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# City of Detroit, Michigan

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**June 30, 2023**

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Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

**Independent Auditor's Report**

To the Honorable Mayor Michael E. Duggan and  
the Honorable Members of the City Council  
City of Detroit, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Detroit, Michigan (the "City") as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 21, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 21, 2023.

We did not audit the financial statements of the financial statements of the following discretely presented component units: Detroit Brownfield Redevelopment Authority, Detroit Public Library, Detroit Transportation Corporation, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Local Development Finance Authority, Museum of African American History, Detroit Land Bank Authority, Eight Mile/Woodward Corridor Improvement Authority, and Community Education Commission, which collectively represent 78.54 percent, 75.50 percent, and 52.77 percent of the assets, net position, and revenue, respectively, of the discretely presented component units. We also did not audit the financial statements of the following blended component units: Public Lighting Authority, which is a major enterprise fund with assets, net position, and revenue of \$205 million, \$30.6 million, and \$24.3 million, respectively; the Greater Detroit Resource Recovery Authority, which represents 3.14 percent, 5.28 percent, and 1.39 percent of the assets, net position/fund balance, and revenue, respectively, of the aggregate remaining fund information; and the Detroit Building Authority, which represents 33.58 percent, 5.63 percent, and 65.13 percent of the assets, fund balance, and revenue, respectively, of the major Capital Projects Fund. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the business-type activities, aggregate discretely presented component units, Public Lighting Authority as a major enterprise fund, and aggregate remaining fund information, are based solely on the reports of the other auditors.

The City's basic financial statements include the operations of the Detroit Brownfield Redevelopment Authority, Detroit Public Library, Detroit Transportation Corporation, Detroit Housing Commission, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Local Development Finance Authority, Museum of African American History, Detroit Land Bank Authority, Eight Mile/Woodward Corridor Improvement Authority, Detroit Employment Solutions Corporation, Community Education Commission, Public Lighting Authority, Greater Detroit Resource Recovery, and Detroit Building Authority. The schedule of expenditures of federal awards excludes those operations because they receive a separate financial statement audit and a separate single audit when required by the Uniform Guidance.

To the Honorable Mayor Michael E. Duggan and  
the Honorable Members of the City Council  
City of Detroit, Michigan

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Plante & Moran, PLLC*

January 29, 2024

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with *Government Auditing Standards*

**Independent Auditor's Report**

To Management, the Honorable Mayor  
Michael E. Duggan, and the Honorable Members  
of the City Council  
City of Detroit, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Detroit, Michigan (the "City") as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 21, 2023.

Our report includes a reference to other auditors who audited the financial statements of the financial statements of the following discretely presented component units: Detroit Brownfield Redevelopment Authority, Detroit Public Library, Detroit Transportation Corporation, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Local Development Finance Authority, Museum of African American History, Detroit Land Bank Authority, Eight Mile/Woodward Corridor Improvement Authority, and Community Education Commission, which collectively represent 78.54 percent, 75.50 percent, and 52.77 percent of the assets, net position, and revenue, respectively, of the discretely presented component units. We also did not audit the financial statements of the following blended component units: Public Lighting Authority, which is a major enterprise fund with assets, net position, and revenue of \$205 million, \$30.6 million, and \$24.3 million, respectively; the Greater Detroit Resource Recovery Authority, which represents 3.14 percent, 5.28 percent, and 1.39 percent of the assets, net position/fund balance, and revenue, respectively, of the aggregate remaining fund information; and the Detroit Building Authority, which represents 33.58 percent, 5.63 percent, and 65.13 percent of the assets, fund balance, and revenue, respectively, of the major Capital Projects Fund. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Capital Projects Fund, business-type activities, aggregate discretely presented component units, and Public Lighting Authority as a major enterprise fund, are based solely on the reports of the other auditors. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Greater Detroit Resource Recovery Authority and Detroit Public Library were not audited in accordance with *Government Auditing Standards*, and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance and other matters that are reported on separately by those auditors.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

To Management, the Honorable Mayor  
Michael E. Duggan, and the Honorable Members  
of the City Council  
City of Detroit, Michigan

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2023-001 and 2023-002 to be material weaknesses.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The City's Responses to the Findings**

*Government Auditing Standards* require the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on them.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Moran, PLLC*

December 21, 2023

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance  
Required by the Uniform Guidance

**Independent Auditor's Report**

To the Honorable Mayor Michael E. Duggan and  
the Honorable Members of the City Council  
City of Detroit, Michigan

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the City of Detroit, Michigan's (the "City") compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Other Matters - Federal Expenditures Not Included in the Compliance Audit***

The City's basic financial statements include the operations of the Detroit Brownfield Redevelopment Authority, Detroit Public Library, Detroit Transportation Corporation, Detroit Housing Commission, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Local Development Finance Authority, Museum of African American History, Detroit Land Bank Authority, Eight Mile/Woodward Corridor Improvement Authority, Detroit Employment Solutions Corporation, Community Education Commission, Public Lighting Authority, Greater Detroit Resource Recovery, Public Lighting Authority, Greater Detroit Resource Recovery, and Detroit Building Authority, which expended federal awards that are not included in the schedule during the year ended June 30, 2023. Our audit, described below, did not include the operations of the above-mentioned entities because these entities receive a separate financial statement audit and a separate single audit when required by the Uniform Guidance.

To the Honorable Mayor Michael E. Duggan and  
the Honorable Members of the City Council  
City of Detroit, Michigan

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Guidance, which are described in the accompanying schedule of findings and questioned costs as Findings 2023-004, 2023-007, 2023-008, 2023-010, and 2023-012. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* require the auditor to perform limited procedures on the City's responses to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on them.

### ***Report on Internal Control Over Compliance***

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

To the Honorable Mayor Michael E. Duggan and  
the Honorable Members of the City Council  
City of Detroit, Michigan

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2023-003, 2023-004, 2023-005, 2023-006, 2023-007, 2023-008, 2023-010, 2023-011, and 2023-012 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2023-009 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* require the auditor to perform limited procedures on the City's responses to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Plante & Moran, PLLC*

