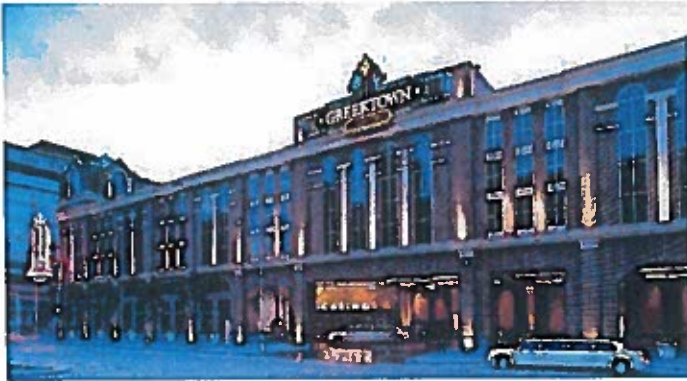


City of Detroit

OFFICE OF THE AUDITOR GENERAL



Audit of the Casino Development Fund

PROJECT: Joint Employment and
Procurement Advisory Board



Office of the Auditor General


Mark W. Lockridge, Auditor General

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MEMORANDUM

DATE: March 1, 2019

TO: Honorable City Council
Honorable Mayor Mike Duggan

FROM: Mark W. Lockridge, CPA 
Auditor General

RE: **THE CASINO DEVELOPMENT FUND (CDF) AUDIT**

CC: Denise Starr, JEPAB Chair
Glen Long, COO, DEGC/EDC
Stephanie Washington, Esq., City Council Liaison
Daniel Arking, Attorney, Law Department
David Whitaker, Director, Legislative Policy Division
Casino Representatives

Attached for your review is our report on the Audit of the Casino Development Fund Joint Employment and Procurement Advisory Board project. This report contains our audit purpose, scope, objectives, methodology and conclusions; background; our audit findings and recommendations; and the response from the Joint Employment & Procurement Advisory Board and the Mayor's Office.

Responsibility for the installation and maintenance of a system of internal control that minimizes errors and provides reasonable safeguards rests with the Joint Employment & Procurement Advisory Board.

Copies of all of the Office of the Auditor General reports can be found on our website at <https://www.detroitmi.gov/government/auditor-general>.

**Audit of the Casino Development Fund
Project: Joint Employment and Procurement Advisory Board**

Contents

	Page
AUDIT PURPOSE, SCOPE, OBJECTIVES, METHODOLOGY AND CONCLUSIONS	1
BACKGROUND	3
AUDIT FINDINGS AND RECOMMENDATIONS	
1. JEPAB Did Not Comply with the Funding Agreement between EDC and JEPAB, Conflict of Interest, Article XIII Section 13.01 & 13.03	6
2. JEPAB Failed to Establish Appropriate Internal Controls	8
3. JEPAB Failed to Distribute Funds in Accordance with the Revised Casino Development Agreements, Social Commitments, Section 3.5 (K)	10
4. Records Were Not Maintained In Compliance with the Funding Agreement between EDC and JEPAB, Data and Reports, Article VI Section 6.01-6.05	12
FINDINGS RELATED TO THE OTHER DEPARTMENT	
1. The City of Detroit Failed to Monitor the Activities of JEPAB	14
AGENCY RESPONSES	
Joint Employment and Procurement Advisory Board	Attachment A
The City of Detroit	Attachment B

AUDIT PURPOSE, SCOPE, OBJECTIVES, METHODOLOGY AND CONCLUSIONS

AUDIT PURPOSE

The audit of the Casino Development Fund – Joint Employment and Procurement Advisory Board project was performed in accordance with the Office of the Auditor General’s charter mandate to conduct audits of the financial transactions, performance and operations of City agencies based on an annual risk-based audit plan prepared by the Auditor General, or as otherwise directed by the City Council, and report findings and recommendations to the City Council and the Mayor.

