
City of Detroit, Michigan

**Federal Awards
Supplemental Information
June 30, 2019**

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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, 2019 and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 14, 2019, which contained unmodified opinions 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 14, 2019.

We did not audit 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 77 percent, 75 percent, and 67 percent of the assets, net position/fund balance, and revenue, respectively, of the aggregate discretely presented component units. We also did not audit the following blended component units: Public Lighting Authority, which is a major enterprise fund with assets, net position, and revenue of \$219.6 million, \$35.9 million, and \$23.3 million, respectively, as well as the Detroit Building Authority and Greater Detroit Resource Recovery Authority, which collectively represent 0.87 percent, 0.38 percent, and 6.58 percent of the assets, net position/fund balance, and revenue, respectively, of the aggregate remaining fund information. The above-mentioned financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the entities listed above, is based on the report of the other auditors.

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

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 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

December 14, 2019

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, 2019 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 14, 2019.

Our report includes a reference to other auditors who audited 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 77 percent, 75 percent, and 67 percent of the assets, net position, and revenue, respectively, of the discretely presented component units. We also did not audit the following blended component units: Public Lighting Authority, which is a major enterprise fund with assets, net position, and revenue of \$219.6 million, \$35.9 million, and \$23.3 million, respectively, as well as the Detroit Building Authority and Greater Detroit Resource Recovery Authority, which collectively represent 0.87 percent, 0.38 percent, and 6.58 percent of the assets, net position/fund balance, and revenue, respectively, of the aggregate remaining fund information. 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 the General Retirement System and Police and Fire Retirement System, as well as those of the Detroit Public Library, Community Education Commission, and the Greater Detroit Resource Recovery Authority, were not audited in accordance with *Government Auditing Standards*.

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) to determine the 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.

Our consideration of internal control was for the limited purpose described in the preceding 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2019-001, 2019-002, 2019-003, 2019-004, 2019-005, 2019-006, and 2019-007 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2019-008 to be a significant deficiency.

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 determination of financial statement amounts. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and that are described in the accompanying schedule of findings and questioned costs as Finding 2019-006.

The City's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the 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 14, 2019

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

We have audited the City of Detroit, Michigan's (the "City") compliance with the types of compliance requirements described in the U.S. 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, 2019. 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.

The City's basic financial statements include the operations of the Detroit Transportation Corporation, Detroit Housing Commission, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Detroit Landbank Authority, Detroit Employment Solutions Corporation, Detroit Building Authority, Public Lighting Authority, Detroit Brownfield Redevelopment Authority, Local Development Finance Authority, Eight Mile/Woodward Corridor Improvement Authority, Community Education Commission, and Museum of African American History, which expended federal awards that are not included in the City's schedule of expenditures of federal awards during the year ended June 30, 2019. Our audit, described below, did not include the operations of the above-mentioned entities because these entities received a separate financial statement audit and a separate single audit when required by the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of 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, 2019.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with their Uniform Guidance, which are described in the accompanying schedule of findings and questioned costs as Findings 2019-009 and 2019-010. Our opinion on each major federal program is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2019-009 to be a material weakness.

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 2019-010 to be a significant deficiency.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the responses.