January 29, 2024

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Grant/Contract Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
<b>Department of Agriculture</b>					
Passed through Michigan Department of Health and Human Services:					
WIC Special Supplemental Nutrition Program for Women, Infants, and Children - Resident Services 2022	10.557		20220334-00	\$ 995,347	\$ 1,178,172
WIC Special Supplemental Nutrition Program for Women, Infants, and Children - Breastfeeding 2023	10.557		20230171-00	-	128,031
WIC Special Supplemental Nutrition Program for Women, Infants, and Children - Resident Services 2023	10.557		20230171-00	2,337,278	3,258,503
WIC Special Supplemental Nutrition Program for Women, Infants, and Children - Breastfeeding 2022	10.557		20220334-00	-	<u>113,778</u>
Total WIC Special Supplemental Nutrition Program for Women, Infants, and Children				3,332,625	4,678,484
Passed through Michigan Department of Education -					
Child and Adult Care Food Program (CACFP) FY 2023	10.558		ORG3395	-	73,350
Child Nutrition Cluster - Passed through Michigan Department of Education:					
Summer Food Service Program for Children	10.559		220900	-	212,068
Summer Food Service Program for Children	10.559		ORG1456	-	<u>65,974</u>
Total Child Nutrition Cluster				-	<u>278,042</u>
Total Department of Agriculture				3,332,625	5,029,876
<b>Department of Housing and Urban Development</b>					
CDBG Entitlement Grants Cluster -					
Community Development Block Grants/Entitlement Grants					
Direct Programs:					
Community Development Block Grant/Entitlement Grants	14.218	B16MC260006		329,559	329,559
Community Development Block Grant/Entitlement Grants	14.218	B17MC260006		1,684,155	1,684,155
Community Development Block Grant/Entitlement Grants	14.218	B18MC260006		1,700,048	1,724,141
Community Development Block Grant/Entitlement Grants	14.218	B19MC260006		3,758,313	3,760,549
Community Development Block Grant/Entitlement Grants	14.218	B20MC260006		3,946,598	4,154,900
Community Development Block Grant/Entitlement Grants	14.218	B21MC260006		4,461,456	4,534,983
Community Development Block Grant/Entitlement Grants	14.218	B22MC260006		7,777,772	11,922,681
COVID-19 Community Development Block Grant/Entitlement Grants	14.218	B20MW260006		7,502,682	15,640,928
Neighborhood Stabilization Program (NSP) 1	14.218	B-11-MN-0004		-	<u>97,940</u>
Total CDBG Entitlement Grants Cluster				31,160,583	43,849,836
Direct Programs:					
COVID-19 - Emergency Solutions Grant Program	14.231	E20MW260006		3,184,349	3,602,610
Emergency Solutions Grant Program	14.231	E20MC260006		<u>2,577,221</u>	<u>2,689,117</u>
Total Emergency Solutions Grant Program				5,761,570	6,291,727
Direct Programs:					
Home Investment Partnerships Program	14.239	M-15-MC-26-0202		-	2,222,516
COVID-19 Investment Partnerships Program	14.239	M21-MP260202		-	118,832
Home Investment Partnerships Program	14.239	M-16-MC-26-0202		-	<u>950,437</u>
Total Home Investment Partnership				-	3,291,785
Direct Programs:					
COVID-19 Housing Opportunities for Persons With Aids	14.241	MIH20-FHW001		276,889	276,889
Housing Opportunities for Persons With Aids	14.241	MIH20-F001		-	397,892
Housing Opportunities for Persons With Aids	14.241	MIH21-F001		-	550,065
Housing Opportunities for Persons With Aids	14.241	MIH22F001		-	<u>2,653,052</u>
Total Housing Opportunities for Persons With AIDS				276,889	3,877,898
Hope VI Cluster - Direct Programs - Neighborhood Implementation Grants					
Choice Neighborhoods Implementation Grant Program	14.889	MI5F536CNG120		195,357	620,056
Direct Programs: Lead Hazard Reduction Demonstration Grant Program:					
Lead Hazard Reduction Demonstration Grant Program	14.905	MILHD0487-22		-	11,368
Lead Hazard Reduction Demonstration Grant Program	14.905	MILNG0007-19		-	2,441,151
Lead Hazard Reduction Demonstration Grant Program	14.905	MILHB0682-18		-	<u>1,620,941</u>
Total Lead Hazard Reduction				-	4,073,460
Direct Programs - LEAD Healthy Home Production					
	14.913	E20220475		-	<u>204,014</u>
Total Department of Housing and Urban Development				37,394,399	62,208,776

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2023

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Grant/Contract Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
<b>Department of Interior</b>					
Passed through Michigan Department of Natural Resources:					
Historic Preservation Funds Grants-In-Aid - Historic Context Study Latinx Communities	15.904		P21AP11721-00	\$ -	\$ 15,962
Historic Preservation Fund Grants-In-Aid: African American Civil Rights Preservation Grant	15.904		P18AP00156	-	<u>341,810</u>
Total				-	357,772
Direct Programs - Save Americas Treasures Grant for the Historic Fort Wayne	15.929	P21AP11769-00		-	<u>19,300</u>
Total Department of Interior				-	377,072
<b>Department of Justice</b>					
Direct Programs -					
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-1675		-	1,251,012
Passed through Michigan Department of Health and Human Services:					
Crime Victim Assist - V.O.C.A. 2022 / 2021	16.575		2019-V2-GX-0036	-	125,932
Crime Victim Assist - V.O.C.A. 2023 / 2022	16.575		2019-V2-GX-0036	-	430,053
Crime Victim Assist - V.O.C.A. 2023 / 2022	16.575		2018-V2-GX0067	-	<u>110</u>
Total Crime Victim Assistance				-	556,095
Passed through Michigan Department of Health and Human Services:					
Violence Against Women Formula Grants - Culturally Specific Underserved 2023	16.588		N/A	-	37,819
Violence Against Women Formula Grants - Sexual Assault Services Formula Program-STOP Violence Against Women Formula Grant 2022	16.588		2018-WF-AX-0002	-	<u>16,412</u>
Total Violence Against Women Grants				-	54,231
Direct Programs:					
Public Safety Partnership & Community Policing Grants - 2020 COPS Hiring Program	16.710	2020-UL-WX-0003		-	23,475
Public Safety Partnership & Community Policing Grants - 2021 Community Policing Development Crisis Intervention Teams	16.710	15JCOPS-21-GG-02333-SPPS		-	<u>45,259</u>
Total Public Safety Partnership and Community Policing Grants				-	68,734
Passed through Wayne County, Michigan -					
Edward Byrne Memorial Justice Assistance Grant Program - Wayne County Operation Legend	16.738		2020-MU-BX-0005	-	219,426
Passed through Michigan Department of State Police:					
Edward Byrne Memorial Justice Assistance Grant Program-FY18 Crime Gun Intelligence Center CGIC	16.738		2018-DG-BX-0003	46,688	106,656
2021 BJA FY21 Smart Policing Initiative	16.738		15PBJA-21-GG-04384-SMTP	-	57,554
Justice Assistance Grant (JAG) FY21	16.738		15PBJA-21-GG-01577-JAGX	-	38,174
JAG 2019	16.738		JAG 2019 DJ-BX-0930	-	<u>37,787</u>
Total Edward Byrne Memorial Justice Assistance Grant				46,688	459,597
Passed through Michigan Department of State Police:					
Congressionally Recommended Awards - FY 2022 Byrne Discretionary Community Project Grant to support Project Clean Slate	16.753		N/A	-	121,630
Congressionally Recommended Awards - 2022 BJA Byrne Discretionary Community Project Grants Program	16.753		15PBJA-22-GG-00107-BRND	-	<u>40,120</u>
Total Congressionally Recommended Awards				-	161,750
Direct Programs - Second Chance Asct Reentry Initiative - Innovations in Supervision	16.812	2020-SM-BX-0001		-	305,825
Direct Programs -					
Byrne Criminal Justice Innovation Program - Innovations in Community Based Crime Reduction Grant	16.817	2019-BJ-BX-0005		36,785	53,097
Passed through Michigan Department of State Police -					
Byrne Criminal Justice Innovation Program - 2021 BJA FY21 Byrne Criminal Justice Innovation Program	16.817		15PBJA-21-GG-04107-BCJI	<u>21,111</u>	<u>55,614</u>
Total Byrne Criminal Justice Innovation Program				57,896	108,711
Passed through Michigan Department of State Police -					
2022 BJA FY22 Body-worn Camera Policy and Implementation Program to Support Law Enforcement Agencies	16.835		15PBJA-22-GG-03326-BWCX	-	1,641,615
Direct Programs -					
Comprehensive Opioid, Stimulant, and Other Substances Use Program-FY18 Comprehensive Opioid Abuse Site Equitable Sharing Program	16.838	2018-AR-BX-K110		45,510	65,250
	16.922			-	<u>10,301</u>
Total Department of Justice				150,094	4,683,121

