

**City of Detroit**

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**OFFICE OF THE AUDITOR GENERAL**



**Audit Of  
Detroit Workforce Development Department  
Summer Youth Employment Program  
Funded by the American Recovery and  
Reinvestment Act**



**City of Detroit**  
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LOREN E. MONROE, CPA  
AUDITOR GENERAL

**MEMORANDUM**

**DATE:** September 30, 2011

**TO:** Honorable City Council

**FROM:** Loren E. Monroe, CPA  
Auditor General *Loren E. Monroe*

**RE:** Audit of the Detroit Workforce Development Department  
Summer Youth Employment Program  
Funded by the American Recovery and Reinvestment Act

**CC:** Mayor Dave Bing  
Pamela Moore, Director  
Cheryl Johnson, Group Executive/Finance Director

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Attached for your review is our report on the audit of the Detroit Workforce Development Department Summer Youth Employment Program funded by the American Recovery and Reinvestment Act. This report contains our audit purpose, scope, objectives, methodology and conclusions; background; our audit findings and recommendations; and the responses from the Detroit Workforce Development Department and the Finance Department.

Responsibility for the installation and maintenance of a system of internal control that minimizes errors and provides reasonable safeguards rests entirely with the Detroit Workforce Development Department. Responsibility for monitoring the implementation of recommendations is set forth in Section 4-205 of the City Charter which states in part:

Recommendations that are not put into effect by the department shall be reviewed by the Finance Director who shall advise the Auditor General and the City Council of the action being taken with respect to the recommendations.

We would like to thank the employees of the Detroit Workforce Development Department for their cooperation and assistance extended to us during this audit.

Copies of all of the Office of the Auditor General reports can be found on our website at <http://www.detroitmi.gov/CityCouncil/LegislativeAgencies/AuditorGeneral.aspx>.

**Audit of the Detroit Workforce Development Department  
Summer Youth Employment Program  
Funded by the American Reinvestment and Recovery Act**

**February 2009 - September 2010**

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## **AUDIT PURPOSE, SCOPE, OBJECTIVES, METHODOLOGY AND CONCLUSIONS**

### **AUDIT PURPOSE**

The audit of the Detroit Workforce Development Department (DWDD) Summer Youth Employment Program funded by the American Recovery and Reinvestment Act (Recovery Act) was performed in accordance with the Office of the Auditor General's (OAG) charter mandate to investigate the administration and operation of City agencies once every two years and report findings and recommendations to the City Council and the Mayor.

### **AUDIT SCOPE**

Our audit focused on DWDD's procedures for monitoring and reporting Recovery Act funds related to the Summer Youth Employment Program. We also focused on internal control procedures established by the organization contracted to administer the program, and compliance to Recovery Act guidelines, other State and Federal regulations, and City policies and directives. In July 2009, the Government Accountability Office (GAO) issued a report on Recovery Act programs and funding. Included in that report were findings related to DWDD's Summer Youth Employment Program. In September 2009, we issued a memorandum to DWDD and the Mayor outlining issues of concern regarding the program. The scope of this audit also includes the status of the findings reported by the GAO and the issues reported in our memorandum. Our audit period was February 2009 through September 2010.

Our audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States, except for the completion of an external peer review of the Office of the Auditor General within the last three years.

### **AUDIT OBJECTIVES**

Our audit objectives were:

- To determine whether the program's goals were achieved;
- To determine whether internal controls over the use of the funds were sufficient;
- To determine whether DWDD and the organization contracted to administer the program complied with Recovery Act guidelines, grant terms, and other State and Federal requirements;
- To determine DWDD's compliance with the City's Finance Directives, policies, plans, procedures; and
- To determine the status of prior audit findings issued by the GAO and concerns reported by the OAG.

### **AUDIT METHODOLOGY**

To accomplish our audit objectives, our audit work included:

- Reading the prior audit report(s) and memorandum related to Recovery Act funding;

- Reviewing prior audit work-papers, City Charter, Municipal Manual, DRMS reports, the department's budget reports, the CAFR, Single Audit A-133, and organization charts and any federal or state requirements related to the Recovery Act funds;
- Gathering policies and procedures of core operations and other similar data;
- Conducting an audit-planning meeting to determine the scope and audit objectives, and to determine the financial transactions and/or areas to audit;
- Interviewing department personnel and other personnel involved in the Summer Youth Employment Program;
- Observing and testing a sample of transactions that we considered adequate to accomplish our objectives;
- Documenting and testing processes related to the program, and
- Other audit procedures necessary to accomplish our objectives.

## **CONCLUSIONS**

As a result of our audit we have concluded that:

- The achievement of the Program's goals could not be determined due to inadequate recordkeeping.
- Appropriate internal control over the use of program funds was not established.
- Neither DWDD nor the organization contracted to administer the program fully complied with Recovery Act guidelines, grant terms, and other State and Federal requirements.
- DWDD did not comply with the City's Finance Directives, policies and procedures.
- Five of the seven GAO prior audit findings and five of the seven issues discussed in our prior memorandum have not been resolved.

## BACKGROUND

The Detroit Workforce Development Department (DWDD) was first established in 1975 to plan and implement federally funded employment training programs for Detroit area residents. The DWDD is one of 25 Michigan Works! agencies that administer and oversee a variety of development activities.

On February 17, 2009, President Barack Obama signed the American Recovery and Reinvestment Act (Recovery Act) into law. The purpose of the Recovery Act is to create jobs, strengthen the economy, and encourage spending.

DWDD was awarded \$11,437,983 in Recovery Act funds to provide summer employment and other youth services through the Summer Youth Employment Program; a program designed to provide quality summer employment opportunities to low-income, Detroit youth ages 14 to 21. The qualifying age was raised to 24 as a requirement of the Recovery Act.

DWDD anticipated servicing more than 7,000 youth using Recovery Act and Workforce Investment Act (WIA) funds. City Connect Detroit (CCD), a non-profit community based organization, was contracted as the program coordinator. The Youth Development Commission (YDC) was subcontracted by CCD to assist in the administration of the program.

The following table shows total Recovery Act funding allocated the Summer Youth Program:

<u>Youth Payroll</u>	<u>Program Coordinator</u>	<u>Administrative</u>	<u>Total Recovery Act Funds</u>
\$7,194,769	\$3,099,416	\$1,143,798	\$11,437,983

Melvin Gupton was the Interim Director of DWDD from September 2008 through July 2009. Larry Hightower served as director from July 2009 through October 2010. The current director, Pamela Moore, was appointed in November 2010.

## STATUS OF PRIOR AUDIT FINDINGS

The findings included in the July 2009 report issued by the Government Accounting Office (GAO), as well as, the concerns identified in our September 2009 memorandum are listed below. The name of the agency indicates in which report the concern or finding was first reported. The status of each finding is noted.

1. Neither DWDD nor CCD could provide written policies and procedures for the following functions related to the Summer Youth Employment Program: SYEP Applications and Youth Certifications. (OAG – September 2009)  
*This finding has been resolved.*
2. There is poor communication between DWDD and the Finance Department. (OAG – September 2009)  
*This finding has been resolved.*
3. Youths did not know where to pick up their paychecks. (GAO – July 2009)  
*This finding has been resolved.*
4. No written policies and procedures for Detroit's payroll and its process to determine eligibility and a lack of documentation supporting such decisions. (GAO – July 2009)  
*This finding has been resolved.*
5. DWDD could not provide written policies and procedures specific to the setup and handling of American Recovery Act transactions. (OAG – September 2009)  
*This finding is unresolved and is discussed in Finding 2 on page 8 of this report.*
6. DWDD could not provide a sub lease agreement with the SYEP Coordinator - City Connect Detroit who occupies their building. (OAG – September 2009)  
*This finding is unresolved and is discussed in Finding 7 on page 16 of this report.*
7. CCD did not provide adequate staff or training for the Summer Youth Employment Program. As a result problems occurred with the July 2009 payroll. (OAG – September 2009)  
*This finding is unresolved and is discussed in Finding 4 on page 11 of this report.*
8. Internal control problems with paying youth and weaknesses in the process for making program eligibility determinations. (GAO – July 2009)  
*This finding is unresolved and is discussed in Finding 5 on page 13 of this report.*
9. Detroit had significant internal control problems with paying youth participants on time and in the correct amounts. (GAO – July 2009)  
*This finding is unresolved and is discussed in Finding 3 on page 10 of this report.*
10. The review of participant files revealed inadequate or non existent support of WIA eligibility determinations. (GAO – July 2009)  
*This finding is unresolved and is discussed in Finding 5 on page 13 of this report.*
11. The number of youth participants entered in the WIA State of Michigan website, as required, did not equal the number of youth participants included in the programs' payroll system. (OAG – September 2009)  
*This finding is unresolved and is discussed in Finding 2 on page 8 of this report.*



