contractual out-sourced audits.

External OAG Peer Review

The Peer Review Team will look at our:

- Organization's policies and procedures.
- Audit reports.
- Supporting working papers.
- Documents relating to nonaudit services.
- Any other reports, correspondence, files, or documents deemed pertinent by the peer review team.
- Documentation necessary to evaluate staff competency (i.e., proof of continuing professional education (CPE's)).



Other OAG Activities

Revenue Estimating Conference Participation Schedule

- January (Final)
- May (not mandatory by law)
- September (Begins the budget process for the next fiscal year)

City Council Budget Hearings Assist LPD with Budget Dailies

- March

Auditor General - Chairperson

- Towing Rate Commission

Auditor General - Member

- Risk Management Council
- Police Cost Recovery Review Committee
- Fire Cost Recovery Review Committee

OAG Mandatory Training and Staff Development

- Mandatory 40 hours of Continuing Professional Education (CPEs) Annually



MAYOR'S OAG FY24 PROPOSED BUDGET

OAG FY24 Mayor's Proposed Budget

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	-

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
500020	Auditing Operations	1,809	1,809	-
	Grand Totals	\$ 4,386	\$ 4,448	\$ 62
	FTEs	16	16	-

- The Mayor proposed an **overall 1.4% budget increase** over the FY23 Adopted Budget.
- Changes relate to slight increase in salaries (\$49K) and an increase Other Expenses (\$13K).
- ACFR costs are 40.7% of proposed budget.



OAG FY24 CITY COUNCIL FUNDING REQUEST

FY 2024 OAG Performance Metrics

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	Jan 2023 - June 2024	Effective Governance
6. Expand our activities to include Enterprise-wide Risk Management	July 2022 - June 2024	Effective Governance

FY24 City Council GF Funding Request

50-AGENCY CITY COUNCIL GENERAL FUND REQUEST	
	<i>(Thousands of Dollars)</i>
Personnel Requests	\$ 380
Software Maintenance	30
Training & Development	29
Other Expenses	5
Total Additional GF Request	\$ 444
Additional FTEs Request	3

OAG FY24 Additional FTE Staffing Ask

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
Restore Overtime Pay	32,000	32,000	32,000	32,000
FY24 FTE Staffing Ask Priority/Cost Ranked	\$ 379,868	\$ 379,868	\$ 276,962	\$ 141,733

- We are requesting three (3) FTE's in higher-skill, supervisory and management roles to improve upon the timeliness of audits and oversee contracted audit services.
- We are requesting to restore overtime pay for all union auditors 2, 3, and 4's.



THE END

OAG thank the Honorable City Council Members for allowing us to present our agency's FY24 Proposed Budget to you during this budget hearing.

We are open to any questions, comments, and/or concerns.

**LAURA GOODSPEED, CPA
DEPUTY AUDITOR GENERAL
CITY OF DETROIT OFFICE OF THE AUDITOR GENERAL**