City Council requested that the Office of the Auditor General perform an audit of the Casino Development Fund in relation to a Legislative Policy Division report dated October 11, 2016.

AUDIT SCOPE

The scope of this audit was an independent review and assessment of the Joint Employment and Procurement Advisory Board (JEPAB) project. 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

The overall audit objectives were to:

- Review financial reports and audited financial statements from each sub-grantee to ensure the casino development funds are properly accounted for and spent in accordance with program objectives and guidelines as stated in the revised casino agreements, Economic Development Corporation (EDC)/City of Detroit and EDC/sub-grantee funding agreements.
- Conduct a performance audit of each sub-grantee to ensure the casino development funds are effectively and efficiently received and spent in accordance with best practices and in support of program objectives and guidelines.

AUDIT METHODOLOGY

To accomplish our audit objectives, our audit work included:

- Reviewing the Casino Development Agreements, project funding agreements, the project budget reports, and organization charts.
- Gathering policies and procedures of core operations and 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.
- Developing questions regarding the Casino Development Fund project’s transactions, controls, functions, records, and personnel.

- Identifying risks relative to financial transactions and mitigating controls with appropriate personnel.
- Interviewing appropriate personnel, reviewing documentation, and making observations to aid in developing audit programs.

CONCLUSIONS

As a result of our audit, we have concluded that JEPAB did not:

- Establish appropriate internal controls over financial processes.
- Disburse funds in accordance with the Revised Casino Development Agreements, Social Commitments, Section 3.5(K).
- Comply with the Funding Agreement between EDC and JEPAB – Conflict of Interest, Article XIII, Section 13.01 and 13.03.
- Maintain records in compliance with the Funding Agreement between EDC and JEPAB – Data and Records, Article VI, Section 6.01-6.05.
- The City of Detroit Mayor’s Office did not monitor nor assign a Department to monitor the activities of JEPAB.
- One out of the three Detroit Casino Developers has not achieved their goal of not less than fifty-one percent (51%) Detroit resident employment.
- All Detroit Casino Developers have continuously achieved their goals of not less than thirty percent (30%) procurement of goods and services from Detroit-Based Businesses, Detroit Resident Businesses, Minority Business Concerns, Women-Owned Businesses and/or Small Business Concerns.

BACKGROUND

Origination of Casino Development Fund

The Casino Development Fund is a commitment made by the three Detroit casinos (MGM Grand Detroit, MotorCity, and Greektown) and the City of Detroit, to contribute money for the purpose of assisting minority business development in a specified area within the City. The assistance to business development focuses on: financing façade improvements, GAP financing, loan guaranties, rehabilitation, equipment and working capital for existing and new businesses.

The City received \$2.5 million from MotorCity Casino during the period of the initial Casino Development agreements (1998-1999). The City received \$30 million from the three casinos (\$10 million from each casino) in accordance with the revised Casino Development agreements.

Economic Development Corporation (EDC)

EDC is a public body corporation created by the City Council of the City of Detroit by enactment of Ordinance 120-H effective June 9. All services to be performed are set forth in the "Scope of Services" section of the EDC/City of Detroit personal service contract and is coordinated and performed by the DEGC. The DEGC is a private non-profit 501.c4 organization and is an agent of the EDC that acts as a liaison between the EDC and the City.

The EDC is responsible for transferring the allocated amount of the Casino Development Funds to JEPAB and providing general supervisory power over the JEPAB project.

Joint Employment and Procurement Advisory Board (JEPAB) Project

JEPAB is a private entity acting in an advisory capacity to the Detroit Casino Developers (Casinos). The Board is comprised of one (1) member from each of the Detroit Casinos, and three (3) appointed members that are invited by the Mayor and the City Council from the community at large. The public appointees are non-salaried, but are entitled to expense reimbursement paid by JEPAB.