12. Detroit's process for determining participation in its WIA summer youth program needs improvement. (GAO – July 2009)  
*This finding is unresolved and is discussed in Finding 5 on page 13 of this report.*
13. CCD could not provide DWDD with the worksite agreements, which are the agreements between the employers and CCD that include specific information regarding the worksites and the number of youths assigned to the worksites. (OAG – September 2009)
14. Youths were working at worksites that had not completed the registration process and officials told us that as a result no checks were prepared for these youths. (GAO – July 2009)  
*These two similar findings (13 and 14) are unresolved and are discussed in Finding 1 on page 6 of this report.*

## AUDIT FINDINGS AND RECOMMENDATIONS

### **1. Program Recordkeeping Was Inadequate**

A review of the program files revealed the following:

- Separate statistical data for participants in the program year 2009-2010 was not maintained; as a result, the impact of the Recovery Act on youth employment could not be accurately quantified.
  - A review of participants' files disclosed no information identifying the use of Recovery Act funds.
  - The Summer Youth Employment Program (SYEP) Coordinator was unable to determine which participants were funded under Recovery Act and which participants were funded under other WIA funding.
- The SYEP Coordinator did not keep separate accounting records for Recovery Act expenditures; neither DWDD nor the SYEP Coordinator could determine which expenditures were paid with Recovery Act funding. To allocate costs, the SYEP Coordinator did a 50/50 cost split with other Workforce Investment Act (WIA) funding on all invoices.
- The SYEP Coordinator could not locate twenty-one participant files we requested. In addition, some participant files did not contain the required documentation to determine youth eligibility. This condition is discussed further in finding 5 on page 13.
- The SYEP Coordinator could not provide adequate information regarding the worksites where youth participants were placed. Documentation of the evaluations and approvals of SYEP worksites was not maintained.

According to Recovery Act guidelines and objectives, the recipients and uses of all funds must be transparent to the public, and the public benefits of these funds are to be reported clearly, accurately, and in a timely manner.

Section VII of the SYEP Coordinator's contract with DWDD states that records must be maintained and available for inspection, monitoring and/or audit by the City of Detroit and other agencies.

Failure to retain sufficient documentation negates DWDD's ability to track the program's achievements and compare those achievements to established goals and objectives. Lack of appropriate records could jeopardize the City's successful use of Recovery Act and other federal funds.

The SYEP Coordinator had little or no prior experience administering a large youth program. Staffing needs, program timelines, reporting requirements, and other program processes were not adequately developed.

**Recommendations**

We recommend DWDD and the SYEP Coordinator ensure that sufficient documentation related to the program activities is received and maintained. We also recommend DWDD ensures that any vendor contracted to administer program activities presents a level of experience equal to the goals of the program and has adequately developed a process for administering the program.

## **2. Internal Controls Over Recovery Act Funds Were Inadequate**

A review of DWDD and the SYEP Coordinator's internal controls over Recovery Act funds revealed the following deficiencies:

- Neither DWDD nor the SYEP Coordinator's staff had sufficient knowledge regarding Recovery Act guidelines. Written procedures for Recovery Act funds were not provided to us for review.
- DWDD did not require the SYEP Coordinator to submit adequate documentation for reimbursement requests, i.e., budget line item schedules, payroll documentation including time sheets and deductions (workers' compensation, etc.), invoices, and support for all actual expenditures.
- The SYEP Coordinator did not reconcile the State's fiscal year 2009 Recovery Act SYEP report to the 2009 summer youth employment payroll participant report provided to DWDD.
- Neither DWDD nor the SYEP Coordinator properly accounted for or recorded financial transactions related to the program.
- The SYEP Coordinator did not enter youth participant information into the State of Michigan's website in a timely manner for the program year 2010. Moreover, in program year 2009, the number of youth entered into the program's payroll system did not reconcile to the number of youth entered into the State's website.
- Payroll files were incomplete:
  - The payroll information sheets were missing in 32.5% of the participant files reviewed.
  - We selected 53 payroll information sheets for review and found that 40 or 75.5% were incomplete.
- Youth participants were not given thirty-minute breaks after working five hours, in violation of the State of Michigan Youth Employment Standards Act.

According to the Office of Management and Budget (OMB) Circular A-133 Compliance Supplement 2010, it is essential that management establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements, including internal controls designed to ensure compliance with Recovery Act requirements. The OMB, outlines the following as some of the key control activities for adequate internal controls:

- Personnel with adequate knowledge and experience to discharge responsibilities;
- Adequate source documentation to support amounts and items reported;
- Reconciliations and reviews of reports;
- Reports provided timely to managers for review and appropriate action;
- Accurate information, accessible to those who need it, and
- Management should monitor, review, and compare budgeted expenditures to actual expenditures.

The State of Michigan Youth Employment Standards Act, Act 90 of 1978, states that a minor shall not be employed for more than five hours continuously without an interval of at least thirty minutes for a meal and rest period. An interval of less than thirty minutes shall not be considered to interrupt a continuous period of work.

A lack of adequate controls increases the risk that program goals will not be achieved, and Recovery Act funds will not be spent in accordance to guidelines; thereby jeopardizing the City's successful use of Recovery Act funds. The City may be required to reimburse the State if it is determined that payments were made for unallowable costs.

Based on an assessment of the program, we determined neither DWDD's Finance Division nor the SYEP Coordinator fully understood the importance of internal controls as a means of reducing impediments to the programs overall objectives.

**Recommendation**

We recommend that DWDD and the SYEP Coordinator strengthen internal control weaknesses to ensure proper accountability and transparency of Recovery Act funds.

### **3. Payroll Disbursement Process Was Poorly Monitored**

The program's payroll disbursement process was poorly monitored. We requested 151 payroll files for review; however, the SYEP Coordinator only located 141 files. Based on our review of the payroll records provided and financial reports for the program, the following was revealed:

- Of the 141 payroll files reviewed, 23 participants or 16.3% had been overpaid, and 3 participants had been underpaid. The net effect of the errors was an over payment of \$2,565.43. The overpayments were primarily due to improperly paying participants who were not given thirty-minute lunch breaks after working five hours.
- According to the City's financial records, total payroll expenditures for the program were \$28,596.29 over the approved budgeted amount.

According to the OMB, management should monitor, review, and compare budgeted expenditures to actual expenditures.

The OMB also states that agencies are required to review Federal awards and, as applicable, provide an estimate of improper payments. Improper payments includes any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements, and includes any payment to an ineligible recipient.

The State's Youth Employment Act stipulates that a thirty-minute break be given after a youth has worked five hours. The SYEP operational manual states that participants are not to be paid for lunch breaks and time sheets must be computed accurately.

Failure to adequately monitor payroll disbursements increases the risk that improper payments may occur and go undetected. The risk of cost overruns increases when management fails to monitor program expenditures and compare them to budgeted costs. Furthermore, lack of adequate monitoring jeopardizes the continued use of program funding, and may require the City to reimburse the State for payments made for unallowable costs.

Management did not monitor and/or complete an analysis of the summer youth program expenditures to identify unallowable activity costs.

#### **Recommendations**

We recommend the program's management monitor, review, and compare budgeted expenditures to actual expenditures. We also recommend program staff comply with State's Youth Employment Act regarding required breaks, and the SYEP operational manual.

#### **4. SYEP Coordinator Did Not Fully Comply with the Terms of Its Contract with DWDD**

The SYEP Coordinator did not fully comply with the terms of its contract. We noted the following instances of noncompliance:

- The SYEP Coordinator did not hire or retain sufficient staff to administer the program from the period June 2009 through August 2009. In addition, during August 2010, a large number of summer youth program staff were laid-off, as a result, DWDD personnel, assisted the SYEP Coordinator in administering the program.
- Youth appointment letters were not mailed timely due to a lack of readily available supplies (postage, envelopes, and printing).
- Criterion for locations to become a worksite was not established. As a result summer youth program participants were placed at a worksite that was not approved.
- The SYEP Coordinator's 2009 single audit was submitted two months late.
- The SYEP Coordinator neither completed nor submitted corrective action plans to DWDD in a timely manner, when program performance fell below the goals of the contract.
- The SYEP Coordinator did not submit reimbursement requests by the fifth working day of each month as required.
- Time sheets were not entered into the payroll system in a timely manner. Time sheets were to be submitted each Monday; however, time sheets were being submitted as late as Wednesday of each week.
- Budget Line Item Schedules were not submitted timely despite numerous requests from the DWDD's Finance Division.

According to the terms of the contract, during the full period of the contract, the contractor shall maintain sufficient qualified personnel, furnish all equipment and supplies and all other materials necessary to sustain the program. The contract also requires the contractor's competent performance of youth certification, worksite development, work experience/summer employment opportunities and additional services as integral activities under the City's Detroit Workforce Development system.

Failure of the SYEP Coordinator to comply with the terms of its contract with DWDD increases the risk that the program's goals and objectives will not be met. The SYEP Coordinator's noncompliance increases the risk that DWDD, as the recipient of the grant, did not comply with Recovery Act guidelines and other Federal regulations.

