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TO: Laura Goodspeed, Auditor General
FROM: David Whitaker, Director 
Legislative Policy Division Staff
DATE: March 11, 2024
RE: 2024-2025 Budget Analysis

Attached is our budget analysis regarding your agency's budget for the 2024-2025 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Wednesday, March 13, 2023, at 10:00 a.m.** We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to 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
AG FY 25 Budget Pages

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

Auditor General (50)

FY 2024-2025 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 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.

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 25, the Mayor has recommended a slight increase for OAG, increasing the department by \$132,593 (2.71%), increasing OAG from an overall budget of \$4,892,687 to \$5,025,280 in FY 25.

Positions (by FTE)

	2/9/2024 Actual	FY2024 Adopted	FY2025 Mayor Proposed	FY2026 Forecast	FY2027 Forecast	FY2028 Forecast
General Fund	19.00	19.00	19.00	19.00	19.00	19.00
Non-General Fund	-	-	-	-	-	-
ARPA	-	-	-	-	-	-
Total Positions	19.00	19.00	19.00	19.00	19.00	19.00

(Page B50-4) As illustrated in the chart above, OAG as of February 9, 2024, the department has all 19 of its 19 General Fund positions filled, and the Mayor has recommended no FTE changes in the 2025 FY.

Issues and Questions:

1. Is the FY 2025 budgeted level of \$1,852,000, a \$43,000 (2.38%) increase over the current fiscal year, which includes the cost of the City's Annual Comprehensive Financial Report (ACFR), is sufficient to cover it and the remaining items budgeted under cost center **500025 - Auditing - ACFR**?
2. Are 19 FTE's sufficient 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 2025.
6. It has been reported to Council that the Auditor General was overdue for its scheduled office renovations. What is the current status of the renovations and when will they be completed?

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 performance audits, investigations, and special projects	July 2023 – June 2025	Effective Governance
2. Complete an optimal number of internal and external audits of ARPA funded initiatives	July 2023 – June 2025	Effective Governance
3. Improve the quality and timeliness of all external as well as internal reporting	July 2023 – June 2025	Effective Governance
4. Improve the auditing, consulting, and value-add capabilities of the OAG staff	July 2023 – June 2025	Effective Governance
5. Identify and report opportunities for expense savings and revenues increases	July 2023 – June 2025	Effective Governance
6. Expand our activities to include Enterprise-wide Risk Management	July 2023 – June 2025	Effective Governance

Budget By Service

Services	FY 2025 Mayor Proposed	FY 2025 Mayor Proposed FTE
Administration	\$868,431	3.0
Auditing – Annual Comprehensive Financial Report	\$1,852,000	-
Auditing – Operations	\$2,304,849	16.0
Total:	\$5,025,280	19.0

OFFICE OF THE AUDITOR GENERAL (50)

Metrics and Data

Metrics	Data	Related Goal #
Number of Continuing Professional Education (CPE) hours Auditors maintain per year in accordance with Generally Accepted Government Auditing Standards (GAGAS)	40 CPE	3
Number of external audit reports completed per year	2	2
Number of audits started and completed	7	1

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Department 50 - Office of the Auditor General

Budget Summary

	FY2023 Actual		FY2024 Adopted		FY2025 Mayor Proposed	
	General Fund	All Funds	General Fund	All Funds	General Fund	All Funds
Total Revenues	-	-	-	-	-	-
Total Expenditures	3,742,456	3,742,456	4,892,687	4,892,687	5,025,280	5,025,280
Net Tax Cost	3,742,456	3,742,456	4,892,687	4,892,687	5,025,280	5,025,280

	FY2026 Forecast		FY2027 Forecast		FY2028 Forecast	
	General Fund	All Funds	General Fund	All Funds	General Fund	All Funds
Total Revenues	-	-	-	-	-	-
Total Expenditures	5,098,475	5,098,475	5,172,889	5,172,889	5,248,548	5,248,548
Net Tax Cost	5,098,475	5,098,475	5,172,889	5,172,889	5,248,548	5,248,548

General Fund Recurring vs One-Time Expenditures

	FY2024 Adopted	FY2025 Mayor Proposed
Recurring Expenditures	4,892,687	5,025,280
One-Time Expenditures	-	-
Total Expenditures	4,892,687	5,025,280

Positions (by FTE)