The Development Agreement between the City of Detroit, the EDC and the Casino Developer, Section 3.5 – Social Commitments defines the purpose and responsibilities of JEPAB as follows:

- JEPAB's purpose is to work closely with the Developers and the other Detroit Casinos to evaluate the effectiveness of, and recommend improvements to, Developer's and each of the other Detroit Casinos' respective programs to achieve their goals of not less than fifty-one percent (51%) Detroit resident employment and not less than thirty percent (30%) procurement of goods and services from Detroit-based businesses, Detroit resident businesses, minority business concerns, women-owned businesses and/or small business concerns.
- JEPAB is responsible for reviewing the Developer's and each of the other Detroit Casino Developer's practices and programs aimed at achieving such goals,

review the success of such efforts, recommend improvements and refinements to such practices and programs, and assist the Developer and each of the other Detroit Casinos in involving local community organizations and businesses in support of such efforts.

- JEPAB may recommend to Developer and each of the other Detroit Casinos the engagement of outside consultants to provide expert, independent guidance as to how to make Developer's and each of the other Detroit Casinos' program more effective.

Project Objectives for JEPAB

The project objectives and goals for the JEPAB as stated in the City of Detroit and EDC Funding Agreement were to work closely with the Detroit Casino Developers to evaluate the effectiveness of, and recommend improvements to, Developer's respective programs to achieve their goals of not less than fifty-one percent (51%) Detroit resident employment and not less than thirty percent (30%) procurement of goods and services from Detroit-based businesses, Detroit resident businesses, minority business concerns, women-owned businesses and/or small business concerns; and assist the Developers in involving local community organizations and businesses in support of such efforts.

The City of Detroit's Responsibilities to JEPAB

The Funding Agreement between the City of Detroit and the EDC requires the City to monitor the activities of JEPAB and make recommendations to the EDC Board of Directors relating to the use of the allocated funds. The Development Agreement affirms that the Mayor shall designate the City departments, agencies and/or personnel who shall be responsible for the administration of the agreement; monitoring of the performance by the Developer of its duties and obligations under the Agreement; and making recommendations to the Mayor concerning its enforcement.

The Department of Civil Rights, Inclusion and Opportunity (CRIO) formally known as the Human Rights Department is the city department designated by former Mayors to be responsible for the administration of Section 3.5 – Social Commitments of the Casino Development Agreements; monitoring of the performance by the Developers of its duties and obligation under Section 3.5 of this Agreement; and making recommendations to the Mayor concerning its enforcement.

CRIO receives and reviews information from the Casinos, then renders annual findings with respect to social commitment for achieving their goals in three areas:

- Expenditures to Targeted Businesses
- Diversity in Construction Worker Hours
- Detroit Resident Hiring in Casino Operations

Funding Agreement between The City of Detroit and the EDC

The JEPAB project was originally allocated \$2 million dollars to fund their activities. The EDC amended JEPAB's original budgeted amount bringing JEPAB's program budget

down to \$1,520,468. JEPAB has received a total of \$1,251,764 from EDC for the project. As of December 2016, JEPAB had \$758,126 available for activities. However, EDC has not given JEPAB their final installment of \$268,704 which is not included in the EDC funds available as of December 2016.

1. JEPAB Did Not Comply with the Funding Agreement between EDC and JEPAB, Conflict of Interest, Article XIII Section 13.01& 13.03

The auditors reviewed documents related to the distribution of the Casino Development Fund (CDF) for the period 2006-2016. Based on the review of the meeting minutes and the financial statements received, the auditors determined that four Board members had a conflict of interest (directly or indirectly) with \$36,004 in the funds dispersed for the following transactions:

- In 2008, a Co-Chair of a Local Host Committee who was also a JEPAB Board Member, received a charitable donation of \$15,000 for their program.
- In 2009, a JEPAB Chairperson/Member's project received a donation of \$2,500 to help Detroit residents who were less fortunate during the holiday season.
- JEPAB donated \$8,500 to help Detroit residents who were less fortunate during the holiday season and distributed \$4,000 for a Summer Internship program to have interns attend a two day seminar to learn about alcohol, drug and HIV prevention that was affiliated with a Program President/CEO who was a JEPAB Board Member. The funds were distributed as follows: 2009 - \$2,500, 2010 - \$3,000 and 2011 - \$7,000.
- The JEPAB Treasurer received reimbursement for accounting services performed in 2012 - \$5,004 and for an unknown expense in 2013 for \$1,000 without any documentation.