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

December 14, 2019

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

| Federal Agency/Pass-through Agency/Program Title | CFDA Number | Pass-through Entity Identifying Number | Total Amount Provided to Subrecipients | Federal Expenditures |
|--|----------------|---|--|-------------------------|
| Department of Agriculture | | | | |
| Child Nutrition Cluster - Via Michigan Department of Education: | | | | |
| 2018 Summer Food Service Program | 10.559 | N/A | \$ - | \$ 270,755 |
| 2019 Summer Food Service Program | 10.559 | N/A | <u>-</u> | <u>37,880</u> |
| Total Child Nutrition Cluster | | | - | 308,635 |
| Child and Adult Care Food Program - Via Michigan Department of Education | 10.558 | N/A | - | 40,602 |
| Supplemental Nutritional Assistance Program WIC - Via Michigan Department of Health and Human Services: | | | | |
| Special Supplemental Nutrition Program for Women, Infants, and Children 2018 | 10.557 | 182MI003W1003 | 1,343,788 | 1,343,788 |
| Special Supplemental Nutrition Program for Women, Infants, and Children Breastfeeding 2018 | 10.557 | 172MI013W5003 | 69,763 | 69,763 |
| Special Supplemental Nutrition Program for Women, Infants, and Children 2019 | 10.557 | 192MI003W1003 | 3,282,652 | 3,535,790 |
| Special Supplemental Nutrition Program for Women, Infants, and Children Breastfeeding 2019 | 10.557 | 192MI003W1003 | <u>99,212</u> | <u>99,212</u> |
| Total Supplemental Nutritional Assistance Program WIC | | | <u>4,795,415</u> | <u>5,048,553</u> |
| Total Department of Agriculture | | | 4,795,415 | 5,397,790 |
| Department of Commerce - Coastal Zone FY18 Maheras-Gentry Park | 11.419 | NA17NOS4190177 | - | 23,755 |
| Department of Housing and Urban Development | | | | |
| Community Development Block Grant Entitlement Cluster - Direct Awards: | | | | |
| Community Development Block Grant | 14.218 | B-14-MC-26-0006 | 1,076,402 | 2,212,901 |
| Community Development Block Grant | 14.218 | B-15-MC-26-0006 | 520,177 | 744,811 |
| Community Development Block Grant | 14.218 | B-16-MC-26-0006 | 1,837,030 | 2,469,673 |
| Community Development Block Grant | 14.218 | B-17-MC-26-0006 | 4,389,784 | 9,341,121 |
| Community Development Block Grant | 14.218 | B-18-MC-26-0006 | 1,357,315 | 17,394,388 |
| Community Development Block Grant - Declared Disaster Recovery FY16 | 14.218 | B-15-MC-26-2006 | <u>-</u> | <u>4,040,478</u> |
| Total Community Development Block Grant Entitlement Cluster | | | 9,180,708 | 36,203,372 |
| ESG - Direct Awards: | | | | |
| Emergency Solutions Grant (ESG) | 14.231 | E-15-MC-260006 | - | 3,926 |
| Emergency Solutions Grant (ESG) | 14.231 | E-16-MC-260006 | 155,683 | 155,683 |
| Emergency Solutions Grant (ESG) | 14.231 | E-17-MC-260006 | 1,668,050 | 2,030,164 |
| Emergency Solutions Grant (ESG) | 14.231 | E-18-MC-260006 | <u>976,923</u> | <u>976,923</u> |
| Total ESG | | | 2,800,656 | 3,166,696 |