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2023

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Grant/Contract Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
<b>Department of Transportation</b>					
Passed through Michigan Department of Transportation:					
Highway Planning and Construction	20.205		1901(035)	\$ -	\$ 239,768
Highway Planning and Construction	20.205		21A0(788)	-	349,337
Highway Planning and Construction	20.205		FY23 TMC	-	<u>154,963</u>
Total Highway Planning and Construction				-	744,068
Research and Development Cluster - Passed through Michigan Department of Transportation -					
Highway Research Planning and Construction	20.205		211186NI	-	754,881
Direct Programs -					
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research -					
HOPE Transportation Access Study	20.505	MI-2021-013-00		-	500,061
Passed through the SEMCOG -					
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research -					
SEMCOG United Work Program (UWP)_ Metropolitan Planning Grant	20.505		MI-2020-001	-	<u>314,304</u>
Total				-	814,365
Federal Transit Cluster:					
Direct Programs - Federal Transit Capital Investment Grant					
	20.500	MI-04-0093		-	479,997
Direct Programs:					
Federal Transit Formula Grants	20.507	MI-90-X605-05		-	900,209
Federal Transit Formula Grants	20.507	MI-2022-044		-	4,171,952
Federal Transit Formula Grants	20.507	MI-2016-006-00		-	2,740,216
Federal Transit Formula Grants	20.507	MI-90-X605-05		-	1,178,569
Federal Transit Formula Grants	20.507	MI-2022-026-00		-	40,856,268
Federal Transit Formula Grants	20.507	MI-90-X605-05		-	3,561
COVID-19 Federal Transit Formula Grants	20.507	MI-2020-022		-	162,637
Federal Transit Formula Grants	20.507	MI-2020-001		-	110,317
Federal Transit Formula Grants	20.507	MI-2019-022		-	4,353,537
Passed through United Way for Southeastern Michigan -					
Federal Transit Formula Grants - FY 2022 Community Testing Site Nursing Staff	20.507		MI-2020-022	-	<u>280,691</u>
Total Federal Transit Formula Grants				-	<u>54,757,957</u>
Total Federal Transit Cluster				-	55,237,954
Transit Services Program Cluster:					
Direct Programs - DDOT FY08\10 Sec 5316 MI 37 X041					
	20.516	MI-37-X041-02		-	7,796
Direct Programs:					
New Freedom Program Grant	20.521	MI-57-X015		-	18,420
New Freedom Program Grant	20.521	MI-57-X015		-	<u>185,428</u>
Total New Freedom Grants				-	<u>203,848</u>
Total Transit Services Program Cluster				-	211,644
Highway Safety Cluster:					
Passed through Michigan Department of State Police -					
State & Community Highway Safety - Strategic Traffic Enforcement Program 2022	20.600		PT-21-31	-	2,158
Passed through Michigan Department of State Police - Strategic Enforcement -					
State & Community Highway Safety - FY23 Detroit DUI & Seat Belt Overtime Traffic Enforcement	20.600		PT-23-19	-	<u>22,431</u>
Total State & Community Highway Safety				-	24,589
Passed through Michigan Department of State Police:					
National Priority Safety Programs - Detroit Safe Route OSHP FY22	20.616		PS-22-02	-	47,382
National Priority Safety Programs - Detroit Safe Routes Ambassador Program FY23	20.616		PB-23-02	-	108,910
National Priority Safety Programs: Pedestrian & Bicycle Overtime Enforcement	20.616		PS-22-06	-	1,548
Passed through Michigan Department of State Police - Strategic Enforcement					
National Priority Safety Programs - FY 2023 Pedestrian & Bicycle					
Overtime Enforcement Grant	20.616		PS-23-08	-	<u>2,139</u>
Total National Priority Safety Programs				-	<u>159,979</u>
Total Highway Safety Cluster				-	<u>184,568</u>
Total Department of Transportation				-	57,947,480

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2023

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Grant/Contract Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
<b>Department of the Treasury</b>					
Direct Programs -					
COVID-19 Emergency Rental Assistance Program (ERAP2)	21.023			\$ 3,122,468	\$ 4,252,727
Direct Programs:					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027			-	11,455,709
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027			-	1,839,133
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027			5,526,974	5,609,607
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027			-	4,572,353
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027			-	2,584,893
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027			-	3,023,138
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027			-	1,325,172
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027			777,091	1,345,496
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027			1,409,331	4,479,534
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027			-	5,907,404
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027			690,796	1,116,394
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027			2,659,918	3,631,358
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027			-	25,680,751
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027			17,645,036	26,181,924
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027			254,406	1,030,193
Passed through Michigan Department of Natural Resources -					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027		N/A	-	<u>5,180,263</u>
Total COVID-19 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)				<u>28,963,552</u>	<u>104,963,322</u>
Total Department of the Treasury				32,086,020	109,216,049
<b>National Endowment for the Arts</b>					
Direct Programs - Tactical Preservation	45.024	1888820-42-22		-	5,177
<b>Environmental Protection Agency</b>					
Drinking Water State Revolving Fund (DWSRF) Cluster -					
Passed through the Michigan Department of Environmental Quality:					
Capitalization Grants for Drinking Water-State Revolving Loan	66.468		7460-01	-	398,511
Capitalization Grants for Drinking Water-State Revolving Loan	66.468		7483-01	-	859,454
Capitalization Grants for Drinking Water-State Revolving Loan	66.468		7484-01	-	721,829
Capitalization Grants for Drinking Water-State Revolving Loan	66.468		7447-01	-	<u>3,086,943</u>
Total Drinking Water State Revolving Fund (DWSRF) Cluster				-	5,066,737
Clean Water State Revolving Fund (CWSRF) Cluster -					
Passed through the Michigan Department of Environmental Quality:					
Capitalization Grants for Clean Water-State Revolving Loan	66.458		5688-01	-	494,915
Capitalization Grants for Clean Water-State Revolving Loan	66.458		5706-01	-	<u>358,544</u>
Total Clean Water State Revolving Fund (CWSRF) Cluster				-	853,459
Direct Programs:					
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements -					
Brownfield Redevelopment Program Assessment Grant FY 19	66.818	BF00E02492		-	254,276
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements -					
Brownfield Piety Hill	66.818	00E02493		<u>34,340</u>	<u>38,105</u>
Total Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements				<u>34,340</u>	<u>292,381</u>
Total Environmental Protection Agency				34,340	6,212,577
<b>Department of Health and Human Services</b>					
Passed through Michigan Department of Health and Human Services:					
National Bioterrorism Hospital Preparedness Program-Cities Readiness Initiatives 9/2022	93.069		NU90TP922062	-	144,013
National Bioterrorism Hospital Preparedness Program-Cities Readiness Initiatives 9/2022	93.069		NU90TP922062	-	35,319
Passed through Michigan Department of Health and Human Services:					
Public Health Emergency Preparedness (PHEP) CRI 10/1 - 6/30	93.069		NU90TP922062	-	245,021
Public Health Emergency Preparedness (PHEP) 10/1 - 6/30	93.069		NU90TP922062	-	<u>78,892</u>
Total Public Health Emergency Preparedness				-	503,045
Passed through Michigan Department of Health and Human Services -					
COVID-19 Injury Prev & Ctrl Research Comm Based Prog: Overdose Prev Safer Systems of Care 2021	93.136		E20220673-00	-	70,555