The funding agreement between EDC and JEPAB, Article XIII, Conflict of Interest requires:

- 13.01 The Recipient covenants that it currently has no interest and shall not acquire any interest, directly or indirectly, which would conflict in any manner or degree with the performance of Recipient Activities.
- 13.03 No member of the governing body of the EDC or the Recipient and no other officer, appointee, employee or agent of the EDC or the Recipient who exercises any function or responsibility in connection with the carrying out of this Agreement, shall have any personal interest, direct or indirect, in this Agreement.

The Michigan Principles and Practices Guide for Non-Profits requires that:

- Non-profit board members are responsible for making decisions in the interest of the organization and not in the interest of another entity, including themselves.
- Board members (who are not employees) should receive no monetary compensation.

The failure of the Board to adhere to a conflict of interest or ethics policy can damage the reputation of the Board and allow for theft, fraud or misappropriation of funds which can lead to the organization's mission not being achieved. It is important for business leaders to live a lifestyle of honesty, integrity and high ethical standards because what these leaders do can harm the reputation of the organization.

The success of an organization is built on the trust of customers, employees and the general public. The best way to gain that trust is to demonstrate ethics and integrity in business practices.

The auditors determined that JEPAB did not create a conflict of interest or ethics policy for Board members. The JEPAB By-Laws, only require members to disclose any conflict of interest in any activity or entity and abstain from voting on any matters which involve the conflicted activity or entity.

Recommendations

We recommend that JEPAB establish:

- A conflict of interest policy that forbids disbursement of funds to board members or entities that have a conflict of interest (directly or indirectly) in the activity being funded.
- An ethics policy.

2. JEPAB Failed to Establish Appropriate Internal Controls

A review of JEPAB's internal controls over financial transactions revealed that JEPAB failed to establish an appropriate system of internal control. The following internal control deficiencies were identified:

- There were no written policies for selecting projects for funding nor monitoring the activities for outcomes.
- Checks were issued without the required dual signatures. In addition, checks did not contain preprinted sequential control numbers.
- Financial records including checks, invoices and bank statements were not maintained in accordance to the funding agreement.
- In addition, the Treasurer:
 - Made a withdrawal for \$5004.00 without any documented approval.
 - Hired an accountant to assist them without prior approval from the Board.
 - Did not have any invoices, proof of work performed, written approvals or authorizations for payments for work performed.
 - Did not properly account for funds on six Treasurer's reports during 2015-16.

The State of Michigan Department of Treasury's Accounting Procedures Manual for Local Units of Government in Michigan requires:

- Policies and operating procedures are written down and communicated to employees.
- Transactions are authorized by a person with delegated approval authority and that transactions are consistent with policy. Authorization procedures need to include a thorough review of supporting documentation to verify the propriety and validity of transactions.
- Records be reviewed and reconciled routinely by someone other than the preparer to verify that transactions are properly processed.
- Checks to be pre-numbered and the numerical sequence be accounted for.
- Monitoring activities to assesses the quality of the system's performance over time. Ongoing monitoring occurs in the ordinary course of business and includes regular management and supervisory activities and other actions personnel take in performing their duties.
- No one person should have control over all aspects of the financial transactions. An individual is not to have responsibility for more than one of the three transaction components: authorization, custody and recordkeeping.

The funding agreement between EDC and JEPAB, Article VI, Data and Reports requires:

- **6.03** The Recipient shall maintain full and complete books, ledgers, journals, accounts, documents and records in auditable form wherein are kept all entries

reflecting all of its operations pursuant to this Agreement, and the Recipient shall make available at all reasonable times all books, documents, papers and records for monitoring, audits, inspections and examinations by EDC.