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

| Federal Agency/Pass-through Agency/Program Title | CFDA Number | Pass-through Entity Identifying Number | Total Amount Provided to Subrecipients | Federal Expenditures |
|--|----------------|---|--|-------------------------|
| Department of Housing and Urban Development (Continued) | | | | |
| Home Investment Partnership - Direct Awards: | | | | |
| Home Investment Partnership (Special Housing) | 14.239 | M-13-MC-26-0202 | \$ - | \$ 178,941 |
| Home Investment Partnership (Special Housing) | 14.239 | M-14-MC-26-0202 | - | 2,528,195 |
| Home Investment Partnership (Special Housing) | 14.239 | M-15-MC-26-0202 | - | 1,176,928 |
| Home Investment Partnership (Special Housing) | 14.239 | M-16-MC-26-0203 | - | 1,832,076 |
| Home Investment Partnership (Special Housing) | 14.239 | M-17-MC-26-0203 | - | 17,427 |
| Total Home Investment Partnership | | | - | 5,733,567 |
| HOPWA - Direct Awards: | | | | |
| Housing Opportunities for Persons With AIDS 6/2016 | 14.241 | MIH15-F001 | 19,054 | 19,054 |
| Housing Opportunities for Persons With AIDS 6/2017 | 14.241 | MIH16-F001 | 4,264 | 4,264 |
| Housing Opportunities for Persons With AIDS 6/2018 | 14.241 | MIH17-F001 | 2,828,879 | 2,828,879 |
| Housing Opportunities for Persons With AIDS 6/2019 | 14.241 | MIH18-F001 | 67,328 | 67,328 |
| Total HOPWA | | | 2,919,525 | 2,919,525 |
| Lead Hazard Reduction Demonstration Grant Program - Direct Awards | 14.905 | MI-LHHD-026614 | - | 88,803 |
| Total Department of Housing and Urban Development | | | 14,900,889 | 48,111,963 |
| Department of Interior - Historic Preservation Fund Grant Program - Belle Isle Aquarium - | | | | |
| Via Michigan State Housing Development Authority (MSHDA) | 15.904 | CG17-437 | - | 35,100 |
| Department of Justice | | | | |
| Violence Prevention - Direct Awards: Ceasefire Detroit Community Based Violence Prevention | | | | |
| | 16.123 | 2012-PB-FX-K002 | - | 198,565 |
| Crime Victim Assistance - Via Michigan Department of Health and Human Services: | | | | |
| Crime Victim Assist - V.O.C.A. 2017 / 2018 | 16.575 | 2014-VA-GX-0046 | - | 300,612 |
| Crime Victim Assist - V.O.C.A. 2018 / 2019 | 16.575 | 2016-VA-GX-0021 | - | 607,431 |
| Total Crime Victim Assistance | | | - | 908,043 |

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

| Federal Agency/Pass-through Agency/Program Title | CFDA Number | Pass-through Entity Identifying Number | Total Amount Provided to Subrecipients | Federal Expenditures |
|---|----------------|---|--|-------------------------|
| Department of Justice (Continued) | | | | |
| STOP Violence Against Women Formula Grant - Via Michigan Department of Health and Human Services | 16.017 | 2016-WF-AX0023 | \$ - | \$ 75,258 |
| Encourage Arrest Detroit Domestic Violence Reduction Project 2015-2016 - Direct Awards | 16.590 | 2015-WE-AX-0043 | 26,226 | 306,926 |
| Project Safe Neighborhoods | 16.609 | 2016-UL-WX-0037 | - | 48,350 |
| COPS Grants - Direct Awards: | | | | |
| 2015 COPS Hiring Program | 16.710 | 2015-UL-WX-0024 | - | 149,232 |
| 2016 COPS Hiring Program | 16.710 | 2016-UL-WX-0037 | - | 616,857 |
| 2017 COPS Hiring Program | 16.710 | 2017-UL-WX-0023 | - | 570,050 |
| Total COPS Grants | | | - | 1,336,139 |
| FY16 Smart Policing Initiative - Smart Policing Innovation | 16.738 | 2016-WY-BX-0005 | - | 234,635 |
| Justice Assistance Grants (JAG) - Via The County of Wayne, Michigan: | | | | |
| 2015-16 Justice Assistance Grant | 16.738 | 2015-DJ-BX-0911 | - | 407,292 |
| 2016-17 Justice Assistance Grant | 16.738 | 2016-DJ-BX0989 | - | 855,874 |
| 2019 Electronic Evidence Collection (JAG) - Via Michigan Department of State Police | 16.738 | 2017-MU-BX-0191 | - | 33,853 |
| Total Justice Assistance Grants (JAG) | | | - | 1,531,654 |
| 2015-2017 Technology Information for Public Safety (TIPS) | 16.751 | 2015-DG-BX-K007 | - | 215,733 |
| 2015 Community Health and Social Services Center-National Crime Victims Rights Week - Via Community Health and Social Service Center (CHASS) | 16.888 | 2015-CY-AX-0006 | - | 5,723 |
| Equitable Sharing Program - Direct Awards | 16.922 | N/A | - | 4,400,000 |
| Total Department of Justice | | | 26,226 | 9,026,391 |

