



**City of Detroit**  
**OFFICE OF THE AUDITOR GENERAL**

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**BEFORE**



**AFTER**



**Audit of the American Rescue Plan Act  
Renew Detroit Home Repair Program**

**Communication of Note of Concerns**

**October 2023**



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## MEMORANDUM

**DATE :** November 14, 2023

**TO :** Honorable City Council  
Mayor Michael Duggan

**FROM:** Laura Goodspeed, CPA *LG*  
Auditor General

**RE :** Audit Communication of Note of Concerns Regarding The City of Detroit's American Rescue Plan Act Renew Detroit Home Repair Program

**C :** Darlene Caro, Director, Renew Detroit Home Repair Program  
Terri Daniels, Director of Grants, Office of the Chief Financial Officer,  
Office of Development and Grants  
Meagan Elliott, Director/Deputy CFO, Office of the Chief Financial Officer,  
Office of Development and Grants  
Regina Greear, Director/Deputy CFO, Office of the Chief Financial Officer,  
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Colin Handzinski, Program Analyst II/Management Analyst, Office of the  
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Jeanet Kulcsar, Director of Strategy, Office of the Chief Financial Officer  
John Naglick, Chief Deputy CFO/Finance Director, Office of the Chief  
Financial Officer  
Donald Rencher, Group Executive, Planning, Housing & Development  
Jay Rising, Chief Financial Officer, Office of the Chief Financial Officer  
Jo Robinson, ARPA Agency CFO, Office of the Chief Financial Officer,  
Office of Departmental Financial Services  
Sandra Yu Stahl, Deputy CFO/Chief Procurement Officer, Office of the Chief  
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Tanya Stoudemire, Chief Deputy CFO/Policy & Administration Director,  
Office of the Chief Financial Officer  
David Whitaker, Director, Legislative Policy Division

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Attached for your review is an Audit Communication of Note of Concerns Regarding the City of Detroit's American Rescue Plan Act (ARPA) Renew Detroit Home Repair Program. The purpose of this memorandum is to advise City Council of our concerns related to the Renew Detroit Home Repair Program. We have concerns such as the lack of available home repair contractors, the risk of loss of funding due to strict obligation and spending deadlines for ARPA dollars, and the inconsistent financial data in the City's ARPA financial reports.



This communication is the result of our “Limited Scope Performance Audit of the American Rescue Plan Act Renew Detroit Program.”

We are providing this communication in compliance with Generally Accepted Governmental Auditing Standards for performance audits relating to “Planning Requirements: Auditor Communication:”

8.25 Communicating with those charged with governance or management may include communicating deficiencies in internal control; fraud; or noncompliance with provisions of laws, regulations, contracts, and grant agreements. Early communication of these matters may be important because of their relative significance and the urgency for corrective follow-up action. Further, early communication is important to allow management to take prompt corrective action to prevent further occurrences when a control deficiency results in noncompliance with provisions of laws, regulations, contracts, and grant agreements or fraud.<sup>1</sup>

Copies of all the Office of the Auditor General public communications can be found on the City of Detroit’s website at <https://detroitmi.gov/government/office-auditor-general>.



<sup>1</sup> GAO, Government Auditing Standards: 2018 Revision Technical Update April 2021 (Supersedes GAO-18-568G), Planning Requirements: Auditor Communication Paragraph 8.25, <https://gaoinnovations.gov/yellowbook/planning.html#section-8.25>.



## AMERICAN RESCUE PLAN ACT RENEW DETROIT HOME REPAIR PROGRAM

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## American Rescue Plan Act Overview

On March 11, 2021, the American Rescue Plan Act (ARPA), a \$1.9 trillion stimulus package, was signed into law and established the Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Fund, which together make up the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program. This program provides support to state, territorial, local, and tribal governments in response to the economic and public health impacts of COVID-19, and efforts to contain the effects on their communities, residents, and businesses.

ARPA set aside \$350 billion in emergency funding for eligible state, local, territorial, and tribal governments. The City of Detroit was granted a substantial allocation of direct ARPA funds totaling \$826,675,290 (\$827 million,) making it one of the top five largest allocations received by any municipality in the country. Detroit City Council approved the appropriation of the \$827 million in June 2021. This funding is a one-time payment from the federal government and presents an exceptional opportunity for the City to enact transformative change. The City strategically allocated these funds towards critical areas such as infrastructure development, public safety, blight remediation, and tackling the underlying issues contributing to intergenerational poverty. According to federal guidelines, all ARPA monies must be “obligated” by December 31, 2024 and “spent” by December 31, 2026.

The Office of the Chief Financial Officer (OCFO) handles all the financial transactions for ARPA funding. Multiple divisions of the OFCO have responsibilities related to ARPA funding, and include the:

- Office of Development and Grants (ODG.)
- Office of Departmental Financial Services (ODFS.)
- Office of Contracting and Procurement (OCP.)
- Office of Budget.
- Office of the Controller.