- **6.04** All records referred to in Section 6.03 shall be maintained by the Recipient for three (3) years after the date of completion of Recipient Activities.

Due to the lack of appropriate internal controls, the auditors could not:

- Verify the validity of financial transactions.
- Review supporting documentation to substantiate all expenditures.
- Determine if funded projects achieved their program objectives

The auditors' determined that JEPAB officers did not:

- Establish proper internal controls for the Casino Development Funds.
- Verify or reconcile financial transactions and statements created by the Treasurer.
- Ensure that policies and procedures were followed, that financial information was accurately reported, and appropriate documentation was maintained and filed.
- Monitor the Treasurer's activities.

Recommendations

We recommend that JEPAB establish an effective system of internal control to ensure that:

- Policies and procedures are created, written, distributed and followed.
- Financial activities are routinely monitored.
- Financial transactions have proper documentation, are reviewed, authorized and properly recorded.
- Expenditures and receipts are reconciled on a regular and timely basis by someone independent.

3. JEPAB Failed to Distribute Funds in Accordance with the Revised Casino Development Agreements, Social Commitments, Section 3.5 (K)

The auditors reviewed JEPAB expenditures (based on financial statements and meeting minutes) for the period of 2006-2016. The auditors determined that the following expenditures were not in accordance with JEPAB’s goals at set forth in the Revised Casino Development Agreement:

- **Summer Internship Programs**

Year	Number of Participants	Amount
2009	11	\$20,000
2010	11	20,000
2011	11	24,000
2012	10	16,800
	TOTAL	\$80,800

- JEPAB distributed funds for summer internship programs without determining how the interns would obtain employment with the Casino Developers after completing their internship.
 - JEPAB did not monitor the programs’ progress in helping participants to receive employment with the Casinos.
 - After reviewing the 2010 internship program information received, none of the students worked at the Casinos.
 - Two (2) of the eleven (11) students that participated in the internship program received permanent employment at other companies in 2010.
 - There were no records that showed if the individuals who participated in the program were Detroit residents or worked at any of the Casinos.

- **Charitable Donations**

Year	Donation Amount
2008	15,000
2009	20,000
2010	20,000
2011	22,000
2012	3,000
TOTAL	\$80,000

- Donations were given to various organizations to assist Detroit residents that were having a difficult time during the holiday season.

NOTE: JEPAB has not made any donations since 2012.

According to the Revised Casino Development Agreements, JEPAB is to assist Casino Operators in involving local community organizations and business in support of achieving their goals of 51% Detroit resident employment.

JEPAB has less funds available to assist in their mission to assist the Casinos in meeting their residency employment and targeted business objectives. One casino did not make their 51% Detroit resident employment for 10 years.

A JEPAB Board Member stated that:

- Some of the funds did not help support the efforts to achieve the Casino goals.
- When the Casinos were meeting their numbers, the Casino representatives suggested and decided to give back to the community.
- Since the Casinos were mostly meeting their numbers, the Board decided to donate the funds to help the citizens of Detroit during the bad economy.

Recommendations

We recommend that JEPAB:

- Develop a strategic plan for the use of the Casino Development Funds that supports the organization's mission.
- Disburse funds only in accordance with the goals set forth in the Revised Casino Development Agreement.

4. Records Were Not Maintained In Compliance with the Funding Agreement between EDC and JEPAB, Data and Reports, Article VI Section 6.01-6.05

The auditors requested to review records from JEPAB for the period of 2006-2016. JEPAB was unable to provide the following records:

- Copies of JEPAB minutes from 2005 - 2009, and 2012 - 2016
- Invoices
- Contracts
- IRS 990 returns
- Bank statements 2006-2012
- Investment account statements 2006
- Copies of canceled checks from 2006-2008, 2010 & 2013
- Summer youth employment information for the internship programs in 2009, 2011, 2012
- Financial audits conducted by a Certified Public Accountant