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

| Federal Agency/Pass-through Agency/Program Title | CFDA Number | Pass-through Entity Identifying Number | Total Amount Provided to Subrecipients | Federal Expenditures |
|--|----------------|---|--|-------------------------|
| Department of Transportation | | | | |
| Highway Planning and Construction Cluster: | | | | |
| DPW Highway Research Planning & Construction -Via Michigan Department of Transportation | 20.205 | 1900(386) | \$ - | \$ 1,904,580 |
| FY 2019 SEMCOG Unified Work Program Grant | 20.205 | SEMCOG CPG19-19006 | - | 314,304 |
| Planning Assistance Program - Traffic Safety - Via Southeastern Michigan Council of Governments (SEMCOG) | 20.205 | P18AP00156 | - | <u>27,731</u> |
| Total Highway Planning and Construction Cluster | | | - | 2,246,615 |
| Federal Transit Cluster: | | | | |
| Federal Transit Capital Investment Grants - Direct Awards: | | | | |
| Federal Transit Capital Investment Grant | 20.500 | MI-03-0241 | - | 774,413 |
| Federal Transit Capital Investment Grant | 20.500 | MI-2017-005 | - | 299,250 |
| Federal Transit Capital Investment Grant | 20.500 | MI-34-0006 | - | 1,906,778 |
| Federal Transit Capital Investment Grant | 20.500 | MI-04-0093-00 | - | <u>4,889,395</u> |
| Total Federal Transit Capital Investment Grants | | | - | 7,869,836 |
| Federal Transit Formula Grants - Direct Awards: | | | | |
| Federal Transit Formula Grant | 20.507 | MI-90-X604-00 | - | 183,582 |
| Federal Transit Formula Grant | 20.507 | MI-90-X605-00 | - | 1,694,868 |
| Federal Transit Formula Grant | 20.507 | MI-2016-006 | - | 17,143,380 |
| 2016 Unified Work Program - SEMCOG | 20.507 | MI-2016-024 | - | 4,747,559 |
| Federal Transit Formula Grant | 20.507 | MI-90-X642-00 | - | <u>64,594</u> |
| Total Federal Transit Formula Grants | | | - | <u>23,833,983</u> |
| Total Federal Transit Cluster | | | - | 31,703,819 |
| SEMCOG Grants - Direct Awards: SEMCOG United Work Program (UWP) - Metropolitan Planning Grant | 20.505 | SEMCOG CPG16-17006 | - | 20,515 |
| Transit Service Programs Cluster: | | | | |
| Job Access and Reverse Commute Grants - Direct Awards: | | | | |
| Job Access and Reverse Commute Grant | 20.516 | MI-37-X035-00 | - | 1,113 |
| Job Access and Reverse Commute Grant | 20.516 | MI-37-X041-02 | - | <u>311,613</u> |
| Total Job Access and Reverse Commute Grants | | | - | 312,726 |