The public can see and track how the City is “spending” the \$827 million in ARPA funds through a dedicated page on the City’s website. The City’s “ARPA Spending Dashboard” details the ARPA programs, contracts, and spending, and it is updated weekly. The Dashboard details spending by each program, and the amount of funds appropriated, obligated, and expended. Interested persons can follow the programs initiatives and they can sign up for notifications by visiting the City’s ARPA website: [www.detroitmi.gov/arpa](http://www.detroitmi.gov/arpa).



## ARPA Renew Detroit Home Repair Program Overview

The Renew Detroit Home Repair Program (Renew Detroit) is one of the programs funded by ARPA federal grant monies. The Detroit City Council voted to appropriate \$30.0 million of ARPA funds to target intergenerational poverty. Renew Detroit, a two-phase home repair program, was created to help low-income seniors and/or disabled homeowners who live in Detroit with eligible home repairs. Renew Detroit launched in September 2021 to help repair roughly 1,500 homes for eligible homeowners.

In July 2022, the City announced an award of \$15.0 million from the State of Michigan’s ARPA funds, targeted to boost the total Renew Detroit program to \$45.0 million. The additional \$15.0 million State ARPA passthrough funding allows Renew Detroit to repair an additional 500 homes, resulting in a total of 2,000 homes being repaired under the program.

On June 4, 2023, Detroit City Council granted approval for the \$15.0 million funding under a new appropriation of funds titled “Michigan Hope Renew Detroit”. The funds were budgeted for use in fiscal year 2023-2024 for eligible program expenses.

The table below recaps the funding sources and amounts for Renew Detroit:

Intergenerational Poverty I and Michigan Hope Renew Detroit Funding	
	<i>Millions</i>
Federal Government ARPA Funding (Intergenerational Poverty I)	\$30.0
State of Michigan ARPA Passthrough Funding (Michigan Hope)	15.0
<b>TOTAL</b>	<b>\$45.0</b>

Renew Detroit has two program phases with “Phase 1” intended to replace 1,000 roofs for qualified residents, and the “Phase 2” expansion to allow for roof or window replacements for an additional 1,000 qualified residents. The City will continue Phase 1 roof replacements throughout 2023 and 2024, with Phase 2 repairs in 2024 through 2026.





### Program Financial Activities as of June 30, 2023

#### Renew Detroit Actual Spending

According to the City’s Annual Comprehensive Financial Report (ACFR), Renew Detroit’s actual amount spent is \$1.0 million, for fiscal year 2022. As of June 30, 2023, the Renew Detroit Program Cumulative spending amount is \$4.1 million, according to the State and Local Fiscal Recovery Funds (SLFRF) Quarterly Report.

The table below shows the actual spending amounts and total cumulative amount for fiscal years 2022 and 2023:

<b>Renew Detroit Actual Spending</b>			
<i>Millions</i>			
<b>Fiscal Year</b>	<b>FY2022</b>	<b>FY2023</b>	<b>Program Spend</b>
<b>Amount</b>	<b>\$1.0</b>	<b>\$3.1</b>	<b>\$4.1</b>