Although DWDD attempted to enforce the contract with the SYEP Coordinator through technical assistance, meetings, mentoring, monitoring, corrective action letters, and training, there were no repercussions for the SYEP Coordinator for non-performance of the contract terms.

**Recommendations**

We recommend that the SYEP Coordinator fully comply with the terms of the contract. We also recommend DWDD use steps outlined in the contract to enforce compliance, which includes reserving the right to require modification, re-planning or other appropriate action, including reducing the payments to the contractor.



## **5. SYEP Coordinator Did Not Properly Ensure Eligibility Determinations for Program Participants**

Participants' files did not contain required documentation to determine their eligibility for the program. We selected a sample of 71 participant files but only 50 were located. The SYEP Coordinator could not locate 30% of the selected files. Of the 21 files reviewed, the following issues were revealed:

- 42% of files did not contain proof that the social security number listed belonged to the youth participant.
- 14% of the files did not contain proof of age or proof of citizenship for the youth participants.
- 22% of the files did not contain proof of residency or proof of income for the youth participants.
- 16% of the files did not contain Pre-Registration/Registration Forms.
- 28% of the files did not contain a Family Income Worksheet or Income Computation Sheet.
- 18% of the files did not contain a signed SYEP Participant Agreement for the youth participants.
- 47% of the eligible employees did not have a Work Permit on file for the youth participants under 18 years old.
- 34% of the files did not contain an Employment Eligibility Verification Form.
- 20% of the files did not contain a Medical Consent Form for the youth participants.

According to the SYEP's standard operation procedures for the Summer Youth Program, employee eligibility determination and registration is a core process. A file should be maintained for each applicant that includes: a pre-registration application, work permit, medical consent form, and document of family income, social security number, city residency, and citizenship. In addition, a SYEP Participant Agreement and employment eligibility verification form should be completed.

The lack of adequate documentation increases the risk that individuals who were ineligible received Recovery Act funds. Failure to maintain required eligibility documentation for the participants may jeopardize the future use of program funds, and may require the City to reimburse the State for payments made for unallowable costs.

Based on our review, we determined the SYEP Coordinator had little or no prior experience administering a large youth program; as a result, staffing needs, program timelines, reporting requirements, and other program processes were not adequately developed.

**Recommendations**

We recommend the SYEP Coordinator ensure that all participant files include required documentation which supports eligibility for the program. We also recommend DWDD ensures that any vendor contracted to administer program activities presents a level of experience equaled to the goal and objectives program and has adequately developed a process for administering program.

## **6. Bank Statements Were Not Reconciled Timely**

The DWDD did not consistently reconcile and approve Recovery Act bank statements in a timely manner. Of the thirteen reconciliations requested for review:

- Two were missing and/or not available for review.
- Two were not prepared in a timely manner.
- Management did not approve nine reconciliations in a timely manner.

The Finance Department memo dated February 28, 1998 requires that all departments and/or agencies complete monthly bank reconciliations, for each account tied directly to its funds, no later than 45 days after the bank statement.

Failure to reconcile and approve bank statements in a timely manner increases the risk that errors or instances of misappropriation will not be quickly identified, and management will not be provided with accurate financial information necessary to make sound decisions.

The auditors determined that the reconciliation and approval of the Recovery Act bank account was not a priority for the DWDD Finance Division.

### **Recommendation**

We recommend that the DWDD fully comply with the Finance Department's Bank Reconciliation Policy and complete bank statement reconciliations for all accounts within 45 days of the bank statement date.

## **7. DWDD Did Not Secure a Sub-lease Agreement**

The DWDD did not secure a sub-lease agreement for the SYEP Coordinator who occupies office space in one of DWDD's leased facilities.

Effective managerial controls include securing the appropriate contractual agreements in landlord/tenant matters. Lease and sub-lease agreements specify the term and conditions of the leased property, and the responsibilities of both the tenant and landlord.

The DWDD's failure to secure a sub-lease agreement from the tenant who occupies office space in DWDD's building increases the risk that misinterpretations regarding the provisions and conditions of the tenant's occupancy and DWDD's liability may occur.

The auditors determined that securing a sub-lease agreement from occupants of DWDD's leased facilities was not a priority for the DWDD.

### **Recommendation**

We recommend that the DWDD provide sub-lease agreements to tenants who occupy their buildings.

## FINDING RELATED TO THE FINANCE DEPARTMENT

### **1. The Finance Department-Accounts Payable Division (Accounts Payable Division) Processed Reimbursement Requests with Inadequate Supporting Documentation**

A review of selected payment requests submitted by DWDD revealed that the Accounts Payable Division processed disbursements without receiving sufficient documentation, i.e., invoices.

Finance Directive 143 and the Prompt Payment Ordinance (42-98) require that all disbursements be adequately supported and that all requests for payment that lack adequate support and approvals be denied and returned to the requesting department. Good management practices require that all disbursements be adequately supported.

A lack of sufficient supporting documentation for invoices submitted for payment increases the risk of incorrect and/or fraudulent payments. Failure to submit adequate documentation with the request for reimbursements of Recovery Act expenditures jeopardizes the continued use of the Recovery Act funds, and may require the City to reimburse the State for payments made for unallowable costs.

Several factors contributed to the problem:

- The high volume of checks issued (93,253 annually); and
- The lack of a written Accounts Payable procedures manual.

### **Recommendation**

We recommend payment requests that lack supporting documentation be returned promptly to the requesting department.

## **BENCHMARKING AND PERFORMANCE**

### **Benchmarking**

As part of our review, we compared City Connect Detroit's overall performance (implementation, administration and experiences) of the summer youth program to a study conducted by Mathematica Policy Research, Inc. Mathematica was contracted by the Department of Labor's Employment and Training Administration to conduct an implementation evaluation of summer youth employment activities funded by the Recovery Act. The study evaluated 20 local areas using three key criteria: (1) having at least three local areas from each region; (2) choosing areas that planned to spend at least 50 percent of Recovery Act funds during the summer of 2009, and (3) including rural, urban and suburban sites.

Some of the key findings of the study were:

- Enrollment was heaviest in May, June, and July.
- Planning for the SYEP was challenging given the short-time frame.
- YEP providers included a mix of new and experienced WIA youth providers.
- Nearly all sites found it difficult to process large volumes of applicants.
- Health care, public services, parks and recreation and education and child care were the most commonly reported industries for summer jobs.
- More than three-quarters of sites experienced at least some payroll problems. The most common problems involved timesheet collection, paycheck processing and paycheck distribution.

A review of the SYEP Coordinator's implementation of the 2009 SYEP revealed that they had similar issues to those stated above.

### **Performance**

We conducted a survey of the worksite employers and the youth who participated in the SYEP. Our survey revealed that a majority of the worksite employers would rehire the youth from the SYEP, and rated the overall performance of the employees as good. The majority of youth who participated in the program would recommend the program to a friend; enjoyed their work experience, and enjoyed earning money for the summer. Most youth participants wished the program had lasted longer. They also expressed concerns about the payroll process; being paid on time, in the correct amount and waiting to pickup checks.



CITY OF DETROIT  
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June 17, 2011

Ms. Loren E. Monroe, CPA  
Auditor General  
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2 Woodward Avenue, Suite 208  
Detroit, MI 48226

RE: Audit of the Summer Youth Employment Program Funded by the American Recovery & Reinvestment Act

Dear Ms. Monroe:

The Detroit Workforce Development Department (DWDD) submits this response to the City of Detroit Office of the Auditor General's report, dated June 17, 2011, on the audit of the 2009 American Recovery and Reinvestment Act (ARRA) funded Detroit Summer Youth Employment Program (SYEP).

The draft report, notes findings from program year 2009 as unresolved related to the administration of the SYEP. It is our intention to provide information to support the resolution of these issues as they were addressed when presented by the Government Accountability Office (GAO) in Winter 2010. Resolutions are as follows:

**Finding 5 – DWDD could not provide written policies and procedures specific to the setup and handling of the American Recovery Act transaction. (OAG – September)**

**DWDD Response:** The policies and procedures for setting up American Recovery Act funding were established by the City of Detroit Central Finance Department. This information was provided to the auditors while on site at DWDD. The Workforce Development Agency (formerly known as Michigan Department of Energy, Labor and Economic Growth, MDELEG) did not require any special handling of the ARRA funding. The Grant Action Notices received from MDELEG listed the funding as WIA, Workforce Investment Act – ARRA (see attached) All WIA-ARRA funding had the same requirements and guidelines as the WIA fund the department received each year. This information was also given to the auditors while on site.

**Finding 6 – DWDD could not provide a sub lease agreement with the SYEP Coordinator – City Connect Detroit (CCD) who occupies their building.**

**DWDD Response:** DWDD previously leased the 1300 Rosa Parks location and operated the summer component of our Youth program, as well as other DWDD programs and

operations, from that location for over fifteen years. City Connect Detroit was the most recent contractor that operated the summer program. As City Connect Detroit was a DWDD contractor, operating a DWDD program in a portion of the building that DWDD leased, it was deemed by DWDD not necessary to create a formal agreement to sub-lease the space. At this time, DWDD no longer leases the building.