	2/9/2024 Actual	FY2024 Adopted	FY2025 Mayor Proposed	FY2026 Forecast	FY2027 Forecast	FY2028 Forecast
General Fund	19.00	19.00	19.00	19.00	19.00	19.00
Non-General Fund	-	-	-	-	-	-
ARPA	-	-	-	-	-	-
Total Positions	19.00	19.00	19.00	19.00	19.00	19.00

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

Department # - Department Name Summary Category	FY2024 Adopted	FY2025 Mayor Proposed	FY2026 Forecast	FY2027 Forecast	FY2028 Forecast
50 - Office of the Auditor General	4,892,687	5,025,280	5,098,475	5,172,889	5,248,548
Salaries & Wages	1,886,740	1,968,726	2,008,101	2,048,263	2,089,229
Employee Benefits	594,666	617,944	627,378	637,001	646,816
Professional & Contractual Services	2,110,198	2,152,000	2,173,520	2,195,255	2,217,208
Operating Supplies	114,700	92,710	93,638	94,574	95,521
Operating Services	118,320	149,800	151,297	152,810	154,338
Other Expenses	60,563	42,600	43,026	43,456	43,891
Equipment Acquisition	7,500	1,500	1,515	1,530	1,545
Grand Total	4,892,687	5,025,280	5,098,475	5,172,889	5,248,548

**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	FY2024 Adopted	FY2025 Mayor Proposed	FY2026 Forecast	FY2027 Forecast	FY2028 Forecast
50 - Office of the Auditor General	4,892,687	5,025,280	5,098,475	5,172,889	5,248,548
1000 - General Fund	4,892,687	5,025,280	5,098,475	5,172,889	5,248,548
Salaries & Wages	1,886,740	1,968,726	2,008,101	2,048,263	2,089,229
Employee Benefits	594,666	617,944	627,378	637,001	646,816
Professional & Contractual Services	2,110,198	2,152,000	2,173,520	2,195,255	2,217,208
Operating Supplies	114,700	92,710	93,638	94,574	95,521
Operating Services	118,320	149,800	151,297	152,810	154,338
Other Expenses	60,563	42,600	43,026	43,456	43,891
Equipment Acquisition	7,500	1,500	1,515	1,530	1,545
Grand Total	4,892,687	5,025,280	5,098,475	5,172,889	5,248,548

**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 Appropriation # - Appropriation Name Cost Center # - Cost Center Name	FY2024 Adopted	FY2025 Mayor Proposed	FY2026 Forecast	FY2027 Forecast	FY2028 Forecast
50 - Office of the Auditor General	4,892,687	5,025,280	5,098,475	5,172,889	5,248,548
1000 - General Fund	4,892,687	5,025,280	5,098,475	5,172,889	5,248,548
28500 - Internal Controls Auditing	4,892,687	5,025,280	5,098,475	5,172,889	5,248,548
500010 - OAG Administration	818,504	868,431	882,644	897,116	911,854
500020 - Auditing Operations	2,265,183	2,304,849	2,345,311	2,386,548	2,428,576
500025 - Auditing - ACFR	1,809,000	1,852,000	1,870,520	1,889,225	1,908,118
Grand Total	4,892,687	5,025,280	5,098,475	5,172,889	5,248,548

**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	FY2024	FY2025	FY2026	FY2027	FY2028
Cost Center # - Cost Center Name	Adopted	Mayor Proposed	Forecast	Forecast	Forecast
Job Code - Job Title					
50 - Office of the Auditor General	19	19	19	19	19
1000 - General Fund	19	19	19	19	19
28500 - Internal Controls Auditing	19	19	19	19	19
500010 - OAG Administration	3	3	3	3	3
010101.Deputy Auditor General	1	1	1	1	1
010106.Auditor General	1	1	1	1	1
013376.Executive Administrative Assistant 2	0	1	1	1	1
43013376.Executive Administrative Assistant 2	1	0	0	0	0
500020 - Auditing Operations	16	16	16	16	16
13201102.Auditor 2	4	4	4	4	4
13201103.Auditor 3	5	5	5	5	5
13201104.Auditor 4	3	3	3	3	3
13201112.Supervisory Auditor 4	2	1	1	1	1
13201123.Auditor Manager 3	1	0	0	0	0
13201127.Auditor Manager 4 Auditor General	1	1	1	1	1
13201128.Auditor Manager 3 - Auditor General	0	2	2	2	2
Grand Total	19	19	19	19	19