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2023

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Grant/Contract Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Passed through Michigan Department of Health and Human Services:					
Family Planning 2022	93.217		252900	\$ 15,533	\$ 408,178
Family Planning 2022	93.217		252900	-	139,468
Total Family Planning Services				15,533	547,646
Direct Programs - Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79SP080337-01		19,210	323,424
Passed through Michigan Department of Health and Human Services:					
COVID-19 COVID Immunization FY 2023	93.268		20230171-00	-	1,241,828
CSHCS Vaccine Initiative 9/2023	93.268		NH23IP922635	-	44,010
Immunization Action Plan (IAP)	93.268		NH23IP922635	-	189,921
Immunization Action Plan-Pilot	93.268		20220334-00	-	81,057
Immunizations CoAg and Vaccines for Children Program-IAP 2022	93.268		20220334-00	-	89,668
Immunization Action Plan-Pilot	93.268		NH23IP922635	-	77,801
Immunizations CoAg and Vaccines for Children Program-IAP-Vaccination Shipped (in-Kind) 2022	93.268		N/A	-	560,088
COVID-19 CDC COVID Immunizations	93.268		220000	-	64,574
Total Immunizations Cooperative Agreements				-	2,348,947
Passed through Michigan Department of Health and Human Services:					
West Nile Virus Community Surveillance	93.323		251156	-	6,267
West Nile Virus Community Surveillance	93.323		251156	-	1,005
ELC CONTACT TRACING ELC Contract Tracing, Case Investigation, Testing Coordination, and Infection Prevention FY 2023 (ELCCT)	93.323		220000	-	724,340
COVID-19 FY22 COVID WRKFORCE DEV (CWD)	93.323		220000	-	249,351
Total Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)				-	980,963
Passed through Regents of the University of Michigan -					
COVID-19 Community Health Senior Intervention	93.361		R01NR020442-01	-	7,305
Passed through Michigan Department of Health and Human Services:					
COVID-19 Reducing COVID-19 Related Health Disparities in Detroit	93.391		NH75OT00091-00-01	958,706	1,860,303
SDOH Planning	93.931			-	407
Total activities to support State, tribal, local and Territorial Health Department Response to Public Health or Healthcare Crisis				958,706	1,860,710
Passed through Michigan Department of Health and Human Services -					
Emergency Response Planning	93.421		NU38OT000297	-	852
Passed through NACCHO - Leveraging Pharmacies for STI	93.421		6NU38OT000306-04-01	-	11,668
Total Emergency Response Planning				-	12,520
Direct Programs - AIDS Education and Training Centers -					
HIV Related Training & Technical Assistance - Ending the HIV Epidemic (EHE)-FY2020: RW HIV/AIDS Program A and B	93.686	6 UT8HA33931 02-01		128,518	2,377,517
Passed through Michigan Department of Health and Human Services -					
Children's Health Insurance Program (CHIP) 2022	93.767		E20220474	-	502,860
Medicaid Cluster - Passed through Michigan Department of Health and Human Services:					
Medical Assistance Program-Lead Intervention/EBL 9/2022	93.778		253002	-	16,309
Medical Assistance Program-CSHCS Outreach & Advocacy 9/2022	93.778		253001	-	93,844
CSHCS Medicaid Elevated Blood Lead Case Mgmt	93.778		2305MI5MAP	-	28,547
CSHCS Outreach & Advocacy 9/2023	93.778		2305MI5ADM	-	183,716
Total Medicaid Cluster				-	322,416
Direct Programs:					
HIV Emergency Support Relief 9/2023	93.914	6 H89HA00021-31-01		1,733,112	2,745,249
HIV Emergency Relief Project Grants 2/2023	93.914	6 H89hA00021 29-01		-	7,935,654
Total HIV Emergency Supplemental Relief				1,733,112	10,680,903
Passed through Michigan Department of Health and Human Services -					
FY22 HIV STD Testing	93.917		252280	-	87,682

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2023

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Grant/Contract Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Passed through Michigan Department of Health and Human Services:					
Childhood Lead Poisoning Prevention Program Grant	93.994		B0445223	\$ -	\$ 73,170
Local Maternal & Child Hlth-Enabling Services Women 9/2023	93.994		B0447425	-	1,035,616
Maternal and Child Health Services (MCHS) Block Grant to the States-Local Maternal & Child Hlth 9/2022	93.994		252208	-	463,268
Childhood Lead Poisoning Prevention	93.994		B0447425	-	32,279
Maternal and Child Health Services (MCHS) Block Grant to the States Lead Poison Prevention (MDCH) 9/2022	93.994		252208	-	60,103
FY 2023 Childhood Lead Poisoning Prevention Expansion	93.994		253002	-	62,682
Fetal Infant Mortality	93.994		N/A	-	<u>2,622</u>
Total Maternal and Child Health Services				-	<u>1,729,740</u>
Total Department of Health and Human Services				2,855,079	22,356,233
<b>Department of Homeland Security</b>					
Passed through Michigan State Police: Emergency Management Homeland Security Division - COVID-19 Disaster Grants - Public Assistance (PA)					
COVID-19 Disaster Grants - Public Assistance (PA): Fund 4503	97.036		PA-05-MI-4494_PW-00153(90)	-	240,215
Passed through Michigan Department of Health and Human Services:					
COVID-19 Disaster Grants - Public Assistance (PA): Fund 4503	97.036		N/A	-	1,392,371
Disaster Grants - Public Assistance (PA)	97.036		N/A	-	634,392
COVID-19 Disaster Grants - Public Assistance	97.036		NH23IP922635	-	<u>269,928</u>
Total Disaster Grants - Public Assistance				-	2,536,906
Passed through Michigan State Police - Emergency Performance Management Grant (EMPG)	97.042		N/A	-	30,248
Direct Programs - Assistance to Fire Fighter Grant - Fire Prevention and Safety	97.044	EMW-2020-FP-01033		-	98,793
Direct Programs - 2018 Port Security Grant Program (PSGP)	97.056	EMW-2018-PU-00308-S01		-	167,449
Passed through Macomb County, Michigan:					
Operation Stone Garden - FY21	97.067		EMW-2019-SS-00021-S01	-	17,690
2020 Homeland Security Grant Program	97.067		EMW-2020-SS-00042	137,500	373,983
2019 Homeland Security Grant Program	97.067		EMW-2019-SS-00042	-	235,122
Passed through Michigan Department of State Police -					
2021 Homeland Security Grant Program and Operation Stone Garden	97.067		EMW-2021-SS-00011-S01	<u>105,000</u>	<u>226,120</u>
Total Homeland Security Program				<u>242,500</u>	<u>852,915</u>
Total Department of Homeland Security				<u>242,500</u>	<u>3,686,311</u>
<b>Total Federal Awards</b>				<b>\$ 76,095,057</b>	<b>\$ 271,722,672</b>

## Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

### Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Detroit, Michigan (the "City") under programs of the federal government for the year ended June 30, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

The City's basic financial statements include the operations of the Detroit Brownfield Redevelopment Authority, Detroit Public Library, Detroit Transportation Corporation, Detroit Housing Commission, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Local Development Finance Authority, Museum of African American History, Detroit Land Bank Authority, Eight Mile/Woodward Corridor Improvement Authority, Detroit Employment Solutions Corporation, Community Education Commission, Public Lighting Authority, Greater Detroit Resource Recovery, and Detroit Building Authority. The schedule of expenditures of federal awards excludes those operations because they receive a separate financial statement audit and a separate single audit when required by the Uniform Guidance.

### Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the same basis of accounting as the basic financial statements with the exception of the expenditures related to ALN 66.468, Capitalization Grants for Drinking Water State Revolving Funds (DWSRF) program, and ALN 66.458, Capitalization Grants for Clean Water State Revolving Funds (CWSRF) program. The DWSRF and CWSRF expenditures are reported on a cash basis in accordance with the subrecipient reporting guidelines prescribed by the pass-through entity.

Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

The City has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

### Note 3 - Outstanding Loans Balances

The U.S. Department of Housing and Urban Development has insured certain mortgage loan borrowings (ALN 14.248) made by the City of Detroit, Michigan through the Planning and Development Department in connection with certain development projects. There are no continuing compliance requirements associated with these loans other than the scheduled repayments, which are excluded from the Schedule. These loans had outstanding principal due of \$21.7 million at June 30, 2023. There were no new borrowings for the year ended June 30, 2023.

### Note 4 - Highway and Construction Program

The City participates in various road, street, and bridge construction and repair projects. The projects are funded through an award granted to the State of Michigan Department of Transportation (the "State"), which administers the grant for the City. The City identified the projects needed in the locality, and the State performed the procurement, payment, and cash management functions on behalf of the City. The projects are managed directly by the State, and the expenditures related to these projects have been excluded from the Schedule. The total award of these projects is approximately \$65.5 million for the year ended June 30, 2023.