**Finding 7-10 and 12**

- # 7 – CCD did not provide adequate staff or training for the SYEP. As a result problems occurred with the July 2009 payroll.
- #8 – Internal control problems with paying youth and weaknesses in the process for making program eligibility determinations.
- #9 – Detroit had significant internal control problems with paying youth participants on time and in the correct amounts
- #10 – The review of participant files revealed inadequate or not existent support of WIA eligibility determinations
- #12 – Detroit's process for determining participation in its WIA summer youth Program needs improvement

**DWDD Response:** Findings 7 – 10 and 12 were resolved with two (2) critical actions:

1. *The Development of a Standard Operating Procedures (SOP) Manual* - The operational deficiencies discovered in summer 2009 were addressed and resolved as they occurred. The resolution of these deficiencies were documented as best practices, tested with a small pilot program in the fall of 2009, and published in a standard operations manual to be referenced in the implementation of the program. A copy of the SOP Manual was submitted to the GAO on April 13, 2010 in response to the findings noted in the Auditor General's report. The manual addresses critical program components such as; payroll processing, eligibility determination, worksite monitoring, and participant file requirements. DWDD currently uses information directly from the manual to conduct mandatory contractor staff training, and monitor program compliance.
2. *The Procurement of a New Program Operator* – The former operator's contract was terminated March 31, 2011 due to the multiple program deficiencies discovered throughout the 2009 SYEP monitoring process. DWDD's executive management decided to release the Detroit Year Round Youth (YRY) Employment Coordinator Request for Proposal (RFP), December 17, 2010, detailed with specific operational requirements related to the effective administration and implementation of the program. The selected provider responded to the RFP with evident program expertise and special attention to critical program components. This new provider is contracted to operate the Detroit Year Round Youth Employment Program from April 1, 2011 through June 30, 2012.





**Finding 11 – The number of youth participants entered in the WIA State of Michigan website, as required, did not equal the number of youth participants included in the programs' payroll system.**

**DWDD Response:** The number of participants entered on the One Stop Management Information System (OSMIS) and the SYEP payroll system will not match due to the fact that there are youth entered in OSMIS who never follow through to go to work. Running an enrollment report from OSMIS does not equate to a report of all youth in the payroll system, or even receiving a paycheck. There are youth in the payroll system that never report to work and therefore never received a paycheck. Youth attendance and program participation are factors beyond the control of program staff.

**Finding 13 – CCD could not provide DWDD with the worksite agreements, which are the agreements between the employers and CCD that include specific information regarding the worksites and the number of youths assigned to the worksites.**

**DWDD Response:** This finding was resolved as City Connect Detroit provided all Summer 2009 Non-financial Worksite Agreements to DWDD in September, 2010.

**Finding 14 – Youths were working at worksites that had not completed the registration process and officials told us that as a result no checks were prepared for these youths.**

**DWDD Response:** CCD made an executive decision to pay all youth who worked during the summer of 2009. Any youth determined ineligible to receive WIA funding, or determined eligible after working, was paid with private funding separate from ARRA. As a result, all youth who presented timesheets, and had verifiable time on worksites, received a paycheck.

The resolutions to all findings presented by the Government Accountability Office (GAO) as a result of the 2009 audit of American Recovery and Reinvestment Act funds were presented uncontested within the time period allotted for response. Copies of documents presented are available and can be presented upon request.

Sincerely,

A handwritten signature in black ink that reads "Pamela J. Moore".

Pamela J. Moore  
Director

PJM:ed  
Attachment(s)



CITY OF DETROIT  
WORKFORCE DEVELOPMENT DEPARTMENT  
EQUAL OPPORTUNITY EMPLOYER/PROGRAM

707 W. MILWAUKEE  
DETROIT, MICHIGAN 48202  
PHONE 313-875-0674  
FAX 313-664-5505  
TTY NUMBER 1-800-649-3777  
WWW.DETROITMI.GOV



June 29, 2011

Ms. Loren E. Monroe, CPA  
Auditor General  
Office of the Auditor General  
2 Woodward Avenue, Suite 208  
Detroit, MI 48226

RE: Audit of the Summer Youth Employment Program Funded by the American  
Recovery & Reinvestment Act

Dear Ms. Monroe:

The Detroit Workforce Development Department (DWDD) submits this response supplemental to the one submitted on June 17, 2011, to the City of Detroit Office of the Auditor General's report, dated June 8, 2011, on the audit of the 2009 American Recovery and Reinvestment Act (ARRA) funded Detroit Summer Youth Employment Program (SYEP).

Issues presented in findings 1, 3, 4 and 5 of the report were addressed and resolved as described on page 2 of the DWDD initial response to the audit results. These actions had an immediate impact on the quality of service delivery, program implementation, and policy compliance. Resolutions are as follows:

**Findings 1, 3, 4, and 5**

#1 - Program recordkeeping was inadequate.

#3 - Payroll distribution process was poorly monitored.

#4 - SYEP Coordinator did not fully comply with the terms of its contract with DWDD.

#5 - SYEP Coordinator did not properly ensure eligibility determinations for program participants.

**DWDD Response:** Findings 1, 3, 4 and 5 were resolved with two (2) critical actions:

1. *The Development of a Standard Operating Procedures (SOP) Manual* - The operational deficiencies discovered in summer 2009 were addressed and resolved as they occurred. The resolution of these deficiencies were documented as best practices, tested with a small pilot program in the fall of 2009, and published in a standard operations manual to be referenced in the implementation of the program. A

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copy of the SOP Manual was submitted to the GAO on April 13, 2010 in response to the findings noted in the Auditor General's report. The manual addresses critical program components such as; payroll processing, eligibility determination, worksite monitoring, and participant file requirements. DWDD currently uses information directly from the manual to conduct mandatory contractor staff training, and monitor program compliance.

2. *The Procurement of a New Program Operator* – The former operator's contract was terminated March 31, 2011 due to the multiple program deficiencies discovered throughout the 2009 SYEP monitoring process. DWDD's executive management decided to release the Detroit Year Round Youth (YRY) Employment Coordinator Request for Proposal (RFP), December 17, 2010, detailed with specific operational requirements related to the effective administration and implementation of the program. The selected provider responded to the RFP with evident program expertise and special attention to critical program components. This new provider is contracted to operate the Detroit Year Round Youth Employment Program from April 1, 2011 through June 30, 2012.

**Finding 2 – Internal controls over recovery act funds were inadequate.**

**DWDD Response:** Internal controls over American Recovery and Reinvestment Act (ARRA) funds were maintained in compliance with the policies and procedures for setting up ARRA funding established by the City of Detroit Central Finance Department. This information was provided to the auditors while on site at DWDD. The Workforce Development Agency (formerly known as Michigan Department of Energy, Labor and Economic Growth, MDELEG) did not require any special handling of the ARRA funding. The Grant Action Notices received from MDELEG listed the funding as WIA, Workforce Investment Act – ARRA (see attached) All WIA-ARRA funding had the same requirements and guidelines as the WIA fund the department received each year. This information was also given to the auditors while on site.

**Finding 6 – Banks statements were not reconciled timely.**

**DWDD Response:** The ARRA account bank statements were initially mailed to Central Treasury and there were time delays receiving the statements. However, once received at DWDD, the reconciliations were prepared and submitted to the treasury division as required in the Finance Department's Bank Reconciliation Policy. It is a high priority for the DWDD Finance Division to prepare reconciliations for all assigned bank accounts.

**Finding 7 – DWDD did not secure a sub-lease agreement.**

**DWDD Response:** DWDD previously leased the 1300 Rosa Parks location and operated the summer component of our Youth program, as well as other DWDD programs and operations, from that location for over fifteen years. City Connect Detroit was the most

Ms. Loren E. Monroe, CPA  
June 29, 2011  
Page -3-

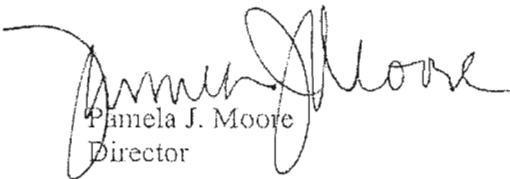
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recent contractor that operated the summer program. As City Connect Detroit was a DWDD contractor, operating a DWDD program in a portion of the building that DWDD leased, it was deemed by DWDD not necessary to create a formal agreement to sub-lease the space. At this time, DWDD no longer leases the building.

DWDD maintains that all issues related to the administration and operation of the 2009 ARRA funded SYEP were addressed timely and reasonably as the program was in full operation when most of the issues were identified. We are confident that the resolutions detailed in this response provide the best correction, and have already proven to positively impact the implementation of the 2010-11 WIA funded SYEP.

Thank you for your consideration in allowing additional time to respond to the findings we inadvertently missed in our June 17, 2011 response. If you have additional questions, please do not hesitate to contact me at (313) 876-0674.