The funding agreement between EDC and JEPAB, Article VI, Data and Reports requires:

- **6.03** The Recipient shall maintain full and complete books, ledgers, journals, accounts, documents and records in auditable form wherein are kept all entries reflecting all of its operations pursuant to this Agreement, and the Recipient shall make available at all reasonable times all books, documents, papers and records for monitoring, audits, inspections and examinations by EDC.
- **6.04** All records referred to in Section 6.03 shall be maintained by the Recipient for three (3) years after the date of completion of Recipient Activities.
- **6.05** Notwithstanding anything else contained to the contrary in this Agreement the Recipient will provide annual reports audited by a licensed certified public accountant.

Due to the lack of documentation, the auditors were unable to:

- Verify that the Treasurer's Reports were accurate and accounted for all funds.
- Substantiate all expenditures.

The auditors determined that JEPAB did not establish a document retention policy in accordance with their Funding Agreement. A JEPAB Board Member stated that their former Treasurer had their house broken into and their computer with JEPAB records was stolen and JEPAB lost some of the requested financial information.

Recommendation

We recommend JEPAB establish an effective document retention policy and maintain records in accordance with the Funding Agreement.

Findings Related to Other Department

1. The City of Detroit Failed to Monitor the Activities of JEPAB

The auditors reviewed all available records related to JEPAB activities for the period of 2006-2016. The auditors determined that the City of Detroit was responsible for monitoring the activities of JEPAB. There were no records of communication with the EDC Board of Directors that showed that an individual or Department from the City of Detroit submitted recommendations to the EDC Board of Directors relating to the use of the allocated funds.

The Funding Agreement between the City of Detroit and the EDC affirms the City is to monitor the activities of JEPAB and make recommendations to the EDC Board of Directors relating to the use of the allocated funds.

The City failed to monitor and assist JEPAB with appropriate activities. JEPAB spent \$160,800 (see Finding #2) on activities not related to its mission, goals and objectives. A lack of oversight and accountability related to an entity, creates greater potential for fraud, waste and abuse of assets.

The City of Detroit failed to assign an individual or department to monitor and report on the activities of JEPAB to the EDC Board of Directors.

Recommendations

We recommend that the City of Detroit:

- Designate a department or individual to monitor JEPAB.
- Submit reports to the EDC and City Council regarding JEPAB activities and fund utilization.

ATTACHMENT A

February 22, 2019

Mark Lockridge, Auditor General
Office of the Auditor General
2 Woodward Avenue
Coleman A. Young Municipal Center, Room 216
Detroit, Michigan 48226

Dear Mr. Lockridge:

The following represents the Joint Employment and Advisory Board's response for the indicated findings and related recommendations in the audit of the Casino Development Fund – Joint Employment Procurement Advisory Board project, as prepared by the Office of the Auditor General. Our responses include the actions taken or to be taken regarding the recommendations, and the implementation dates or the targeted implementation dates for those actions.

Finding Number 1. JEPAB Did Not Comply with the Funding Agreement between EDC and JEPAB, Conflict of Interest, Article XIII Section 13.01 & 13.03

JEPAB's Response:

JEPAB did knowingly disburse funds to entities that were affiliated/related to Board members. However, the Board did not realize that this was a conflict of interest.

The 2008 contribution of \$15,000 was for hosting/attending a conference for Contractors/Businesses that the Casinos could network with for future procurement opportunities at their respective establishments. These types of conferences facilitate JEPAB's goals by exposing the Casinos to Small Businesses, Detroit-Based Businesses, and Minority Businesses. These networking opportunities were a vehicle for the Casinos to build a pipeline of targeted businesses/contractors for their potential procurement needs.