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

| Federal Agency/Pass-through Agency/Program Title | CFDA Number | Pass-through Entity Identifying Number | Total Amount Provided to Subrecipients | Federal Expenditures |
|---|----------------|---|--|-------------------------|
| Department of Transportation (Continued) | | | | |
| Transit Service Programs Cluster (Continued): | | | | |
| New Freedom Grants - Direct Awards: | | | | |
| New Freedom Grant | 20.521 | MI-57-X015-00 | \$ - | \$ 671,671 |
| New Freedom Grant | 20.521 | MI-57-X013-00 | - | 271,953 |
| Total New Freedom Grants | | | - | 943,624 |
| Total Transit Services Programs Cluster | | | - | 1,256,350 |
| Highway Safety Cluster - Via Michigan Department of State Police: | | | | |
| Strategic Traffic Enforcement Prog 2017-2018 | 20.600 | PT-18-17 | - | 71,613 |
| Strategic Traffic Enforcement Prog 2018-2019 | 20.600 | PT-19-04 | - | 77,828 |
| Total Strategic Traffic Enforcement Grants | | | - | 149,441 |
| FY19 Detroit Pedestrian/Bike overtime Enf Grant | 20.616 | PS-19-06 | - | 22,783 |
| Detroit Safe Routes Ambassador Program | 20.616 | PS-19-02 | - | 9,319 |
| Bike enforcement Pilot Project | 20.616 | PS-18-02 | - | 5,308 |
| 2019 Youth and Alcohol Enforcement | 20.616 | AL 19-06 | - | 11,006 |
| Highway Safety Underage Enforcement 2017-2018 | 20.616 | AL 18-17 | - | 32,184 |
| Total National Priority Safety Programs | | | - | 80,600 |
| Total Highway Safety Cluster | | | - | 230,041 |
| Total Department of Transportation | | | - | 35,457,340 |
| Environmental Protection Agency | | | | |
| Drinking Water State Revolving Fund Cluster - Via Michigan Department of Environmental Quality: | | | | |
| Capitalization Grants for Drinking Water - State Revolving Fund | 66.468 | 7412-01 | - | 193,937 |
| Capitalization Grants for Drinking Water - State Revolving Fund | 66.468 | 7414-01 | - | 3,217,579 |
| Total Drinking Water State Revolving Fund Cluster | | | - | 3,411,516 |
| Clean Diesel Funding Assistance | 66.039 | 00E02336 | - | 53,698 |
| US0079A Brownfields Program (Part A) - Assessment Grants - FY 2015 - Direct Awards | 66.818 | BF-00E01519 | - | 46,886 |
| Total Environmental Protection Agency | | | - | 3,512,100 |

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

| Federal Agency/Pass-through Agency/Program Title | CFDA Number | Pass-through Entity Identifying Number | Total Amount Provided to Subrecipients | Federal Expenditures |
|--|----------------|---|--|-------------------------|
| Department of Health and Human Services | | | | |
| Public Health Emergency Preparedness - Via Michigan Department of Health and Human Services: | | | | |
| Public Health Emergency Preparedness 9/2018 | 93.069 | NU90TP921906 | \$ 58,761 | \$ 58,761 |
| Public Health Emergency Preparedness 9/2019 | 93.069 | NU90TP921906 | 158,690 | 158,690 |
| Public Health Emergency Preparedness Cities Readiness Initiative 9/2018 | 93.069 | NU90TP000528 | 65,079 | 65,079 |
| Public Health Emergency Preparedness Cities Readiness Initiative 9/2019 | 93.069 | NU90TP921906 | <u>137,224</u> | <u>137,224</u> |
| Total Public Health Emergency Preparedness | | | 419,754 | 419,754 |
| MI Building Resilience M-Brace - Via Michigan Department of Health and Human Services: | | | | |
| 2018 Climate Health Adaption | 93.070 | NUE1EH001324 | 13,556 | 13,556 |
| First Responders - Detroit Community Opioid Response Initiative (DCORI) | | | | |
| | 93.243 | 1H79SP080337-01 | - | 103,824 |
| CDC Immunization - Via Michigan Department of Health and Human Services: | | | | |
| Immunization Action Plan -Vaccination Shipped (in-Kind) | 93.268 | H23 CCH522556 | - | 790,083 |
| Immunization Action Plan (IAP) | 93.268 | H23 IPOOO752 | 127,290.00 | 127,290 |
| Immunization Action Plan (IAP) | 93.268 | H23 IPOOO752 | 198,863 | 198,863 |
| West Nile Virus 2018 | 93.268 | NU50CK000369 | <u>6,763</u> | <u>6,763</u> |
| Total CDC Immunization | | | 332,916 | 1,122,999 |
| West Nile Virus 9/2019 | 93.323 | NU50CK000369 | 4,721 | 4,721 |
| Opioid Academic Detailing - MDHHS | 93.354 | NU90TP921987 | - | 39,328 |
| State Children's Insurance Program (CHIP) -Via State of Michigan | 93.767 | E20192796 | - | 73,555 |
| Medicaid Cluster - Via Michigan Department of Health and Human Services: | | | | |
| CSHCS Outreach & Advocacy 9/2018 | 93.778 | 05U05M15ADM | 96,550 | 96,550 |
| CSHCS Outreach & Advocacy 9/2019 | 93.778 | 1905MI5ADM | 200,371 | 200,371 |
| Lead Intervention/EBL 9/2019 | 93.778 | 1905M15MAP | <u>110,067</u> | <u>110,067</u> |
| Total Medicaid Cluster | | | 406,988 | 406,988 |
| HIV Emergency Supplemental Relief - Direct Awards: | | | | |
| HIV Emerg Supp Relief 2/2019 | 93.914 | H89HA00021-26-03 | 7,245,970 | 7,245,970 |
| HIV Emerg Supp Relief 2/2020 | 93.914 | H89HA00021-27-00 | <u>2,650,563</u> | <u>2,650,563</u> |
| Total HIV Emergency Relief Project Grants (Ryan White HIV/AIDS Program Part A) | | | 9,896,533 | 9,896,533 |