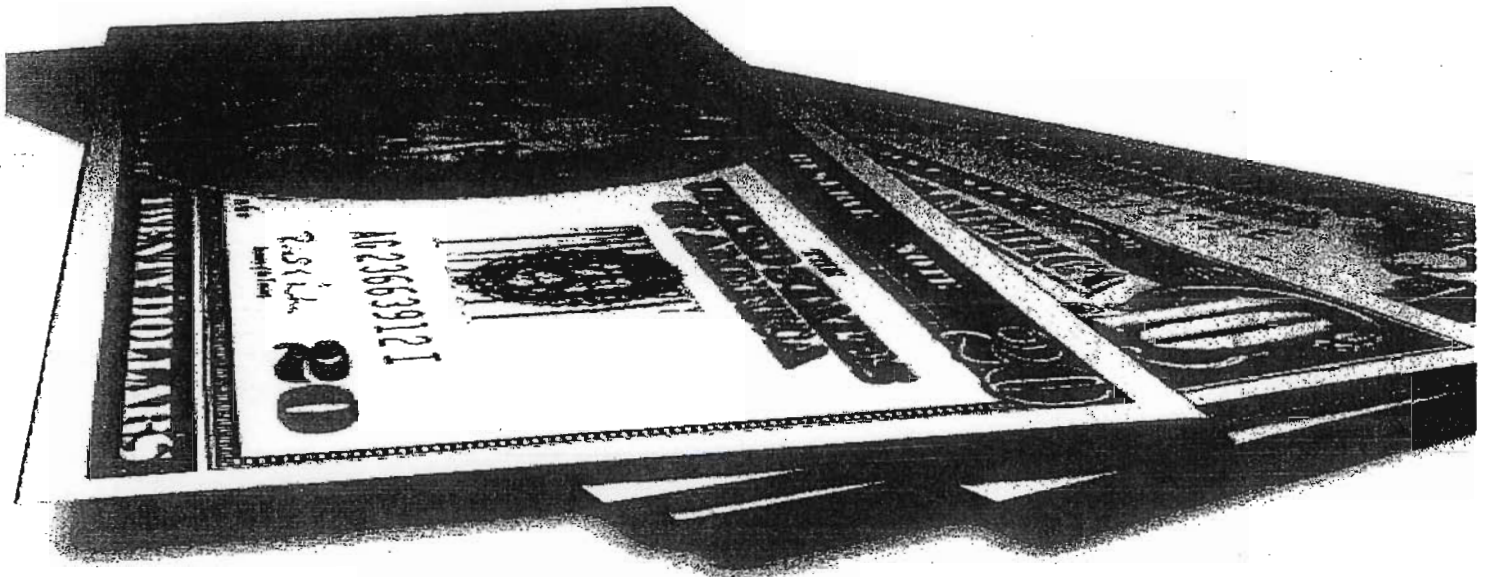
Sincerely,



Pamela J. Moore  
Director

Enclosure

PJM:ed



***WIA YOUTH***  
***American Recovery Reinvestment Act***  
***Prior year***  
***FISCAL YEAR 2010***

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1. EXPENDITURE REPORT
2. LEAD SHEET
3. CONTRACTOR'S ACCRUAL
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5. FUNDS AVAILABILITY ANALYSIS
6. FISCAL INVOICE SCHEDULE
7. REALLOCATION SCHEDULES
8. SUPPORTING DOCUMENTATION OF ANY DISCREPANCIES (Cross-referenced with lead Sheet or Org. Report)
9. PARTICIPANT INFORMATION SHEET
10. LATEST GAN
11. CASH MANAGEMENT SCHEDULE
12. CONTRACT RECONCILIATION

**Detroit Workforce Development  
 WIA Youth ARRA  
 Period Ending May 31, 2011**

	In School 218793	Out School 218794	Total
Budget in DRMS	\$ 4,794,185.00	\$ 5,500,000.00	\$ 10,294,185.00
Budget JE in Process	\$ -	\$ -	\$ -
Budget JE in Process	\$ -	\$ -	\$ -

<b>Total Expected Budget should reflect latest GAN</b>	<b>\$ 4,794,185.00</b>	<b>\$ 5,500,000.00</b>	<b>\$ 10,294,185.00</b>
Percentage	46.57%	53.43%	100.00%

Less: Prior Year Funding	\$ -	\$ -	\$ -
Total of Adjustments	\$ -	\$ -	\$ -

<b>Total Current Budget Available</b>	<b>\$ 4,794,185.00</b>	<b>\$ 5,500,000.00</b>	<b>\$ 10,294,185.00</b>
	46.57%	53.43%	100.00%

Expenditures:	Run Date			
DRMS FAA PJTD REPORT (JUN-11)	06/17/11	\$ 8,118,362.68	\$ 2,175,822.32	\$ 10,294,185.00

APPN TOTAL (12957)	\$ 8,118,362.68	\$ 2,175,822.32	\$ 10,294,185.00
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Accrued Costs:

Exhibit 1 Contracts	\$ (912,627.00)	\$ 912,627.00	\$ -
Exhibit 2 Mileage	\$ -	\$ -	\$ -
Exhibit 3 Travel	\$ -	\$ -	\$ -
Exhibit 4 Staff Training & Development	\$ -	\$ -	\$ -
Exhibit 5 Inter-Agency Purchase Orders (IPO) - 599	\$ -	\$ -	\$ -
Exhibit 5 Inter-Agency Purchase Orders (IPO) - 701	\$ -	\$ -	\$ -
Exhibit 6a Supportive Service Payments - Z91	\$ -	\$ -	\$ -
Exhibit 6b Supportive Service Payments - Z96	\$ -	\$ -	\$ -
Exhibit 6c Supportive Service Payments - Z64	\$ -	\$ -	\$ -
Exhibit 7a Payroll Salary	\$ -	\$ -	\$ -
Exhibit 7b Payroll Fringe	\$ -	\$ -	\$ -
Exhibit 8 Purchase Orders 218599	\$ -	\$ -	\$ -
Exhibit 8 Supplemental Purchase Orders 218599	\$ -	\$ -	\$ -
Exhibit 8 Purchase Orders 218701	\$ -	\$ -	\$ -
Exhibit 8a Interest on Bonded Debt & Retirement of Prin. Reall.	\$ -	\$ -	\$ -
Exhibit 9 Utilities	\$ -	\$ -	\$ -
Exhibit 10 Rent	\$ -	\$ -	\$ -
Exhibit 10a Rent Income (contra)	\$ -	\$ -	\$ -
adjustment to put expenditures in proper account 346873	\$ (774,731.47)	\$ 774,731.47	\$ -
	\$ -	\$ -	\$ -

Total of Assets	\$ (1,636,819.21)	\$ 1,636,819.21	\$ -
<b>Total of Expenditures</b>	<b>\$ 6,431,004.21</b>	<b>\$ 3,863,180.79</b>	<b>\$ 10,294,185.00</b>

Less: Carry In	\$ -	\$ -	\$ -
Less: Carry In	\$ -	\$ -	\$ -

<b>Total of Current Year Expenditures</b>	<b>\$ 6,431,004.21</b>	<b>\$ 3,863,180.79</b>	<b>\$ 10,294,185.00</b>
% of Budget Spent	62.47%	37.53%	100.00%

FOURTH QUARTER CUMULATIVE EXPENDITURES	\$ 6,431,004.21	\$ 3,863,180.79	\$ 10,294,185.00
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EXPENDITURES FOR MAY 2011	\$ -	\$ -	\$ -
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Budget Available	\$ (1,636,819.21)	\$ 1,636,819.21	\$ -
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<b>Remaining Budget Surplus (Deficit)</b>	<b>\$ (1,636,819.21)</b>	<b>\$ 1,636,819.21</b>	<b>\$ -</b>
<b>Current Year Remaining Budget</b>	<b>\$ (1,636,819.21)</b>	<b>\$ 1,636,819.21</b>	<b>\$ -</b>

Note:

Revenue Received	2/28/2011	\$ 10,294,185.00
JE In Process	2/28/2011	\$ -
CMS Adjustment	2/28/2011	\$ -
Request In Process	2/28/2011	\$ -
Total Budget	2/28/2011	\$ 10,294,185.00
Cash Left To Request	2/28/2011	\$ -



Object Codes	Younger Yth	Older Yth	Totals
	WIA Youth ARRA In School 218793	WIA Youth ARRA Out School 218794	
628200		628200	
628201		628201	

Detail for Contractor's Accrual

	Run Date				
Contractor's Invoice (no report) V#2	(JUN-10) 7/15/2010	\$ 2,129,462.00	\$ 912,627.00		3,042,089.00
DRMS FAA PJTD REPORT	(JUN-11) 6/17/2011	\$ 3,042,089.00	\$ -		3,042,089.00
<b>True Accrual</b>		<b>(912,627.00)</b>	<b>912,627.00</b>		<b>0.00</b>

\* per Cassandra Ricks



**GRANT ACTION NOTICE**

Department of Energy, Labor & Economic Growth

Bureau of Workforce Transformation - Accelerating Employment Division

AUTHORITY:	RELEVANT STATE AND FEDERAL STATUTES	The Michigan Department of Energy, Labor & Economic Growth does not discriminate in employment or in the provision of services based on race, religion, color, national origin, sex, age, disability, height, weight, marital status, arrest without conviction, political affiliation or belief, and for beneficiaries only, citizenship and participation in grant initiatives, as provided by state and federal law.
COMPLETION:	MANDATORY	
PENALTY:	WITHHOLDING OF FUNDS	

Agency: Mr. Melvin Gupton, Interim Director  
 Detroit Workforce Development Dept.  
 707 West Milwaukee 5th Floor  
 Detroit, MI 48202

cc: State Coordinator  
 Office of Financial Services

This Grant Action Notice (GAN) confirms / advises obligation of funds allocated by the DELEG/BWT policy letter and approves the loan / modification submitted in accordance with the stipulations and remarks detailed below.