The 2009, 2010, and 2011 contributions, totaling \$8,500, were to support Detroit residents who were less fortunate during the holiday season. The rationale that was used for these disbursements was that the economy was extremely challenging during these years. The Casinos were not doing as much hiring or construction. Therefore, it was a way for the Casinos to still support the Detroit community in a time of great need and assist young Detroiters to become capable of obtaining and maintaining jobs. The \$4,000 for the Summer Internship Program, two day seminar, was to educate the youth in the program on alcohol, drug and HIV prevention. The interns (all Detroit residents) were placed at local Detroit restaurants to gain experience in the culinary field. Since the Casinos cannot hire high school students, it was decided to place them at different Detroit restaurants and also give them some education in alcohol and drug prevention. We believed that providing these Detroit youth with these

opportunities would allow them to experience the culinary field firsthand. In addition they would receive tools on how to navigate through the temptations of alcohol or drug usage. All of the students came to one of our JEPAB meetings, and presented on their summer job and educational experience. Some of the students ended up being employed by their summer employer.

The report indicates that the JEPAB Treasurer received a reimbursement for Accounting Services performed in 2012, in the amount of \$5004. The Treasurer was never reimbursed for these monies. We believe that these monies were for hosting a table at the annual New Detroit Dinner. We are still trying to reach out to New Detroit to confirm this. Our recollection is that the Treasurer had to get a money order for the \$5,000 cost of the table and the cost of the money order was \$4. Attending/supporting this dinner was another opportunity for JEPAB to network with potential vendors/employees for the Casinos.

The \$1,000 expense in 2013 was for a charitable contribution. We are still trying to find documentation as to which Detroit organization received this donation.

Although we believe there are reasonable explanations relating to specific findings, we nonetheless concur with the recommendations of the Auditor General. We will develop written policies and procedures that will include specific policies for conflicts of interest and ethics. **This will be completed by June 30, 2019.**

Finding 2. JEPAB Failed to Establish Appropriate Internal Controls

JEPAB's Response:

The reason that it was difficult to produce complete records is that the former Treasurer of JEPAB, who was keeping the financial records, had a fire/theft at her home and all of the records were destroyed/lost. When she resigned from the Board, in 2013, there were no records turned over to the incoming Treasurer so, any and all records that were produced for this Audit were produced by Board Members that were on the Board during the years being reviewed and happened to have retained the applicable records. Unfortunately, we could not produce everything that was requested.

In 2016, we retained the services of Alan Young and Associates to be our Accountant. This firm is preparing all of our reports/filings.

We note that certain conclusions were based upon the State of Michigan Department of Treasury's Accounting Procedures Manual for Local Units of Government in Michigan, which may be inapplicable, given that JEPAB is not a local unit of government. We nonetheless concur with the recommendations of the Auditor General regarding establishing more robust controls. Accordingly, we will develop, distribute to Board members, and follow written policies and procedures relating to financial activities. We will also ensure financial activities are monitored on a regular basis. As part of this process we will develop policies to ensure financial transactions have proper documentation and are reviewed, authorized and properly recorded. Procedures will also be developed to ensure expenditures and receipts are reconciled

on a timely basis by a party independent of the cash receipt and disbursement process. **This will be completed by June 30, 2019**

Finding 3. JEPAB Failed to Distribute Funds in Accordance with the Revised Casino Development Agreements, Social Commitments, Section 3.5(K)

JEPAB's Response:

The auditors concluded that certain expenditures relating to Summer Internship Programs were not in accordance with JEPAB's goals as set forth in the Revised Development Agreements, but we respectfully disagree. In the years cited, JEPAB supported the Detroit Summer Youth Employment Program for Detroit resident youth. JEPAB also used GoLightly, in Detroit, to identify Detroit youth for the program. The students could not be placed to work at the Casinos due to the hiring age restrictions on their properties. However, JEPAB wanted to give Detroit youth opportunities that would expose and provide them with a work experience in the culinary field. The goal was to encourage their interest in the culinary field and provide them with skill-building opportunities that would later assist them in obtaining culinary department jobs at the Casinos. Some of the students that were sponsored came from Breithaupt and GoLightly. The Casinos had supported these schools with the donation of kitchen equipment and other resources throughout the years, so it was continued support of Detroit youth in an effort to educate and provide them with valuable experience that could lead to Casino employment.