**Notes to Schedule of Expenditures of Federal Awards**

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**Year Ended June 30, 2023**

**Note 5 - Disaster Grants Public Assistance Program (ALN 97.036)**

Included in the Schedule for the year ended June 30, 2023 is \$2,026,763 of expenditures incurred, under the Disaster Grants Public Assistance grant (ALN 97.036), in a previous fiscal year. The project worksheet for these expenditures was approved in the current fiscal year, and these expenditures have been reported in the current fiscal year in accordance with the reporting requirements outlined in the 2023 Compliance Supplement.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  X  Yes   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?   Yes  X  None reported

Noncompliance material to financial statements noted?   Yes  X  None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?  X  Yes   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  X  Yes   None reported

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?  X  Yes   No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster	Opinion
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	Unmodified
14.218	CDBG Entitlement Grants Cluster	Unmodified
14.231	Emergency Solutions Grant Program	Unmodified
14.241	Housing Opportunities for Persons With AIDS	Unmodified
14.905	Lead Hazard Reduction Demonstration Grant Program	Unmodified
20.500 and 20.507	Federal Transit Cluster	Unmodified
21.023	Emergency Rental Assistance Program	Unmodified
21.027	Coronavirus State and Local Fiscal Recovery Funds	Unmodified
93.914	HIV Emergency Relief Project Grants (Ryan White HIV/AIDS Part A)	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee?   Yes  X  No

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

Section II - Financial Statement Audit Findings

Reference Number	Finding
2023-001	<p data-bbox="362 531 773 556"><b>Finding Type</b> - Material weakness</p> <p data-bbox="362 581 1479 695"><b>Criteria</b> - The City should have a process and controls in place to ensure proper financial reporting, which includes proper recording of all journal entries, general ledger balances, and note disclosures, in accordance with generally accepted accounting principles (GAAP) prior to the commencement of the audit.</p> <p data-bbox="362 720 1479 808"><b>Condition</b> - There were several significant adjustments to the general ledger during the audit process as a result of certain underlying financial records not being reconciled and closed in a timely manner.</p> <p data-bbox="362 833 477 858"><b>Context</b> -</p> <p data-bbox="362 884 469 909"><i>The City</i></p> <p data-bbox="362 934 1479 991">There were five adjusting journal entries over \$5 million that were proposed by the auditors and posted by the City in order to ensure the financial statements were not misstated.</p> <p data-bbox="362 1016 1479 1161">Proposed adjusting journal entries were identified during the audit of the City impacting several opinion units. The most significant adjustments included entries to increase contingent liabilities specifically related to the legal case reserve; increase intergovernmental revenue related to certain grant activity; and make adjustments to properly record activity of the Detroit Building Authority in the Capital Projects Fund.</p> <p data-bbox="362 1186 1479 1274">In addition to the significant proposed adjusting journal entries described above, there were other proposed adjusting journal entries that were immaterial, both individually and in the aggregate, to the financial statements taken as a whole.</p> <p data-bbox="362 1299 1479 1413">Deficiencies noted that were not related to proposed adjusting journal entries include controls surrounding investigation into general ledger balances that may result in an adjustment upon further review but were deemed to be materially correct in relation to the financial statements taken as a whole.</p> <p data-bbox="362 1438 586 1463"><b>Component Units</b></p> <p data-bbox="362 1488 1479 1633">Detroit Transportation Corporation (DTC) had a lack of timely reconciliations and a significant number of adjustments related to the following balances: lack of timely reconciliations related to cash and investments, prepaids, and FTA grant activity, as well as adjustments to accounts payable and other liabilities. In addition, drawdowns for FTA federal portion and state portion were not made timely, and errors existed in classification of certain account balances.</p> <p data-bbox="362 1659 1479 1715">Detroit Public Library (DPL) had material adjustments for the proper recognition of leases, subscription-based information technology arrangements, and accounts payable.</p> <p data-bbox="362 1740 1474 1766">Detroit Employment Solutions Corporation (DESC) had material auditor-identified adjustments.</p> <p data-bbox="362 1791 1479 1879"><b>Cause</b> - Processes and controls were not in place to ensure that coordination and involvement of several departments occurred such that year-end closing entries for certain significant activities and balances were properly recorded in the general ledger timely.</p> <p data-bbox="362 1904 1479 1961"><b>Effect</b> - If the auditor-identified entries identified above had not been recorded, the financial statements would have been materially misstated.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2023-001 (Continued)	<p><b>Recommendation</b> - The City, as well as its agencies and component units, should continue to work with all departments to ensure a process and controls are implemented to accurately reconcile and record all journal entries prior to the start of the audit. Significant areas that resulted in delays in finalizing the adjustments for closing the City's ledger, as well as contributed to proposed adjusting journal entries, include federal and state grant activity, contingent liabilities, and Detroit Building Authority blending adjustments. The lack of a process for ensuring these activities are timely reflected in the City's financial reporting could result in material misstatement and the inability of management to monitor significant activity that may be subject to regulation and require additional monitoring to ensure compliance. A more effective review of the recording of this activity throughout the year and during the close process would assist in more timely identifying and correcting potential errors.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - In fiscal year 2023, the City continued the Audit Finding Corrective Action Plan (AFCAP) project to review and address policies and procedures that led to audit findings and provide training to staff to prevent future audit findings. While the City completed addressing several of the 2022 fiscal year audit findings, some remain in progress through the project plan. The City will add the 2023 fiscal year audit findings to this project to ensure policies, procedures, and training are in place in fiscal year 2024.</p> <p>As part of this process, the City will continue to root cause journal entries made following the close of the fiscal year and develop processes and reports to prevent or address these earlier. The City staff will systematically review ledger balances to ensure that adjustments are made timely and accurately in accordance with the City's accounting policies and procedures.</p> <p>The City's component unit, Detroit Transportation Corporation, has implemented a new role in the accounting department to accommodate the department's workload. DTC will ensure staff is properly trained. DTC will also perform grant and general ledger reconciliations throughout the fiscal year.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2023-002	<p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - The City is responsible for ensuring proper internal controls exist to prevent misappropriation of assets, including establishing proper bank-level controls that would require two authorized users to initiate and release payments from banking or securities accounts.</p> <p><b>Condition</b> - The City's blended component unit, the Public Lighting Authority (PLA) did not establish bank-level dual-authorization requirements over the initiation and release of disbursements from certain bank and securities accounts. Due to a lack of dual authorization requirements, a cybersecurity incident resulted in the release of a fraudulent payment by the Public Lighting Authority.</p> <p><b>Context</b> - During the year, the City's blended component unit, the Public Lighting Authority, established a new securities account with a financial institution. The PLA did not ensure the existence of bank-level controls requiring that the actions to initiate and release payments require separate individuals.</p> <p>As a result, in April 2023, through the PLA's month-end review and reconciliation process, the PLA discovered that its financial institution had transferred \$8,748,650 of the PLA's funds based upon instructions from a third party impersonating an authorized signer over its securities account, of which \$4,717,088 has been recovered to date.</p> <p>Additionally, the City performed a review of its controls with all of its significant financial institutions and identified and removed the ability of an individual authorized signer appearing in person at a bank location to initiate a disbursement without a secondary approval for certain nonprimary and immaterial bank accounts.</p> <p><b>Cause</b> - For a new securities account and certain nonprimary and immaterial bank accounts, the City's blended component unit and the City did not have segregation of duties requiring secondary approval for the actions to initiate and release cash disbursements.</p> <p><b>Effect</b> - In addition to the material misappropriation of assets at PLA during the year, the lack of appropriate bank-level authorizations could have resulted in additional material misappropriations of assets that were not prevented.</p> <p><b>Recommendation</b> - While the City's blended component unit and the City have subsequently reviewed and remedied the access rights at its major financial institutions, the City should ensure that its ongoing processes and controls include periodic access right reviews, along with ensuring appropriate access rights are established upon creation of new accounts or relationships to ensure each major bank is limited in making external transfers unless two authorized signers approve of the transaction.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The City's blended component unit, the Public Lighting Authority, will continue to work with its IT support team to increase cybersecurity in its operations. This will include the rollout of multifactor authentication, an email defense application, and other security and data integrity measures recommended by IT consultants.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