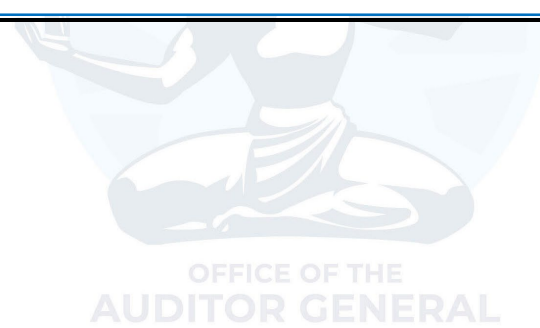
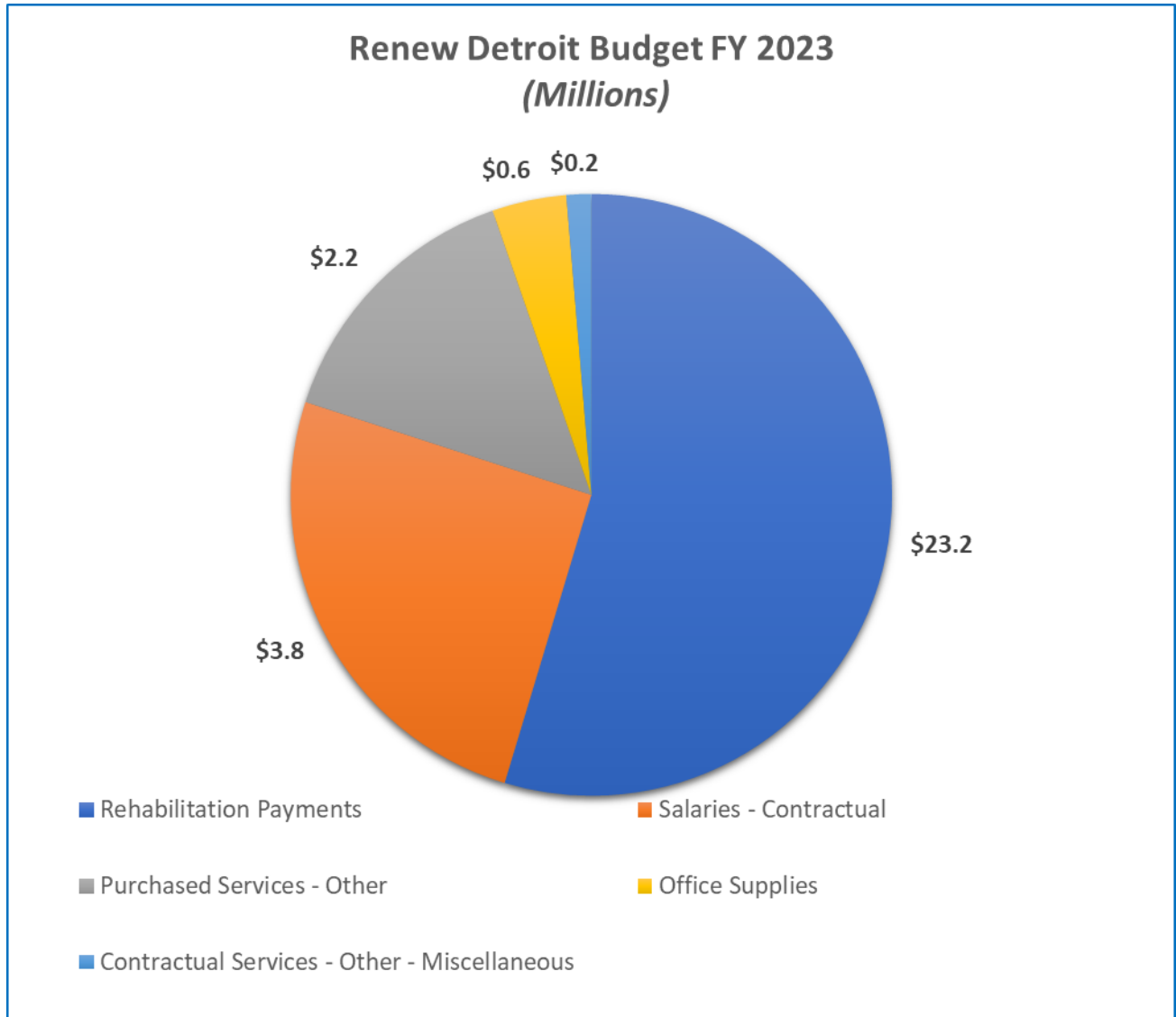
#### Renew Detroit Budget

According to the Legislative Policy Division (LPD) Oracle Funds Available Report, the total budgeted expenditures for both fiscal years 2022 and 2023 totaled \$30.0 million spread across the following five expenditure categories: Salaries – Contractual; Contract Services – Other Miscellaneous; Office Supplies; Purchased Services – Other; and Rehabilitation Payments. The unexpended budgeted amount for all five above categories was carried forward from fiscal year 2022 to fiscal year 2023.

The following table and pie chart show budgeted categories and amounts for Renew Detroit appropriations for the fiscal year 2023.

<b>Budgeted Expenditures Category</b>	<b>Budget FY2023 Millions</b>	<b>Budget FY2023 % of Total</b>
Rehabilitation Payments	\$23.2	77.3%
Salaries – Contractual	3.8	12.7%
Purchased Services - Other	2.2	7.3%
Office Supplies	.6	2.0%
Contract Services-Other-Misc	.2	0.7%
<b>Total Budgeted Expenditures</b>	<b>\$30.0</b>	<b>100.0%</b>

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## Program Operations

To qualify for the Renew Detroit Home Repair Program, an applicant must meet the following criteria:

- Be a senior homeowner, age 62 or older, or be a disabled homeowner of any age.
- Be approved for current year Homeowners Property Exemption (HOPE) program, which provides property tax relief to eligible lower-income homeowner occupants.
- Have not received a City home repair grant of \$10,000 or more in the last ten years.

### Phase 1 Operations

The application process for Phase 1 opened on October 1, 2021, and closed on October 31, 2021. In Phase 1, Renew Detroit received 8,012 applications for the Home Repair program.

Applicants can apply for the program over the phone (if assistance is needed) or via the Renew Detroit website. Once the above criteria were met, the Renew Detroit Team then “scored” each applicant based on the “Renew Detroit Home Repair Scoresheet,” which included the following questions:

- A. How long have you owned your home?** The applicant will obtain one point per year of ownership as of 12/31/2021; there is no maximum point for this section.
- B. How many people are in your household?** The applicant will obtain five points minimum and 25 points maximum based on the number of people living in the house.