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

| Federal Agency/Pass-through Agency/Program Title | CFDA Number | Pass-through Entity Identifying Number | Total Amount Provided to Subrecipients | Federal Expenditures |
|---|----------------|---|--|-------------------------|
| Department of Health and Human Services (Continued) | | | | |
| HIV - Ryan White - Via Michigan Department of Health and Human Services - HIV Ryan White Part B MAI 9/2018 | 93.917 | X07HA00044 | \$ 16,239 | \$ 16,239 |
| Maternal and Child Health Block Grant - Via Michigan Department of Health and Human Services: | | | | |
| HIV Ryan White Part B MAI 9/2019 | 93.994 | B0432550 | 21,689 | 21,689 |
| Fetal Infant Mortality Review 9/2019 | 93.994 | B04MC31495 | 2,552 | 2,552 |
| Local Maternal & Child Health MCH 9/2018 | 93.994 | B0432550 | 684,018 | 684,018 |
| Local Maternal & Child Health 9/2019 | 93.994 | B04MC31495 | 993,628 | 993,628 |
| Sudden Unexplained Infant Death | 93.994 | B1MIMCHS | 3,472 | 3,472 |
| Lead Poison Prevention (MDCH) 9/2018 | 93.994 | BO4MC30620 | 112,248 | 112,248 |
| Lead Poison Prevention (MDCH) 9/2019 | 93.994 | B04MC325508 | <u>133,505</u> | <u>133,505</u> |
| Total Maternal and Child Health Block Grant | | | <u>1,951,112</u> | <u>1,951,112</u> |
| Total Health and Human Services | | | 13,041,819 | 14,048,609 |
| Department of Homeland Security | | | | |
| 2015 Port Security Grant Program (PSGP) | 97.056 | EMW-2015-PU-00135 | - | 50,820 |
| 2016 Port Security Grant Program (PSGP) | 97.056 | EMW-2016-PU-00457 | - | 44,044 |
| 2017 Port Security Grant Program (PSGP) | 97.056 | EMW-2017-PU-00597 | <u>-</u> | <u>81,693</u> |
| Total Port Security Grant Program | | | - | 176,557 |
| EPMG: | | | | |
| 2017 Emergency Management Performance Grant (EMPG) | 97.042 | EMC-2017-EP-00001-S01 | - | 10,000 |
| 2018 Emergency Management Performance Grant (EMPG) | 97.042 | EMC-2018-EP-00001-S01 | - | 8,151 |
| 2019 Emergency Management Performance Grant (EMPG) | 97.042 | EMC-2019-EP-00001-S01 | <u>-</u> | <u>30,839</u> |
| Total EPMG | | | - | 48,990 |