Section III - Federal Program Audit Findings

Reference Number	Finding
2023-003	<p><b>Assistance Listing Number, Federal Agency, and Program Name</b> - ALN 10.557, Department of Agriculture, Special Supplemental Nutrition Program for Women, Infants and Children (WIC)</p> <p><b>Federal Award Identification Number and Year</b> - 213MI013W5003, 212MI003W1003, program years 2022 and 2023</p> <p><b>Pass-through Entity</b> - Michigan Department of Health and Human Services</p> <p><b>Finding Type</b> - Material weakness</p> <p><b>Repeat Finding</b> - Yes</p> <p>2022-006</p> <p><b>Criteria</b> - Per 2 CFR 200.303(a), the nonfederal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government,” issued by the Comptroller General of the United States, or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).</p> <p><b>Condition</b> - The City did not have adequate controls in place to exercise its oversight responsibility of eligibility determinations that were performed by a contractor for the program.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Identification of How Questioned Costs Were Computed</b> - N/A</p> <p><b>Context</b> - The City entered into an agreement with a contractor to perform eligibility intake for WIC applicants. While the City arranges for the contractor to perform the intake function, the City is fully responsible for the federal compliance for the eligibility determination process. Testing revealed that the contractor’s staff performed both initial and secondary reviews during the intake process. Procedures further revealed that the City did not have any control in place to exercise its oversight responsibility of the grant and relied solely on the contractor’s eligibility determinations through May 2023.</p> <p><b>Cause and Effect</b> - In the current year, the City contracted with a contractor to perform the eligibility intake function and other programmatic decisions for WIC. However, the City did not implement controls to ensure eligibility conclusions reached by the contractor were in compliance with the terms and conditions of the award. Without a review of the contractor’s procedures to determine participant eligibility, ineligible participants could receive program benefits.</p> <p><b>Recommendation</b> - We recommend the City develop oversight procedures to review the work completed by contractors, which pertains to compliance requirements and programmatic decisions, in this case, participant eligibility determination.</p>

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Schedule of Findings and Questioned Costs (Continued)

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Year Ended June 30, 2023

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2023-003 (Continued)	<b>Views of Responsible Officials and Planned Corrective Actions</b> - The City has implemented controls to ensure that the Health Department provides oversight over the contractors. A new contract was in place in May, and the Health Department hired a WIC program director to monitor participant eligibility compliance and ensure policies and procedures are maintained and followed.

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2023-004	<p><b>Assistance Listing Number, Federal Agency, and Program Name</b> - ALN 10.557, Department of Agriculture, Special Supplemental Nutrition Program for Women, Infants and Children (WIC)</p> <p><b>Federal Award Identification Number and Year</b> - 213MI013W5003, 212MI003W1003, program years 2022 and 2023</p> <p><b>Pass-through Entity</b> - Michigan Department of Health and Human Services</p> <p><b>Finding Type</b> - Material weakness and material noncompliance with laws and regulations</p> <p><b>Repeat Finding</b> - No</p> <p><b>Criteria</b> - Per 2 CFR 200.344(b), unless the federal awarding agency or pass-through entity authorizes an extension, a nonfederal entity must liquidate all financial obligations incurred under the federal award no later than 120 calendar days after the end of the period of performance, as specified in the terms and conditions of the federal award. However, as outlined within the grant award from the Michigan Department of Health and Human Services and more restrictive than 2 CFR 200.344(b), the City must liquidate within 60 days after the State's fiscal year end any unpaid year-end commitments and obligations. Any obligation remaining unliquidated after 60 days from the end of the period shall revert to the State for disposition in accordance with applicable state and/or federal requirements, except as specifically authorized in writing by the department.</p> <p><b>Condition</b> - The City did not have adequate controls in place to ensure obligations were liquidated (paid) within the required 60 days.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Identification of How Questioned Costs Were Computed</b> - Refer to context below.</p> <p><b>Context</b> - Testing revealed 3 invoices out of 25 were liquidated after the required 60 days for the performance period ended September 30, 2022. Based on email communication received by the City from the Michigan Department of Health and Human Services, the department granted the City retroactive approval to allow for the expenses despite being liquidated after the 60-day period. As a result, no questioned costs are reported.</p> <p><b>Cause and Effect</b> - Failure to comply with the terms and conditions of the grant agreement, including the liquidation provisions, may result in disallowed costs and the need to repay the funder for such costs.</p> <p><b>Recommendation</b> - We recommend the City ensure controls are in place to comply with liquidation requirements outlined in the award agreements and/or Uniform Guidance issued by OMB (whichever is more restrictive).</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The OCFO will work with the Health Department to implement additional controls to ensure all subrecipients and contractors submit invoices timely and that they are reviewed, approved, and processed for payment prior to the 60-day liquidation requirement period.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2023-005	<p><b>Assistance Listing Number, Federal Agency, and Program Name</b> - ALN 20.507, Department of Transportation, Federal Transit Cluster - Federal Transit Formula Grants</p> <p><b>Federal Award Identification Number and Year</b> - MI-2022-026-00, program year 2022</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Material weakness</p> <p><b>Repeat Finding</b> - No</p> <p><b>Criteria</b> - Per 2 CFR 200.303(a), the nonfederal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government,” issued by the Comptroller General of the United States, or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).</p> <p><b>Condition</b> - The City did not have adequate controls in place to ensure payroll costs charged to the program were accurate in relation to underlying payroll records.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Identification of How Questioned Costs Were Computed</b> - Refer to context below.</p> <p><b>Context</b> - Testing revealed approximately \$141,000 in credit adjustments was incorrectly excluded from a \$14,419,000 adjusting journal entry to increase payroll costs charged to the program during the fiscal period under audit.</p> <p>The pool of gross payroll costs identified by the City for allocation to the grant under the final adjusting journal entry, which includes the costs described in the preceding paragraph, totaled approximately \$20,932,000. However, the City only allocated approximately \$18,620,000 of these gross payroll costs to the grant to align with the budgeted use of the funds for the fiscal period. The City in essence had \$20,791,000 of eligible expenses, after accounting for the approximately \$141,000 of credit adjustments, to expend the remaining \$14,419,000 award amount. The City did not specifically identify which transactions within the payroll cost population were not ultimately allocated to the program. After identifying approximately \$4,201,000 of payroll already charged to the program through the City’s usual biweekly payroll process, the City’s internal control procedures did not include a verification process to ensure that the payroll records used to develop the \$14,419,000 adjusting entry to true up payroll costs agreed to underlying payroll records. Given that the City did not need to allocate the entire \$20,932,000, the \$141,000 overstatement is not considered questioned costs, as there was approximately \$2,300,000 of eligible costs not allocated.</p> <p><b>Cause and Effect</b> - The lack of controls surrounding the payroll adjustment resulted in payroll costs that were overstated in relation to the underlying payroll register. The lack of controls could result in disallowed costs.</p> <p><b>Recommendation</b> - We recommend the City ensure controls are in place to verify the accuracy and completeness of amounts charged to the grant against supporting documentation and underlying records.</p>

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Schedule of Findings and Questioned Costs (Continued)

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Year Ended June 30, 2023

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2023-005 (Continued)	<b>Views of Responsible Officials and Planned Corrective Actions</b> - The City will ensure the required controls are in place to help ensure accurate payroll costs are charged to the program and completeness of the supporting documentation.