IDENTIFICATION

1. Year: 2008	2. Fund Src: 31 WIA - Youth	3. Type: S--Youth ARRA
4. MWA: 07	5. ID:	6. Mod: 00
7. Grant: 02/17/2009 - 06/30/2009	8. CFDA: 17.259	
9. Title: Workforce Investment Act (WIA) - Youth	10. Federal Awarding Agency: USDOL	

TYPE OF ACTION TAKEN

Remarks: This is a conditional Grant Action Notice (GAN) approving \$11,437,983 in Program Year (PY) 2008, WIA Youth/ Recovery Act funding with \$1,143,798 (10%) transferred to local administration. The funding outlined above is in accordance with BWT Policy Issuance 08-29 issued April 17, 2009.

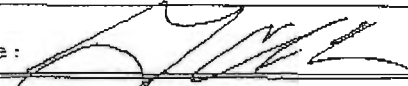
Further Action Required:  
 Conditions will be removed once a signed approval request form and budget information summary are submitted and approved by BWT. Approval request and budget information summary are due by June 30, 2009.

Contact: Elizabeth Berger, State Coordinator Phone: (517) 241-2901

FUNDING

Funding Identification	Prior Level	Amt This Actn	Total Approved
1. Prior Year Funds:			
AY	\$	\$	\$
2. Current Year Funds:			
Youth ARRA			
Moved to Local Administration	AY 2008	\$ 0	\$ 11,437,983
	AY 2008	\$ 0	(1,143,798)
3. Total Funding:		\$ 0	\$ 10,294,185
		\$ 10,294,185	\$ 10,294,185

GRANTOR APPROVAL

Name: Gary Clark	Title: Division Director
Signature: 	Date: 4/17/09

DWDD  
 RECEIVED

APR 17 2009

Post-It® Fax Note	7671	Date	4-17-09	# of pages	4
To	Melvin Gupton	From	Teresa Keyron		
Co./Dept	Detroit + Workforce	Co.	SOM-DELEG/BWT		
Phone #	313-876-0674	Phone #	517-335-7418		
Fax #	313-664-5505	Fax #	517-373-7794		

EXECUTIVE OFFICE



**GRANT ACTION NOTICE**

Department of Energy, Labor & Economic Growth  
 Bureau of Workforce Transformation - Accelerating Employment Division

AUTHORITY: RELEVANT STATE AND FEDERAL STATUTES  COMPLETION: MANDATORY PENALTY: WITHHOLDING OF FUNDS	The Michigan Department of Energy, Labor & Economic Growth does not discriminate in employment or in the provision of services based on race, religion, color, national origin, sex, age, disability, height, weight, marital status, arrest without conviction, political affiliation or belief, and for beneficiaries only, citizenship and participation in grant initiatives, as provided by state and federal law.
--	---

Agency: Mr. Melvin Gupton, Interim Director  
 Detroit Workforce Development Dept.  
 707 West Milwaukee 5th Floor  
 Detroit, MI 48202

cc: State Coordinator  
 Office of Financial Services

This Grant Action Notice (GAN) confirms / advises obligation of funds allocated by the DELEG/BWT policy letter and approves the plan / modification submitted in accordance with the stipulations and remarks detailed below.

IDENTIFICATION

1. Year: 2008	2. Fund Src: 34 WIA - Local Admin	3. Type: S--Local Admin ARRA	4. MWA: 07
5. ID:	6. Mod: 00	7. Grant: 02/17/2009-06/30/2009	8. CFDA: 17.258, 17.259, 17.260
9. Title: N/A			10. Federal Awarding Agency: N/A

TYPE OF ACTION TAKEN

Note: This is a conditional Grant Action Notice (GAN) approving \$2,402,302 in Program Year (PY) 2008, WIA/Recovery Act local administration funding (\$536,096 from adult, \$722,408 from dislocated worker, and \$1,143,798 from youth). The funding outlined above is in accordance with BWT Policy Issuance 08-29, issued April 17, 2009.

Further Action Required:

Conditions will be removed once a signed approval request form and budget information summaries (adult, dislocated worker, and youth) are submitted and approved by BWT. Approval request form and budget information summaries are due by June 30, 2009.

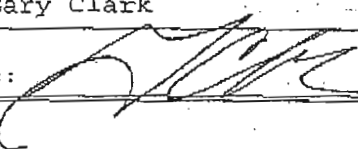
Contact: Elizabeth Berger, State Coordinator

Phone: (517) 341-2901

FUNDING

Funding Identification		Prior Level	Amt This Actn	Total Approved
Prior Year Funds:				
	AY	\$	\$	\$
Current Year Funds:				
Youth ARRA Administration	AY 2008	\$ 0	\$ 1,143,798	\$ 1,143,798
Adult ARRA Administration	AY 2008	\$ 0	\$ 536,096	\$ 536,096
DW ARRA Administration	AY 2008	\$ 0	\$ 722,408	\$ 722,408
Total Funding:		\$ 0	\$ 2,402,302	\$ 2,402,302

GRANTOR APPROVAL

Name: Gary Clark	Title: Division Director
Signature: 	Date: 4-17-09

**DWDD  
 RECEIVED**

APR 17 2009

**EXECUTIVE OFFICE**

**GRANT ACTION NOTICE**

Department of Energy, Labor & Economic Growth  
Bureau of Workforce Transformation - Accelerating Employment Division

AUTHORITY: RELEVANT STATE AND FEDERAL STATUTES  COMPLETION: MANDATORY PENALTY: WITHHOLDING OF FUNDS	The Michigan Department of Energy, Labor & Economic Growth does not discriminate in employment or in the provision of services based on race, religion, color, national origin, sex, age, disability, height, weight, marital status, arrest without conviction, political affiliation or belief, and for beneficiaries only, citizenship and participation in grant initiatives, as provided by state and federal law.
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by: Mr. Melvin Gupton, Interim Director  
 Detroit Workforce Development Dept.  
 707 West Milwaukee 5th Floor  
 Detroit, MI 48202

cc: State Coordinator  
 Office of Financial Services

This Grant Action Notice (GAN) confirms / advises obligation of funds allocated by the DELEG/BWT policy letter and approves the grant / modification submitted in accordance with the stipulations and remarks detailed below.

IDENTIFICATION

1. Year: 2008	2. Fund Src: 33 WIA - Dislocated Worker	3. Type: S--DW ARRA
4. MWA: 07	5. ID:	6. Mod: 00
7. Grant: 02/17/2009 - 06/30/2009		8. CFDA: 17.260
9. Title: Workforce Investment Act (WIA) - Dis. Worker		10. Federal Awarding Agency: USDOL

TYPE OF ACTION TAKEN

This is a conditional Grant Action Notice (GAN) approving \$7,224,075 in Program Year (PY) 2008, WIA Dislocated Worker Recovery Act funding with \$722,408 (10%) transferred to local administration. The funding outlined above is in accordance with BWT Policy Issuance 08-29 issued April 17, 2009.

Further Action Required:  
 Conditions will be removed once a signed approval request form and budget information summary are submitted and approved by BWT. Approval request and budget information summary are due by June 30, 2009.