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

| Federal Agency/Pass-through Agency/Program Title | CFDA Number | Pass-through Entity Identifying Number | Total Amount Provided to Subrecipients | Federal Expenditures |
|---|----------------|---|--|-------------------------|
| Department of Homeland Security (Continued) | | | | |
| Assistance to Firefighter Grant - Direct Awards: | | | | |
| 2014 Assistance to Firefighter Grant - Fire Prevention and Safety | 97.044 | EMW-2014-FR-00285 | \$ - | \$ 548,928 |
| 2016 Assistance to Firefighter Grant - Fire Prevention and Safety | 97.044 | EMW-2016-FO-06586 | - | 1,006,292 |
| Total Assistance to Firefighter Grant | | | - | 1,555,220 |
| Homeland Security Grant Program (HSGP): | | | | |
| 2016 HSGP-SHSP | 97.067 | EMW-2016-SS-00010-S01 | - | 372,115 |
| 2016 Urban Area Security Initiative | 97.067 | EMW-2016-SS-00010-S01 | - | 34,592 |
| 2017 Urban Area Security Initiative | 97.067 | EMW-2017-SS-00013-S01 | - | 212,946 |
| Total HSGP | | | - | 619,653 |
| Total Department of Homeland Security | | | - | 2,400,420 |
| Total Federal Awards | | | \$ 32,764,349 | \$ 118,013,468 |

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

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, 2019. 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 Transportation Corporation, Detroit Housing Commission, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Detroit Landbank Authority, Detroit Employment Solutions Corporation, Detroit Building Authority, Public Lighting Authority, Detroit Brownfield Redevelopment Authority, Local Development Finance Authority, Eight Mile/Woodward Corridor Improvement Authority, Museum of African American History and Community Education Commission, which received federal awards that are not included in the Schedule during the year ended June 30, 2019. The Schedule did not include the operations of the above-mentioned entities because they received 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 CFDA 66.468, Capitalization Grants for Drinking Water - State Revolving Fund (DWSRF) program, and CFDA 16.922, Equitable Sharing Program. The DWSRF expenditures are reported on cash basis in accordance with the subrecipient reporting guidelines outlined in the 2019 OMB Compliance Supplement for CFDA 66.468. The expenditures under CFDA 16.922, Equitable Sharing Program, are reported on the same basis as the reporting required, by the Department of Justice, for the Equitable Sharing Agreement and Certification.

Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or 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 Loan Balance

The U.S. Department of Housing and Urban Development has insured certain mortgage loan borrowings (CFDA 14.248) made by the City of Detroit, Michigan through the Planning and Development Department in connection with certain development projects. These loans had an outstanding principal due of \$44.5 million at June 30, 2019. There were no new borrowings in fiscal year 2019. In addition, there are no continuing compliance requirements associated with these loans other than the scheduled repayments, which are excluded from the Schedule.

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 award is managed directly by the State and has not been included in the tests of compliance with laws and regulations associated with the City's single audit. The award is approximately \$9.1 million for the year ended June 30, 2019.

Schedule of Findings and Questioned Costs

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

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? X Yes None reported

Noncompliance material to financial statements noted? X Yes 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:

| CFDA Number | Name of Federal Program or Cluster | Opinion |
|-------------------|--|------------|
| 14.218 | Community Development Block Grant (CDBG) - Entitlement Grants Cluster | Unmodified |
| 14.241 | Housing Opportunities for Persons with AIDS | Unmodified |
| 16.922 | Equitable Sharing Program | Unmodified |
| 20.500 and 20.507 | Federal Transit Cluster | Unmodified |
| 93.914 | HIV Emergency Relief Project Grants (Ryan White HIV/AIDS Program 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, 2019