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2023-006	<p><b>Assistance Listing Number, Federal Agency, and Program Name</b> - ALN 21.027, Department the of the Treasury, COVID-19 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)</p> <p><b>Federal Award Identification Number and Year</b> - N/A</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Material weakness</p> <p><b>Repeat Finding</b> - No</p> <p><b>Criteria</b> - Per 2 CFR 200.303(a), the nonfederal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government," issued by the Comptroller General of the United States, or the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).</p> <p><b>Condition</b> - The payroll costs that were reported as incurred on four CSLFRF projects were incorrect in the performance report submitted for the period from October 1, 2022 through December 31, 2022 (Quarter 4).</p> <p><b>Questioned Costs</b> - N/A</p> <p><b>Identification of How Questioned Costs Were Computed</b> - N/A</p> <p><b>Context</b> - In our sample of two performance reports selected for testing, we noted one instance where certain information reported did not agree to the general ledger and underlying records.</p> <p><b>Cause and Effect</b> - The City's controls were not adequate to ensure that underlying data for reports was consistently accumulated. The payroll data for the report submitted for the period from July 1, 2022 through September 30, 2022 (Quarter 3) was accumulated from the payroll system and appropriately reflected the payroll costs. The general ledger at the time did not yet fully reflect transactions due to timing. For Quarter 4, the City accumulated the payroll costs based on the general ledger, and, as a result, certain costs reported in Quarter 3 were reported again in the Quarter 4. The Quarter 4 report was overstated by \$21,670.</p> <p><b>Recommendation</b> - We recommend the City implement a process to ensure that reports are completed based on a consistent methodology and a detail review be performed to ensure accuracy.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The City will implement additional controls to ensure that the quarterly Treasury reports align with the expenses stated on the general ledger.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2023-007	<p><b>Assistance Listing Number, Federal Agency, and Program Name</b> - ALN 14.241, Department of Department of Housing and Urban Development, Housing Opportunities for Persons With AIDS (HOPWA) and COVID-19 HOPWA</p> <p><b>Federal Award Identification Number and Year</b> - MIH20-FHW001, MIH20-F001, MIH21-F001, MIH22-F001</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Material weakness and material noncompliance with laws and regulations</p> <p><b>Repeat Finding</b> - Yes</p> <p>2022-007</p> <p><b>Criteria</b> - Per 24 CFR 574.310, except for persons in short-term supportive housing, each person receiving rental assistance under the HOPWA program must pay as rent the higher of (1) 30 percent of the family’s monthly adjusted gross income; (2) 10 percent of the family’s monthly gross income; or (3) the portion of the payments that is designated if the family is receiving payments for welfare assistance from a public agency and a part of the payments, adjusted in accordance with the family’s actual housing costs, that is specifically designated by the agency to meet the family’s housing costs.</p> <p>Per 2 CFR 200.303(a), the nonfederal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with the guidance in “Standards for Internal Control in the Federal Government,” issued by the Comptroller General of the United States, or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).</p> <p><b>Condition</b> - In conjunction with eligibility testing, instances of noncompliance specific to the rental assistance calculation and distribution of benefits were identified.</p> <p><b>Questioned Costs</b> - \$3,022</p> <p><b>Identification of How Questioned Costs Were Computed</b> - Questioned costs reflect the gross overpayments. See context below for instances of benefits being overpaid.</p> <p><b>Context</b> - During eligibility testing of a sample of 60, we noted the following:</p> <ul style="list-style-type: none"> <li>• A lack of effective supervisory review of the annual certification process and calculation of benefits resulted in one instance of benefits being overpaid by \$176 and four instances of benefits being underpaid by \$221 based on income and family size.</li> <li>• A lack of effective supervisory review over the distribution of benefits throughout the benefit agreement period resulted in two instances of an overpayment of benefits by \$2,846 and one instances of an underpayment of benefits by \$10.</li> </ul> <p><b>Cause and Effect</b> - The lack of adequate controls in the form of detailed reviews over the calculation and payment of rental assistance, based on the requirements of 24 CFR 574.310, resulted in both overpayments and underpayments of rental assistance to beneficiaries.</p>

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Schedule of Findings and Questioned Costs (Continued)

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Year Ended June 30, 2023

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2023-007 (Continued)	<p><b>Recommendation</b> - We recommend the City review its procedures and controls specific to the calculation and distribution of rental assistance and make modifications as necessary to ensure that inputs of the calculation are reviewed for completeness and accuracy and that the payments are consistent with the calculation prior to finalizing the benefit agreements and communicating the same to the participant.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - City of Detroit HOPWA program has a dedicated quality coordinator position. The coordinator will continue to work closely with the HOPWA program team and conduct regular file audits. The HOPWA program team has also implemented additional steps, including the use of eligibility templates to help ensure accurate rental assistance calculations.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2023-008	<p><b>Assistance Listing Number, Federal Agency, and Program Name</b> - ALN 14.241, Department of Department of Housing and Urban Development, Housing Opportunities for Persons With AIDS (HOPWA) and COVID-19 HOPWA</p> <p><b>Federal Award Identification Number and Year</b> - MIH20-FHW001, MIH20-F001, MIH21-F001, MIH22-F001</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Material weakness and material noncompliance with laws and regulations</p> <p><b>Repeat Finding</b> - No</p> <p><b>Criteria</b> - Under OMB Number 2506-40110-C, on an annual basis, HOPWA formula grantees are required to submit a Consolidated Annual Performance and Evaluation Report (CAPER) demonstrating essential information on grant activities, project sponsors, housing sites, units and households, and beneficiaries. Per 2 CFR 200.302(b), the nonfederal entity must maintain a financial management system that provides records that identify adequately the source and application of funds for federally funded activities.</p> <p>Per 2 CFR 200.303(a), the nonfederal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with the guidance in "Standards for Internal Control in the Federal Government," issued by the Comptroller General of the United States, or the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).</p> <p><b>Condition</b> - The controls in place were not adequate to ensure that amounts reported within the CAPER were accurate and complete in relation to activity reported in the general ledger and underlying records of the City.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Identification of How Questioned Costs Were Computed</b> - N/A</p> <p><b>Context</b> - Management has a process in place to compile beneficiary headcounts, rental assistance, and other costs for reporting within the CAPER; however, management did not maintain the underlying records to support the amounts and expenditures reported in the CAPER submitted for program year ended June 30, 2023. Where we were able to perform procedures to reconcile to the beneficiary headcount, we identified approximately \$3.9 million of expenditures reported within the CAPER was understated by approximately \$300,000 in relation to the amounts reported in the general ledger.</p> <p><b>Cause and Effect</b> - Not maintaining the underlying records and supporting documentation may lead to inaccurate information being reported to the funder and could perhaps inappropriately influence subsequent decisions.</p> <p><b>Recommendation</b> - We recommend the City implement a system of internal controls to ensure that records used in reporting information to the funding agency are retained in support of the amounts and that supervisory review over those inputs are in place. Additionally, we recommend the City reconcile the books and records timely to ensure accurate and complete reporting of program activity.</p>

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Schedule of Findings and Questioned Costs (Continued)

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Year Ended June 30, 2023

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2023-008 (Continued)	<b>Views of Responsible Officials and Planned Corrective Actions</b> - The City will review its current process and implement additional reporting controls, including verification of expenditures, retention of supporting documentation, and a timely final reconciliation of the CAPER to the general ledger.