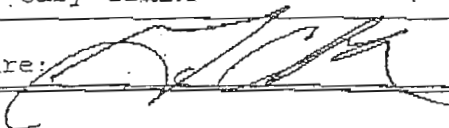
Contact: Elizabeth Berger, State Coordinator Phone: (517) 241-2901

FUNDING

Funding Identification	Prior Level	Amt This Actn	Total Approved
Prior Year Funds: AY	\$	\$	\$
Current Year Funds: DW ARRA Moved to Local Administration	AY 2008 AY 2008	\$ 0 \$ 7,224,075 (722,408)	\$ 7,224,075 (722,408)
Total Funding:	\$ 0	\$ 6,501,667	\$ 6,501,667

APPROVAL

Name: Gary Clark Title: Division Director

Signature:  Date: 4/17/09

DWDD  
RECEIVED

April 17, 09

EXECUTIVE OFFICE

**GRANT ACTION NOTICE**

-Department of Energy, Labor & Economic Growth  
Bureau of Workforce Transformation - Accelerating Employment Division

AUTHORITY: RELEVANT STATE AND FEDERAL STATUTES  COMPLETION: MANDATORY PENALTY: WITHHOLDING OF FUNDS	The Michigan Department of Energy, Labor & Economic Growth does not discriminate in employment or in the provision of services based on race, religion, color, national origin, sex, age, disability, height, weight, marital status, arrest without conviction, political affiliation or belief, and for beneficiaries only, citizenship and participation in grant initiatives, as provided by state and federal law.
--	---

By: Mr. Melvin Gupton, Interim Director  
 Detroit Workforce Development Dept.  
 707 West Milwaukee 5th Floor  
 Detroit, MI 48202

cc: State Coordinator  
 Office of Financial Services

This Grant Action Notice (GAN) confirms / advises obligation of funds allocated by the DELEG/BWT policy letter and approves the action / modification submitted in accordance with the stipulations and remarks detailed below.

**IDENTIFICATION**

Year: 2008	2. Fund Src: 32 WIA - Adult	3. Type: S--Adult ARRA
MWA: 07	5. ID:	6. Mod: 00
7. Grant: 02/17/2009 - 06/30/2009		8. CFDA: 17.258
Title: Workforce Investment Act (WIA) - Adult		10. Federal Awarding Agency: USDOL

**TYPE OF ACTION TAKEN**

This is a conditional Grant Action Notice (GAN) approving \$5,360,957 Program Year (PY) 2008, WIA Adult/ Recovery Act funding with \$536,096 (10%) transferred to local administration. The funding outlined above is in accordance with BWT Policy Issuance 08-29 issued April 17, 2009.

Further Action Required:  
 Conditions will be removed once a signed approval request form and budget information summary are submitted and approved by BWT. Approval request and budget information summary are due by June 30, 2009.

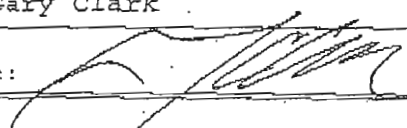
Contact: Elizabeth Berger, State Coordinator Phone: (517) 241-2901

**FUNDING**

Funding Identification		Prior Level	Amt This Actn	Total Approved
Prior Year Funds:				
	AY	\$	\$	\$
Current Year Funds:				
Adult ARRA	AY 2008	\$ 0	\$ 5,360,957	\$ 5,360,957
Moved to Local Administration	AY 2008	\$ 0	(\$536,096)	(\$536,096)
Total Funding:		\$ 0	\$ 4,824,861	\$ 4,824,861

**APPROVAL**

Name: Gary Clark Title: Division Director

Signature:  Date: 4-17-09

**DWDD RECEIVED**

APR 17 2009

**EXECUTIVE OFFICE**

COST CENTER A/C	OBJECT	Description	Budget Amount	Encumbrance Amount	Actual Amount	Funds Available
218793	Expen 601995	Salaries-Clearing Tr	0.00	0.00	(13,317.29)	13,317.29
	602200	Wages-Part Time	1,051,400.00	0.00	4,590,156.02	(3,538,756.02)
	603300	Empl Ben-Social Secu	317,582.00	0.00	413,493.24	(95,911.24)
	603900	Empl Ben-Miscellaneo	65,592.00	0.00	85,941.71	(20,349.71)
	628200	Training	3,100,000.00	0.00	3,042,089.00	57,911.00
	651010	Contingencies	259,611.00	0.00	0.00	259,611.00
		<b>Total</b>	<b>4,794,185.00</b>	<b>0.00</b>	<b>8,118,362.68</b>	<b>(3,324,177.68)</b>
		Requisition	0.00			
		Purchase Order	0.00			
		<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
		Requisition	0.00			
		Purchase Order	0.00			
		<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>COST CENTER Total</b>						
		Requisition	0.00			
		Purchase Order	0.00			
		<b>Total</b>	<b>4,794,185.00</b>	<b>0.00</b>	<b>8,118,362.68</b>	<b>(3,324,177.68)</b>
218794	Expen 601995	Salaries-Clearing Tr	0.00	0.00	(15,279.00)	15,279.00
	602200	Wages-Part Time	4,884,000.00	0.00	2,071,298.52	2,812,701.48
	603300	Empl Ben-Social Secu	373,626.00	0.00	99,187.38	274,438.62
	603900	Empl Ben-Miscellaneo	77,167.00	0.00	20,615.42	56,551.58
	651010	Contingencies	165,207.00	0.00	0.00	165,207.00
		<b>Total</b>	<b>5,500,000.00</b>	<b>0.00</b>	<b>2,175,822.32</b>	<b>3,324,177.68</b>
		Requisition	0.00			
		Purchase Order	0.00			
		<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>(10,294,185.00)</b>	<b>0.00</b>
		Grants-Other-State(F				
		<b>Total</b>	<b>(10,294,185.00)</b>	<b>0.00</b>	<b>(10,294,185.00)</b>	<b>0.00</b>
		Requisition	0.00			
		Purchase Order	0.00			
		<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>COST CENTER Total</b>						
		Requisition	0.00			
		Purchase Order	0.00			
		<b>Total</b>	<b>(4,794,185.00)</b>	<b>0.00</b>	<b>(8,118,362.68)</b>	<b>3,324,177.68</b>

City of Detroit  
 Account Period: JUN-11  
 Encumbrance Type: ALL  
 Interval: Project to Date  
 Currency: USD

Funds Available Analysis Report  
 APPROPRIATION Range 12957 to 12957  
 For APPROPRIATION - 12957

Report Date: 17-JUN-2011 14:15  
 Page: 2 of 2  
 Budget Name: CODAMENDED

COST CENTER A/C	OBJECT	Description	Budget Amount	Encumbrance Amount	Actual Amount	Funds Available
APPROPRIATION Total						
		Requisition	0.00	0.00	0.00	0.00
		Purchase Order	0.00	0.00	0.00	0.00
Grand Total						
		Requisition	0.00	0.00	0.00	0.00
		Purchase Order	0.00	0.00	0.00	0.00