Household Members	Points
8+ People	25 Points
7 People	20 Points
6 People	15 Points
5 People	10 Points
1-4 People	5 Points

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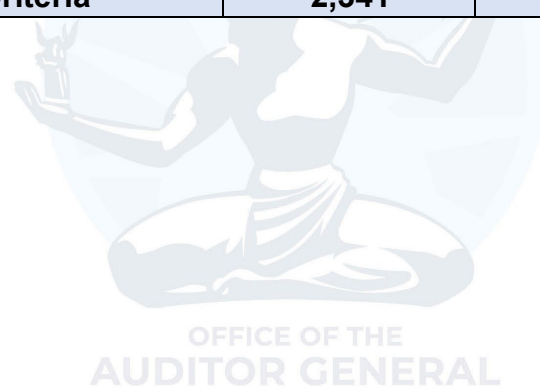
C. **What is the level of your HOPE Tax Exemption?** The applicant will obtain 1, 5, 10, or 15 points depending on their level of HOPE exemption approval. The maximum number of points allowed for this section is 15 points.

HOPE Exemption Level	Points
Full – 100%	15
Partial – 50%	10
Partial – 25%	5
Partial – 10%	1

D. **Bonus Question: Are you on the Senior waitlist or have a Wayne Metro Weatherization Roof Deferral?** The applicant will obtain 10-15 points pending verification with partners. The maximum number of points allowed for this section is 15 points.

The table below summarizes the applications received for Phase 1, and the results of the selection of homeowners who met the program criteria:

Renew Detroit Phase 1 Criteria Review Results		
Phase 1 Applicants	Number of Applications	Percentage of Total Applications Received
<b>Applications Received by October 31, 2021</b>	8,012	100.0%
Less: Duplicate/Non-Detroit Resident Removed	(997)	(12.4)
Less: Applicants Not Selected/Ineligible	(4,674)	(58.3)
<b>Number of Applicants That Met the Renew Detroit Criteria</b>	<b>2,341</b>	<b>29.2%</b>





The table below summarizes the conditionally selected applicants for Phase 1 to receive roof repairs:

Conditionally Selected Applicants for Phase 1 to Receive Roof Repairs			
Conditional Selection	Number of Applications	Percentage of Total Applications Received	Percentage of Eligible Applicants from Phase 1 Scoring
<b>Number of Applicants That Met the Renew Detroit Criteria</b>	2,341	29.2%	100.0%
Less: Number of Applicants That Scored 32 or Less <sup>(A)</sup>	(924)	(11.5)	(39.5)
<b>Total Number of Applicants That Scored 33 or Higher <sup>(A)</sup> and Were Conditionally Selected to Receive Roof Repairs</b>	<b>1,417</b>	<b>17.7%</b>	<b>60.5%</b>

*Note (A): Based on conversations with Program Management, the cutoff point of “33” was determined based on the number of applications that met the Renew Detroit criteria versus the number of available repairs. A mechanism was needed to select a maximum of 1,000 homes, plus a cushion for applicants that may drop out of the program or no longer qualify once they had been conditionally selected.*

Based on the table above, only 17.7% of the applicants who applied for Phase 1 were Conditionally Selected, which means that 82.3% of the applicants did not meet the criteria set by Renew Detroit or scored less than the minimum of 33 points.

Phase 1 participants were scheduled to be selected in February 2022, but the following activities during the selection process contributed to time delays:

- a. Requesting and verifying applicants' documents.
- b. Reviewing applications to eliminate duplicates and disqualifications according to program criteria.
- c. Calculating Home Repair Scores for eligible applicants.

It should be noted that the roof repair construction for Phase 1 did not start until September 21, 2022, almost a full year after the application window was opened.



Phase 2 Operations

The application period for Phase 2 of the Renew Detroit Home Repair Project opened on October 1, 2022, and closed on October 31, 2022. Phase 2 of the program includes roof and/or window replacements based for an additional 1,000 homeowners.

Based on the information provided by Renew Detroit staff, 4,609 applications were received during the one-month application time frame for Phase 2. The following table shows the results of initial criterial review process:

<b>Renew Detroit Phase 2 Criteria Review Results</b>		
<b>Phase 2 Applicants</b>	<b>Number of Applications</b>	<b>Percentage of Total Applications Received</b>
<b>Applications Received by October 31, 2022</b>	4,609	100.0%
Less: Duplicate/Non-Detroit Resident Removed	(439)	(9.5)
Less: Applicants Not Selected/Ineligible	(47)	(.1)
<b>Number of Applicants That Met the Renew Detroit Criteria</b>	<b>4,123</b>	<b>89.4%</b>

The Phase 2 process of the Renew Detroit Home Repair Project will continue with application and assessment process in the Spring of 2023. According to Renew Detroit Program Management, as of the date of this report, the 4,123 applicants who “met the criteria” are under “active” review. Renew Detroit will “conditionally select” 1,000 homeowners from this list for Phase 2 home repairs. According to a July 6, 2022 presentation to the City Council Budget, Finance and Audit Standing Committee, Phase 2 construction was projected to begin in the Fall of 2023. However, in October 2022, the start date was pushed back to reflect Spring 2024 for Phase 2 repairs.