Since 2012, we have not spent any JEPAB funds to support similar programs. However, we do believe that programs like these are completely consistent with our mission. It is our intent to focus our attention on developing a strategic plan that utilizes our funding in the best way possible to support the Casinos in their hiring of Detroit residents and procurement of goods and services from Detroit-based, small and minority-owned businesses.

Although we believe there are reasonable explanations for the actions taken by JEPAB and that those actions were fundamentally consistent with JEPAB's goals, we nonetheless concur with the recommendation of the Auditor General regarding development of a strategic plan identifying our targeted usage of Casino Development Funds that supports our mission. We will also, in conjunction with our response to Finding #2, develop procedures to ensure that funds are utilized only in accordance with this specified usage. **We are targeting the completion of a strategic plan by September 30, 2019**

Finding 4. Records Were Not Maintained In Compliance with the Funding Agreement between EDC and JEPAB, Data and Reports, Article VI Section 6.01-6.05

JEPAB's Response:

As explained earlier in the document, our previous Treasurer was in possession of the records through September 2013. Unfortunately, her home had a fire/theft and the records were not recoverable. We have since hired the services of Alan Young and Associates and they are producing our IRS 990 returns. We further note that the record retention requirement under Article VI is three years; given the time frame at issue in the audit, retention of many of the records was no longer required.

We nonetheless concur with the recommendation of the Auditor General. We will develop a specific document retention policy and maintain records in accordance with that policy. **This will be completed by June 30, 2019.**

UPDATE SINCE 2016

Since 2016, JEPAB has filed all of their IRS 990 filings timely. The only monies that have been expended were for the Accounting Services we received from our Accountant Alan Young & Associates. JEPAB is still waiting to receive the remainder of the dollars, from the Development Agreement (\$2 million was in the agreement and JEPAB has only received a little over \$1.3 million to date).

Sincerely,

JEPAB Board Members



Civil Rights, Inclusion
and Opportunity

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2 WOODWARD AVENUE, SUITE 1240
DETROIT, MICHIGAN 48226
PHONE: 313.224.4950
FAX: 313.224.3434

February 22, 2019

Mark Lockridge, Auditor General
Office of the Authority General
2 Woodward Ave
Coleman A Young Municipal Center, Room 216
Detroit, Michigan 48226

Dear Mr. Lockridge:

The following represents the City of Detroit's response for the indicated findings and related recommendations in the audit of the Casino Development Fund- Joint Employment Procurement Advisory project, as prepared by the Office of the Auditor General.

Finding 1. The City of Detroit Failed to Monitor the Activities of the JEPAB

City's Response:

The City disagrees with this finding that the City failed to monitor the activities of the JEPAB. The EDC is the entity responsible for disbursing fund to the JEPAB and as such, maintains a responsibility related to the disbursement of those funds.

The Audit Reports states that the City of Detroit failed to assign an individual or department to monitor and report on the activities to the EDC Board and that there is no record of communication with EDC Board to indicate that the City submitted recommendations to the EDC Board. All members of the EDC board are mayoral appointees, however two positions on the EDC board are held by City of Detroit Department heads. They serve in an exofficio capacity and communicate to the City and their colleagues on the EDC on *all* of the activities of the EDC, including the activities of the JEPAB. Their role of the EDC board shows that in fact, the City did select individuals to assist EDC with its monitoring of JEPAB and all its other fiduciary responsibilities.

Additionally the City's Civil Rights, Inclusion and Opportunity Department, formerly known as the Human Rights Department, receives regular reports on the hiring of Detroiters and it's use of Detroit based contractors from the Casinos and reports on an annual basis to the JEPAB about Casino's efforts. The CRIO Director also serves on the JEPAB as an additional way to assist the JEPAB with its activities.

Thank you,

Charity R Dean
Director, Civil Rights, Inclusion and Opportunity