\*\*\*\*\* End of Report \*\*\*\*\*

CASH MANAGEMENT SCHEDULE 3-2010

GRANT NUMBER	GRANT NAME	COST CENTER NUMBER	APPR NUMBER	AY	TOTAL BUDGET AMOUNT	TOTAL CARRY-IN CASH (Per DRMS)	TOTAL CURRENT CASH RECEIVED (Per DRMS)	JE IN PROCESS	REQUEST IN PROCESS	TOTAL LEFT TO REQUEST	REMARKS SEE NOTES BELOW	GRANT END DATE	AWARD SOURCE
3212	WIA ADULT	218651	12795	2008	\$ 221,809.00	\$ -	\$ 221,809.00	\$ -	\$ -	\$ -		6/30/2010	GAN 11/6/2009
3212	WIA ADULT	218651	12795	2008	\$ 8,450,860.00	\$ -	\$ 8,450,860.00	\$ -	\$ -	\$ -		6/30/2010	GAN 11/06/2009
3212	WIA YOUTH	218867	12798	2008	\$ 2,083,920.00	\$ -	\$ 2,083,920.00	\$ -	\$ -	\$ -		6/30/2010	GAN 11/06/2009
3212	WIA YOUTH	218867	12798	2008	\$ 7,174,698.00	\$ -	\$ 7,174,698.00	\$ -	\$ -	\$ -		6/30/2011	GAN 8/4/2009
3212	WIA DISLOCATED WORKER	218858	12798	2008	\$ 2,578,829.00	\$ -	\$ 2,578,829.00	\$ -	\$ -	\$ -		6/30/2010	GAN 11/06/2009
3212	WIA DISLOCATED WORKER	218858	12798	2008	\$ 4,964,475.00	\$ -	\$ 4,964,475.00	\$ -	\$ -	\$ -		6/30/2011	GAN 11/06/2009
3212	WIA ADMINISTRATION	218659	12801	2008	\$ 11,953.00	\$ -	\$ 11,953.00	\$ -	\$ -	\$ -		6/30/2011	GAN 11/6/2009
3212	WIA ADMINISTRATION	218659	12801	2008	\$ 2,817,958.00	\$ -	\$ 2,817,958.00	\$ -	\$ -	\$ -		6/30/2010	PI 8/01/09
3212	WIA CAPACITY BUILDING	218643	12794	2008	\$ 16,000.00	\$ -	\$ 16,000.00	\$ -	\$ -	\$ -		6/30/2010	PI 8/01/09
3212	WIA STATEWIDE ACTIVITIES MI NCRG	218673	12791	2008	\$ 5,433.00	\$ -	\$ 5,433.00	\$ -	\$ 1,806.00	\$ 9,949.00		6/30/2010	GAN 12/8/09
3212	WIA STATEWIDE HI CONCENTRATION WORKER	218664	12797	2008	\$ 251,735.00	\$ -	\$ 251,735.00	\$ -	\$ -	\$ 20,085.00		6/30/2010	GAN 11/04/2009
3212	WIA STATEWIDE HI CONCENTRATION YOUTH	218664	12800	2008	\$ 48,885.00	\$ -	\$ 48,885.00	\$ -	\$ -	\$ -		6/30/2010	GAN 11/4/2009
3212	WIA SW ONE STOP SERVICE CENTER	218846	12763	2008	\$ 500,000.00	\$ -	\$ 500,000.00	\$ -	\$ -	\$ -		6/30/2011	GAN 11/4/2009
3212	WIA RAPID RESPONSE DPN V.1	218844	13156	2010	\$ 10,450.00	\$ -	\$ 10,450.00	\$ -	\$ -	\$ 9,016.00		7/1/2011	GAN 11/4/2010
3212	WIA RAPID RESPONSE DPN V.1	218847	12706	2009	\$ 47,600.00	\$ -	\$ 47,600.00	\$ -	\$ -	\$ 9,750.00		6/30/2009	GAN 10/14/2009
3212	WIA WORK INCENTIVE DDN V.1	218865	12798	2009	\$ 60,000.00	\$ -	\$ 60,000.00	\$ -	\$ -	\$ -		6/30/2010	GAN 11/18/09
3212	COMMUNITY - BASED JOB TRAINING	218648	13145	2009	\$ 1,451,601.00	\$ -	\$ 1,451,601.00	\$ -	\$ -	\$ 603,341.00		6/30/2010	Grant #06DD-10
3212	ROAD CONSTRUCTION READINESS PROGRAM (RCAR)	218880	13178	2010	\$ 178,897.00	\$ -	\$ 178,897.00	\$ -	\$ -	\$ 75,620.48		6/30/2010	Grant #06DD-10
3218	ROAD CONSTRUCTION READINESS PROGRAM (RCAR)	218745	13060	2010	\$ 450,000.00	\$ -	\$ 450,000.00	\$ -	\$ -	\$ 290,989.18		6/30/2010	Grant #06DD-10
3203	ADULT ACCESS TO EDUCATION-XATE	218764	12860	2008	\$ 323,765.00	\$ -	\$ 323,765.00	\$ -	\$ -	\$ 64,298.00		6/30/2010	Agreement letter
3203	JANET JET	218810	12705	2009	\$ 295,000.00	\$ -	\$ 295,000.00	\$ -	\$ 34,560.00	\$ 61,538.00		6/30/2010	GAN 11/18/09
3203	JANET JET	218807	12785	2010	\$ 18,936,632.00	\$ -	\$ 18,936,632.00	\$ -	\$ -	\$ -		6/30/2010	GAN 11/18/09
3203	JANET JET	218807	12785	2010	\$ 4,753,225.00	\$ -	\$ 4,753,225.00	\$ -	\$ -	\$ -		6/30/2010	14-14-09-0000-000
3203	JANET JET	218807	12785	2010	\$ 1,000,000.00	\$ -	\$ 1,000,000.00	\$ -	\$ -	\$ -		6/30/2010	14-14-09-0000-000
3209	FOOD ASSISTANCE	218821	12788	2009	\$ 913,361.00	\$ -	\$ 913,361.00	\$ -	\$ -	\$ 16,132.00		6/30/2010	PI
3209	FOOD ASSISTANCE	218821	12788	2009	\$ 33,387.00	\$ -	\$ 33,387.00	\$ -	\$ -	\$ -		6/30/2010	PI
3209	FATHERHOOD INITIATIVE	218825	12768	2009	\$ 500,000.00	\$ -	\$ 500,000.00	\$ -	\$ -	\$ 148,735.00		12/29/2009	
3209	FATHERHOOD INITIATIVE	218826	13078	2009	\$ 383,187.00	\$ -	\$ 383,187.00	\$ -	\$ -	\$ -		6/30/2010	GAN 11/5/09
3210	WAGNER PEYSER WPT(a)	218831	12790	2009	\$ 487,655.00	\$ -	\$ 487,655.00	\$ -	\$ -	\$ -		6/30/2011	GAN 12/8/2009
3210	WAGNER PEYSER WPT(a)	218835	12762	2009	\$ 6,122.00	\$ -	\$ 6,122.00	\$ -	\$ 3,371.00	\$ 4,751.00		6/30/2012	per MARS
3210	TRADE	218840	12782	2009	\$ 9,132,630.00	\$ -	\$ 9,132,630.00	\$ -	\$ -	\$ -		6/30/2010	GAN 3/23/2011
3210	TRADE	218838	13175	2009	\$ 1,500.00	\$ -	\$ 1,500.00	\$ -	\$ -	\$ -		6/30/2010	GAN 12/5/2009
3706	EMPLOYMENT SERVICES-ARRA MI NCRG	218837	12763	2009	\$ 74,745.00	\$ -	\$ 74,745.00	\$ -	\$ -	\$ 74,745.00		6/30/2010	GAN 12/5/2009
3706	EMPLOYMENT SERVICES-ARRA	218842	13048	2009	\$ 4,331.00	\$ -	\$ 4,331.00	\$ -	\$ -	\$ -		3/31/2011	GAN 09/25/09
3706	WIA ADULT ARRA Training	218789	12853	2009	\$ 4,824,861.00	\$ -	\$ 4,824,861.00	\$ -	\$ -	\$ -		7/1/2011	GAN 7/9/09
3706	WIA ADULT ARRA Training	218784	12857	2009	\$ 10,294,185.00	\$ -	\$ 10,294,185.00	\$ -	\$ -	\$ -		6/30/2011	GAN 7/9/09
3706	WIA ADMINISTRATION-ARRA	218790	12854	2009	\$ 6,878,262.00	\$ -	\$ 6,878,262.00	\$ -	\$ -	\$ -		6/30/2011	GAN 7/14/09
3706	WIA SWA-ARRA-ECAR STIMULUS	218841	13049	2009	\$ 202,676.00	\$ -	\$ 202,676.00	\$ -	\$ -	\$ -		6/30/2011	GAN 9/23/2009
3706	WIA SWA-ARRA-NWB SUPPORT	218841	13049	2009	\$ 202,676.00	\$ -	\$ 202,676.00	\$ -	\$ -	\$ -		6/30/2011	GAN 9/23/2009
3706	WIA SWA-ARRA-NWB SUPPORT	218841	13049	2009	\$ 202,676.00	\$ -	\$ 202,676.00	\$ -	\$ -	\$ -		6/30/2011	GAN 9/23/2009
3215	Opportunity Builders - SE MI	218719	12848	2010	\$ 2,896,035.00	\$ -	\$ 2,896,035.00	\$ -	\$ -	\$ 8,717.00		6/30/2009	GAN 8/25/2009
3215	Opportunity Builders - SE MI	218719	12848	2010	\$ 412,485.00	\$ -	\$ 412,485.00	\$ -	\$ -	\$ 1,152,488.00		6/30/2009	GAN 8/25/2009
3215	Opportunity Builders - Success	218724	12837	2010	\$ 17,970.00	\$ -	\$ 17,970.00	\$ -	\$ -	\$ 11,463.00		6/30/2009	GAN 8/25/2009
3215	FATHERHOOD INITIATIVE	218718	12861	2008	\$ 500,000.00	\$ -	\$ 500,000.00	\$ -	\$ 2,742.00	\$ 110,820.00		6/30/2009	GAN 8/25/2009
N/A	MRAP							\$ 20,158.20	\$ -	\$ 70,876.00			

Note: 1 Trade Revenue equals closedout.



CITY OF DETROIT  
FINANCE DEPARTMENT  
ADMINISTRATION

COLEMAN A. YOUNG MUNICIPAL CENTER  
2 WOODWARD AVENUE., SUITE 1200  
DETROIT, MICHIGAN 48226  
PHONE: 313-224-3491  
FAX: 313-224-4466  
WWW.DETROITMI.GOV

## ATTACHMENT B

September 28, 2011

Loren E. Monroe, Auditor General  
Office of the Auditor General  
2 Woodward Avenue  
Coleman A. Young Municipal Center, Room 208  
Detroit, Michigan 48226

Dear Mr. Monroe:

The following presents the Finance Department's response for the indicated findings and related recommendations in the Audit of the Detroit Workforce Development Department Summer Youth Employment Program, Funded by the American Reinvestment and Recovery Act as prepared by the Office of the Audit General.

### Finding Related to the Finance Department:

1. The Finance Department – Accounts Payable Division Processed Reimbursement Requests with Inadequate Supporting Documentation:

### Department's Response

Finance Department Response to DWDD Audit Regarding the processing of invoices without proper invoices:

We concur with the finding for the audit period of February 2009-September 2010. About one year ago, the Accounts Payable Department held a meeting with key personnel with DWDD to explain to them that they were not presenting the appropriate invoice for payment. Since this meeting, DWDD has corrected this and is now presenting correct and proper invoices for payment.

Sincerely,

Richard A. Young  
Chief Accounting Officer