It should be noted that 500 additional home repairs in Phase 2 were made possible through a \$15.0 million “passthrough” ARPA grant from the State of Michigan. The “Michigan Hope” Grant was announced in July 2022, and approved by City Council on June 4, 2023.

We did not investigate Phase 2 applicant selection activities beyond the information provided to us and noted above. However, it is our understanding that the construction process has not started as of the date of this Memorandum. This is also noted in the following section which discusses the status of program contracts and repairs.



### Program Contracts Status as of August 3, 2023

There are two phases to the Renew Detroit Home Repair program. Phase 1 for 1,000 roof repairs was divided into two Requests For Proposals (RFP). Phase 2 for 1,000 roof and/or window repairs have not been initiated.

As of August 3, 2023, 140 roofs have been completed for Renew Detroit. The property owner must sign off on the “Roof Replacement Completed Acknowledgement Form” for the repairs/roof to be labeled as completed.

The following table displays the status of Home Repair Phase 1 contracts for Renew Detroit as of August 3, 2023:

Renew Detroit Home Repair Program Status as of August 3, 2023							
Vendor Name	Contract Number	Contract Approval Date	Contract Amended Date	Contract End Date	Total Contract Amount	Number Of Roofs Per Contract	Roofs Completed As Of 8/3/2023
<b>Phase 1: RFP #1</b>							
Renaissance Contracting & Roofing <sup>(A)</sup>	6004585	07/26/2022		12/31/2023	\$ 576,000	40	30
DMC Consultants <sup>(B)</sup>	6004551	07/26/2022	12/11/2022	12/31/2023	\$2,040,000	85	56
Great Lakes Roofing <sup>(C)</sup>	6004586	07/26/2022	12/22/2022	12/31/2023	\$1,344,000	56	54
Presidential Construction <sup>(D)</sup>	6004584	02/07/2023		12/31/2023	\$ 399,000	25	0
<b>Phase 1: RFP #2</b>							
1-800-Hansons <sup>(E)</sup>	6005377	07/25/2023		12/31/2024	\$5,000,000	250	0
Great Lakes Roofing <sup>(F)</sup>	6005376	07/25/2023		12/31/2024	\$5,000,000	250	0
Additional Contract Not Approved <sup>(G)</sup>	N/A	N/A		N/A	N/A	N/A	0
<b>Total Phase 1</b>					<b>\$14,359,000</b>	<b>706</b>	<b>140</b>

The initial Request for Proposals (RFP’s) was advertised on April 19, 2022. The bids to conduct the repairs of 206 roofs under Phase 1 closed on May 19, 2022. Each contractor was assigned a set number of roofs per approved contract. The initial RFP resulted in the award of the following four contracts for a total of 206 roof repairs. The:

- (A) Renaissance Contracting & Roofing contract was approved on July 26, 2022, for \$576,000 to replace 40 roofs. As of August 3, 2023, the contractor has been assigned 40 roofs and has completed 30.



- (B) DMC Consultants contract was approved on July 26, 2022, for \$864,000 to replace 60 roofs. In December 2022, DMC's contract was amended to increase the approved amount and the total number of properties to repair. The total amount of the contract increased from \$864,000 to \$2,040,000, and the total number of properties to be repaired increased from 60 to 85. As of August 3, 2023, the contractor had been assigned 81 roofs and has completed 56.
- (C) Great Lakes Roofing contract was approved on July 26, 2022, for \$576,000 to replace 40 roofs. In December 2022, the contract was amended to increase the approved amount and the total number of properties to repair. The total amount of the contract increased from \$576,000 to \$1,344,000, and the total number of properties to be repaired increased from 40 to 56. As of August 3, 2023, this contractor had been assigned 54 roofs and has completed all 54.
- (D) Presidential Construction contract was approved on February 7, 2023, for \$399,000 to replace 25 roofs. As of August 3, 2023, this contractor was assigned 12 roofs and is still in the process of beginning work on the home repairs.

The second RFP under Phase 1 was for an additional 750 roof repairs and it was advertised on March 30, 2023. All responses for the RFP were due on the closing date of April 17, 2023. On July 25, 2023, City Council approved the following two contracts:

- (E) Contract 6005377 was awarded to 1-800-Hansons LLC for \$5,000,000 to cover 250 roof repairs.
- (F) Similarly, Contract 6005376 was awarded to Great Lakes Roofing for \$5,000,000 to cover 250 roof repairs.
- (G) There was no other contractor who met the RFP criteria to cover the remaining 250 roof repairs.

As of August 3, 2023, no construction work has commenced for either of the two approved contracts.