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2023-009	<p><b>Assistance Listing Number, Federal Agency, and Program Name</b> - ALN 93.914, Department of Health and Human Services, HIV Emergency Relief Project Grants</p> <p><b>Federal Award Identification Number and Year</b> - 6 H89HA00021-31-01, 6 H89hA00021 29-01</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Significant deficiency</p> <p><b>Repeat Finding</b> - No</p> <p><b>Criteria</b> - Per 45 CFR 75.303(a), a nonfederal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government," issued by the Comptroller General of the United States, or the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).</p> <p><b>Condition</b> - The City did not provide a formal report on monitoring performed for 3 of its subrecipients.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Identification of How Questioned Costs Were Computed</b> - N/A</p> <p><b>Context</b> - In the case of 3 out of the City's 14 subrecipients that received funding under the above-mentioned award, the City's communication to the subrecipients related to the results of the monitoring was significantly delayed. Communication was sent approximately one year subsequent to the monitoring procedures. Based on the reports, there were no matters noted requiring a corrective action plan from the subrecipients. The reports also did not reveal any questioned costs.</p> <p><b>Cause and Effect</b> - There were no controls in place to ensure monitoring results were communicated timely to subrecipients subsequent to a staff member's departure. The lack of timely communication could result in delayed corrective action and possible disallowance of costs.</p> <p><b>Recommendation</b> - We recommend the City review its controls to ensure the entire cycle of monitoring, from the planning phase to the close-out phase, is completed in a timely manner.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The City will review its subrecipient monitoring policy and implement additional controls to ensure an end-to-end monitoring process is in place that includes timely communication of the reports.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2023-010	<p><b>Assistance Listing Number, Federal Agency, and Program Name</b> - 14.218, Department of Housing and Urban Development, CDBG Entitlement Grants Cluster - Community Development Block Grant/Entitlement Grants (CDBG)</p> <p>14.241, Department of Housing and Urban Development, Housing Opportunities for Persons With Aids (HOPWA)</p> <p>14.905, Department of Housing and Urban Development, Lead Hazard Reduction Demonstration Grant Program (Lead)</p> <p><b>Federal Award Identification Number and Year</b> -</p> <p>CDBG - B-22-MC-26-0006</p> <p>HOPWA - MIH22F001</p> <p>Lead - MILNG0007-19, and MILHB0682-18</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Material weakness and material noncompliance with laws and regulations</p> <p><b>Repeat Finding</b> - No</p> <p><b>Criteria</b> - Per 2 CFR 200.303(a), nonfederal entities must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government,” issued by the Comptroller General of the United States, or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).</p> <p>Per 2 CFR 200.403(g), costs must be adequately documented.</p> <p><b>Condition</b> - The City duplicated costs charged to certain grants.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Identification of How Questioned Costs Were Computed</b> - Refer to context below</p> <p><b>Context</b> - In conjunction with the year-end close process, the City manually reviews invoices received subsequent to year end and identifies amounts to be accrued. These amounts are accrued via manual journal entries posted to period 13. As this is a period 13 entry, the amounts automatically reverse in the new year. During this process, the City duplicated costs to be accrued in the amount of \$12,300 under ALN 14.218 (CDBG), \$327,709 under ALN 14.241 (HOPWA), and \$235,911 under ALN 14.905 (Lead). Despite being accrued, the City did not request reimbursement for these costs, as reimbursement is only requested after expenses are paid. Upon identification of the error, the City reduced the amounts reported on the schedule of expenditures of federal awards (SEFA) by the amounts noted above.</p> <p><b>Cause and Effect</b> - The City's control regarding the year-end close process did not identify that certain costs accrued were duplicated. As a result, the initial SEFA provided to the auditors was overstated by these costs. The City excluded the duplicate costs from the final SEFA.</p>

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Schedule of Findings and Questioned Costs (Continued)

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Year Ended June 30, 2023

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2023-010 (Continued)	<p><b>Recommendation</b> - We recommend the City review its processes and controls to ensure that the preparation and review of journal entries to accrue for costs include a review for duplicate costs.</p> <p><b>Views of Responsible Officials and Corrective Action Plan</b> - The City will review its journal entry controls and processes to help ensure journal entries are posted accurately and implement a review for duplicate costs.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2023-011	<p><b>Assistance Listing Number, Federal Agency, and Program Name</b> - ALN 14.905, United States Department of Housing and Urban Development, Lead Hazard Reduction Demonstration Grant Program</p> <p><b>Federal Award Identification Number and Year</b> - MILHD0487-22, MILNG00007-19, MILHB0682-18, program years 2022, 2019, and 2018</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Material weakness</p> <p><b>Repeat Finding</b> - No</p> <p><b>Criteria</b> - Per 2 CFR 200.303(a), the nonfederal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government,” issued by the Comptroller General of the United States, or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).</p> <p>Additionally, per 2 CFR 200.303(b), the nonfederal entity must comply with the U.S. Constitution, federal statutes, regulations, and the terms and conditions of the federal award.</p> <p><b>Condition</b> - Certain controls in place did not operate effectively specific to eligibility, earmarking, and reporting compliance requirements.</p> <p>Certain controls in place were not effective either because of design flaws or due to the lack of fully implemented controls. Our testing revealed that control design flaws existed and certain controls did not operate effectively during the fiscal year.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Identification of How Questioned Costs Were Computed</b> - N/A</p> <p><b>Context</b> - Controls must be designed effectively in order to be effective. The controls in place for eligibility and earmarking were not designed effectively. For the year ended June 30, 2023, the controls were neither designed to ensure supervisory review and approval of applicants’ eligibility nor designed to ensure at least 90 percent of the total number of owner-occupied units assisted have a child occupant under six years of age.</p> <p>Additionally, controls did not operate effectively to ensure that performance reports submitted agreed to underlying records and/or supporting documentation. For one of the three reports selected for testing, the City overstated the number of units that received evaluations based on the underlying support. The report indicated 19 units received evaluations, while the underlying support showed 10 units.</p> <p><b>Cause and Effect</b> - Without adequate controls in place over eligibility determinations and earmarking, ineligible participants could receive program benefits or the City could exceed the 10 percent allowance to provide support for applicants who do not have a child under the age of six, resulting in disallowed costs. Inadequate controls in place over reporting could result in noncompliance with the terms and conditions of the award and could lead to inappropriate decision-making.</p>

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Schedule of Findings and Questioned Costs (Continued)

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Year Ended June 30, 2023

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2023-011 (Continued)	<p><b>Recommendation</b> - We recommend the City maintain on file all terms and conditions outlined by the funding agency. Additionally, we recommend the City review the controls in place for the Lead Hazard Reduction Demonstration Grant Program to ensure that controls are designed effectively and implemented to address the risks of noncompliance identified by the City.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The City will review its processes and implement additional controls and the required review of eligibility approval is in place and all supporting documentation is stored and maintained.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2023-012	<p><b>Assistance Listing Number, Federal Agency, and Program Name</b> - ALN 14.218, Department of Housing and Urban Development, CDBG Entitlement Grants Cluster - Community Development Block Grants Cluster</p> <p><b>Federal Award Identification Number and Year</b> - B-22-MC-26-0006, B-21-MC-26-0006, B-20-MW-26-006</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Material weakness and material noncompliance with laws and regulations</p> <p><b>Repeat Finding</b> - Yes, 2022-014</p> <p><b>Criteria</b> - The Federal Funding Accountability and Transparency Act (FFATA), as amended by 6202 of Public La 110-252, requires a prime grant awardee to report its subgrants using the FFATA Subaward reporting System (FSRS) tool. The prime recipient will have until the end of the month plus one additional month after an award or subaward is obligated to fulfill the reporting requirement.</p> <p><b>Condition</b> - During reporting testing, we noted that the City did not file one FFATA report, and there were five untimely submissions.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Identification of How Questioned Costs Were Computed</b> - N/A</p> <p><b>Context</b> - The City obligated several subawards throughout the year ended June 30, 2023, and the reports were due at end of the month plus one additional month after the award or subaward was obligated.</p>

The following table summarizes the transactions examined and the noncompliance identified:

Transactions Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
17	1	5	0	0
Dollar Amount of Tested Transactions	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
\$3,878,538	\$340,282	\$2,536,128	\$0	\$0

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2023-012 (cont.)	<p><b>Cause and Effect</b> - The City's processes did not properly identify the FFATA filing requirements resulting in a lack of filing and delay in filing reports.</p> <p><b>Recommendation</b> - We recommend the City implement adequate controls to ensure compliance with FFATA reporting requirements.</p> <p><b>Views of Responsible Officials and Corrective Action Plan</b> - The City will review its current FFATA processes and implement additional controls to ensure timely and accurate filings and compliance with reporting requirements.</p>