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## OAG Note Of Concerns Relating to the Renew Detroit Home Repair Program

We have the following concerns based on our review of the Renew Detroit Home Repair program, followed by our recommendations to the Program Management and the Office of the Chief Financial Officer.

### **Concerns Related To Program Operations**

The utilization of the \$45 million Renew Detroit funding to complete home repairs is progressing at a notably sluggish pace, relative to the designated timeframe for its obligation and ultimate expenditure.

According to the Department of Treasury ARPA final rule<sup>2</sup>, ARPA funds may only be used for costs incurred within a specific period, beginning March 3, 2021, with all funds obligated by December 31, 2024, and all funds spent by December 31, 2026. As of June 30, 2023, Renew Detroit has obligated \$8.5 million and spent \$4.1 million, leaving a remaining balance of \$36.5 million to be obligated by December 31, 2024, and \$40.9 million to be spent by December 31, 2026.

Out of 2,000 potential home repairs, and as of August 3, 2023, only 706 roof replacements have been approved by City Council.

1. Based on our analysis of the four contracts related to the initial 206 roof repairs under Phase 1 (see ***“Renew Detroit Home Repair Program Status as of August 3, 2023”*** on Page 12 of this report,) we determined that the:
  - a. Goal of the repairs was to complete them by December 31, 2023 per the contract end dates.
  - b. Duration from the date of the RFP solicitation to the approval of contracts by City Council, ranged from 99 to 295 days.
2. The RFP for the additional 750 roof repairs under Phase 1 closed on April 17, 2023. On July 25, 2023, City Council approved two contracts to cover 500 roofs.
3. Renew Detroit still needs to contract for the remaining 294 repairs under Phase 1 and 1,000 home repairs under Phase 2.

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<sup>1</sup> DEPARTMENT OF THE TREASURY [31 CFR Part 35 RIN 1505-AC77] Coronavirus State and Local Fiscal Recovery Funds. The Secretary of the Treasury (Treasury) is adopting as final the interim final rule published on May 17, 2021, with amendments. This rule implements the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund established under the American Rescue Plan Act. The provisions in this final rule are effective April 1, 2022.



As noted previously in this memorandum, and as of August 3, 2023, the total number of completed roof replacements is 140 roofs, which accounts for only 7.0% of the total number of home repairs under the program. We noted that the project has faced challenges due to inflation, labor market shortages, and a limited number of contractors available to conduct the repairs. In addition, the nature of roof replacement, which is an outdoor activity, heavily relies on favorable weather conditions. Cold or wet weather hampers the progress of contractors.

To secure the program funding, the City must obligate the funds before December 31, 2024 and failing to bring contractors on board in a timely manner puts the City at risk of losing the funding earmarked for the project.

### **Concerns Related To Discrepancies and Inconsistencies in Financial Data And Reporting For Program Activity**

We found that it is extremely difficult to track, isolate and report expenditures related specifically to the ARPA Renew Detroit Home Repair Program. This is due to a myriad of reasons including timing issues with posting adjustments and correcting entries, the coexistence of two outdated cost centers, along with another current cost center. Also, it is our understanding that it is a manually intensive process to allocate/reallocate personnel expenses with the proper program.

#### **1. Outdated Cost Center 361111 "HRD Grant"**

The initial cost center used in the City's financial accounting system (Oracle) for Renew Detroit was 361111 which was labeled as "HRD (Housing and Revitalization Department) Grant." The HRD cost center was used for Renew Detroit expenditures from October 2021 to January 2022. Then in February 2022, after the public launch of the program, a new cost center 366003 was put in use to capture Renew Detroit expenditures.

All balances in the previous cost center should have been carried forward to the new cost center in February 2022, and all of the financial data for Renew Detroit should have been posted to this cost center going forward. However, as of May 5, 2023, the cost center 361111 still reflects the balance of \$24,605 in object code (620100 Office Supplies budget).

#### **2. Outdated Cost Center 364136 "Senior Home Repair"**

We discovered an additional cost center, 364136, which includes all Renew Detroit actual payroll expenditures starting from October 2021 to present.

According to a representative from the Office of the Chief Financial Officer (OCFO), cost center 364136 was meant to be discontinued in February 2022 when the new cost center, 366003, was established for Renew Detroit. Despite this, cost center 364136 remains active as of May 5, 2023.





The following table shows the amounts and balances in all cost centers associated with the Intergenerational Poverty 1 ARPA Appropriation:

<b>Appropriation 22010 Intergenerational Poverty 1 (Renew Detroit) As Of May 5, 2023</b>				
<b>Cost Center</b>	<b>Cost Center Description</b>	<b>Total Budget</b>	<b>Total Encumbrance</b>	<b>Total Actuals</b>
361111	HRD Grant	\$ 24,605	\$ 0	\$ 0
364136	Senior Home Repair	0	0	575,368
366003	Renew Detroit	27,721,556	18,582,343	1,975,768
	<b>Totals</b>	<b>\$27,746,161</b>	<b>\$18,582,343</b>	<b>\$2,551,137</b>

3. Changing Encumbrance Amounts Reported On City’s ARPA Website  
 ARPA funding and spending is reported on the City’s “The Detroit ARPA SLFRF Finance Dashboard”<sup>3</sup> Weekly Reports On City’s ARPA Website Under ARPA Spending Dashboard. The weekly report is divided into four categories:
- Total Appropriated
  - Total Programmed
  - Total Obligated
  - Total Spent

From April 3, 2023 to April 10, 2023, there was a significant decrease in the “Total Obligated” amount as depicted in the table below:

<b>Renew Detroit Finance Dashboard Intergenerational Poverty 1 – Home Repairs</b>				
	<b>March 20, 2023</b>	<b>April 3, 2023</b>	<b>April 10, 2023</b>	<b>June 26, 2023</b>
<b>Category</b>	<b>Millions</b>			
Total Appropriated	\$30.0	\$30.0	\$30.0	\$30.0
Total Programmed	\$30.0	\$30.0	\$30.0	\$30.0
<b>Total Obligated</b>	<b>\$8.1</b>	<b>\$8.1</b>	<b>\$4.3</b>	<b>\$5.7</b>
Total Spent	\$2.4	\$2.8	\$3.1	\$4.3

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<sup>3</sup> The Detroit ARPA SLFRF Finance Dashboard”, <https://codtableau.detroitmi.gov/t/DoIT-Data-Public/views/ARPAFinanceDashboardwExpenses/FinanceDashboard?%3Aembed=y&%3AisGuestRedirectFromVizportal=y>



The obligated amounts in the report reflect the City's commitment to approved contracts and personnel expenditures for a particular period. In the City's Oracle system, the obligated amount is equivalent to the "encumbrance." It is expected that the obligated amounts will increase over time, based on the addition of newly approved contracts.

According to a representative from the OCFO:

The reported Obligations on April 3 was \$8.1M [Millions], and by April 10 it dropped to \$4.3M. This was the result of a decision at the time to remove the budgeted personnel (\$3.8M) from the City ARPA allocation and move it to the State ARPA funds in Appropriation 22019. However, we soon learned that administrative costs (like personnel) were better suited in the City ARPA allocation, and the State funds were to be used solely for contracting. So, the personnel budget was added back in after April 10. Further, the original personnel estimate of \$3.9M soon proved to be too low, considering the influx of State funds, expanding the program. As of today (10/24) the budget personnel is \$6.5M, and I wouldn't be surprised to see it change again. We aim to be agile and efficient, so we are not hesitant to alter budgets for the overall program success.

4. Major Discrepancies Between The ARPA Dashboard Reports And Reports From The Oracle Financial System

We compared amounts reported on the City's ARPA Dashboard for the Renew Detroit Program to weekly reports generated by the Legislative Policy Division (LPD) from the Oracle Financial system and found major discrepancies in the amount reported.

According to the LPD report, as of May 5, 2023, the total encumbrance amount (or total obligated amount ) for the fiscal year 2023 is \$18,582,343, with a total actual spending amount of \$2,551,137. In contrast, and as shown above, the Detroit ARPA SLFRF Finance Dashboard, as of June 26, 2023, indicates a much lower total encumbrance/obligated amount of \$5,719,711, and actual spending of \$4,272,725. The discrepancies between the two reports are substantial.

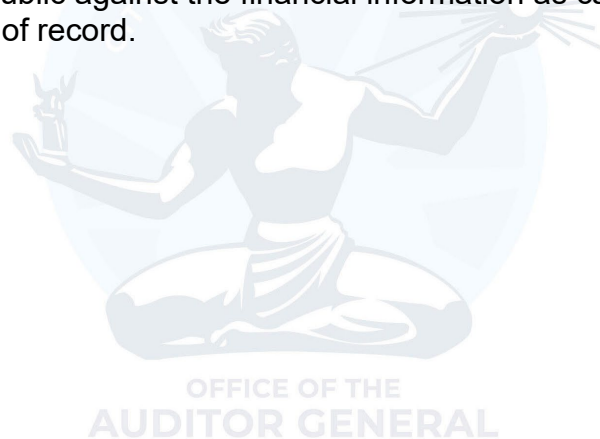
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In response to our request for an explanation of the discrepancies and inconsistencies, a representative from the OCFO provided us with the following statements:

- The way the Federal government defines (or rather, refuses to define) “obligation” creates ambiguity on the behalf of recipients. For normal City processes, the term “obligation” has a straightforward definition: funds encumbered on purchase orders. However, the Federal government requires complete obligation of ARPA funds (by December 31, 2024), requiring us to expand our internal definition to capture the full activity of the portfolio. For example, we would not consider personnel costs “obligated” under our own definition, but because personnel dollars are an allowable (and necessary) use of ARPA funds, we had to include budget personnel in our ARPA “obligations” definition.
- For the purposes of ARPA reporting, we have defined Obligations as:
  - The sum total of City Council approved contracts, standalone purchase orders, subrecipient agreements, beneficiary agreements, development agreements, and budgeted personnel.
- This is not how the City has ever used the term “obligation,” so it is no surprise that LPD’s report does not match ours.

While the OCFO “acknowledge[s] the paramount importance of transparency with the public on the use and impact of these Federal dollars,” it is difficult and would be labor intensive for our office and/or LPD to reconcile the amounts reported to the public against the financial information as captured in the City’s financial system of record.





## **OAG Recommendations Related To The Renew Detroit Home Repair Program**

The following are our recommendations for The Renew Detroit Home Repair Program. We recommend:

### **A. Renew Detroit Program Management:**

1. Investigate alternative ways to streamline the selection process. We commend the Renew Detroit Program Management in their efforts to design a fair, equitable, objective, and transparent method of selecting a very limited number of recipients for the home repairs. However, we noted that the process was labor intensive and required a great amount of checking, cross-checking, and verifying applicant information across multiple documents and multiple organizations, including but not limited to verifying:
  - a. Disability status by requiring the applicant to produce Social Security disability or other medical related documents for non-senior applicants.
  - b. Participation in the HOPE or Wayne Metro Weatherization Roof Deferral programs with multiple partners.
  - c. The applicant has not received a City home repair grant of \$10,000 or more in the last ten years.

We offer the following information for ARPA related program/project managers to consider as they look for a way to streamline the selection process if needed.

#### **The Acceptability of Using Lotteries**

The “National Institutes of Health” conducted research to determine if the long used “peer review” system was the best way to distribute scarce research dollars. Based on the research conducted they noted that:<sup>4</sup>

One alternative approach to allocating funding is to use lotteries or modified lotteries. In a modified lottery, short applications are screened for eligibility and/or to remove weak applications, and then applications are funded at random until the budget is exhausted.

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<sup>4</sup> “The acceptability of using a lottery to allocate research funding: a survey of applicants”, National Institutes of Health, [The acceptability of using a lottery to allocate research funding: a survey of applicants](#).



This reduces the burden on peer reviewers and administrators, which is a concern as funders often struggle to find well-qualified reviewers within tight timelines. This simplified approach also potentially reduces the burden on applicants, reviewers, and funders if application forms can be simplified and if applicants reduce their preparation time because they recognize that funding is not guaranteed. This could return time and resources back to research given the large amount of time researchers spend on applications. By reducing the role of people in decision making, lotteries also minimize the problems of sexism, racism and ageism influencing who receives funding.

As it relates to ARPA spending, one notable example of the use of a lottery to distribute funds is the City of Phoenix, Arizona. Phoenix's City Council approved an allocation of \$12.0 million for the Family Assistance Resource (FAR) program. The program was funded by the American Rescue Plan Act and 1,000 families were chosen for the program **via a lottery system**. The only criteria were that it had to be a household with at least one child in the household and receiving public assistance from the City of Phoenix. The City partnered with their state department over public assistance, and obtained the eligible population and then utilized an independent firm to draw the lottery. There was no application for the pilot program as participants were already qualified and deemed eligible because they already received other types of assistance<sup>5</sup>.

2. Proactively identify and address any "bottlenecks" in the repair process to help contractors meet their goals. This should include a process review of the contracting process focused on reducing the time from RFP solicitation to City Council approval. As previously mentioned, this duration has ranged from 99 to 295 days. Another recommendation is to identify/include the relevant ARPA Initiative on Contract Transmittals and City Council Agendas. This will help City Council to connect the contract to the program.
3. Develop plans to ensure that current contractors complete roofing projects by specified deadlines and dates.

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<sup>5</sup> City of Phoenix, Newsroom, City Manager Family Assistance Resource Program for Phoenix Residents FAQs, <https://www.phoenix.gov/newsroom/city-manager/2108>.



**B. The Office of the Chief Financial Officer, Office of Contracting and Procurement:**

1. Expedite the roof procurement process by expanding the advertisement of RFP's to contractors located outside of the current scope.
2. Expedite the review and selection process of the bids received for the remaining 250 roof repairs of Phase 1 and submit them to City Council for approval as soon as possible.
3. Initiate the bid solicitation process for Phase 2 home repairs.

**C. The Office of the Chief Financial Officer, Office of Departmental Financial Services:**

1. Use current cost center 366003 to record all Renew Detroit transactions; complete adjusting entries to transfer all appropriate amounts from the "outdated" cost centers to the current correct cost center. Ensure that the Detroit ARPA SLFRF Finance Dashboard has accurate and up-to-date data.
2. Determine methods and methodologies to ensure that other internal oversight agencies (i.e., LPD, The Office of the Auditor General) have the ability to verify, reconcile, and report accurately and independently all financial activity relating to ARPA programs.