Section II - Financial Statement Audit Findings

| Reference Number | Finding |
|------------------|--|
| 2019-001 | <p>Finding Type - Material weakness (repeat finding)</p> <p>Criteria - The City should have a process in place to ensure proper financial reporting, which includes proper recording of all journal entries, general ledger balances and footnote disclosures, in accordance with generally accepted accounting principles (GAAP) prior to the commencement of the audit.</p> <p>Condition - The general ledger and underlying financial records were not reconciled and closed in a timely manner. There were numerous adjustments identified during the audit process.</p> <p>Context -</p> <p>City</p> <p>Material adjusting journal entries were proposed by the auditors and posted by the City in order to ensure the financial statements were not misstated.</p> <p>Adjusting journal entries identified during the audit of the City resulted in an increase of approximately \$18.4 million to net position and a decrease of approximately \$63.3 million in net position, for a net change in net position of approximately \$44.9 million, impacting several opinion units, including entries related to the following: increasing the general claims reserve liability and related expense; adjusting the allowance for uncollectible receivables; adjusting the MTT accrual for amounts related to the 2019 assessments; adjusting various account balances related to the Gordie Howe Bridge transaction; adjusting estimated income tax payables; increasing the accounts payable balance for additional payables noted at year end; adjusting the net pension liability, expense, and related deferred inflows and outflows; adjusting interfund receivables and payables; and adjusting receivables and expense related to workers' compensation.</p> <p>In addition to the adjusting entries made as a result of the audit, certain auditor-identified entries related to the City were not recorded due to immateriality, including entries related to the following: recording revenue and a related receivable for the Grand Circus lease; reducing receivables and related deferred revenue for receivables from Cobo Hall that the City deems uncollectible; installment purchase obligations, expenditures, and revenue related to the acquisition of tasers; estimated liability and related expense to record asset retirement obligations; reducing legal reserves for a case that was overaccrued; adjusting the liability for compensated absences for governmental activities and business-type funds; and reducing liabilities and the related expense for payables, payroll, income tax, and refundable deposits that should have been extinguished under bankruptcy. In addition, the City passed on disclosing covered employee payroll for the OPEB plan, as required by GASB Statement No. 85.</p> <p>Deficiencies noted that were not related to adjusting entries were as follows: an item was improperly included in the refundable deposit subledger; the City used "deposits in transit" accounts within its general ledger as clearing accounts, which did not reconcile, nor clear, timely prior to year-end close; the retrospective review performed on the City's legal reserve identified that the City underestimated the legal reserve amount by approximately \$4.5 million for the prior year; and the City and the Detroit Department of Transportation did not have a process in place to evaluate and implement GASB 83, <i>Certain Asset Retirement Obligations</i>.</p> |

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

| Reference Number | Finding |
|-------------------------|---|
| 2019-001 (Continued) | <p>Context (Continued) -</p> <p>Component Units</p> <p>During the Detroit Building Authority (DBA) and Eastern Market Corporation’s (EMC) fiscal year ended June 30, 2019 audit, adjusting entries were identified in order to properly state balances within the general ledger. In addition, the components did not maintain proper cutoff in their accounting systems.</p> <p>Cause - Processes were not in place to ensure year-end closing entries were identified and recorded in the general ledger prior to the commencement of the audit. In addition, the City has a variety of systems, as well as decentralized staff, resulting in a high level of manual intervention in order to compile and complete necessary financial reporting.</p> <p>Effect - If the auditor-identified entries identified above had not been recorded, the financial statements would have been materially misstated.</p> <p>Recommendation - The City, as well as its component units, should continue to work with all departments to ensure a process is implemented to accurately reconcile and record all journal entries, including year-end entries and entries related to complex transactions, prior to the start of the audit. A system will need to be developed to close the financial records in a timely manner, which will include forming reliable estimates for certain accruals since management may not be able to rely on actual subsequent receipts and disbursements in all instances (i.e., lookback adjustments). An independent review of reconciliations and trial balances prior to the start of the audit would assist in identifying and correcting potential errors.</p> <p>Views of Responsible Officials and Planned Corrective Actions - In 2019, the City launched 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 fiscal year 2018 audit findings, many remain in progress through the project plan. The City will add the fiscal year 2019 audit findings to this project to ensure policies, procedures, and training are in place in fiscal year 2020.</p> <p>As part of this process, the City will look at the root cause of journal entries made following the close of the fiscal year and develop processes and reports to prevent or address these earlier. The OCFO staff will systematically review old appropriations, funds, and receivables to determine the proper action in accordance with city policy.</p> <p>Through the AFCAP project, the City will review capital asset policies and procedures. If enhancements are needed to address this finding, the City will do so and provide necessary training to staff. The City is also working on a departmental revenue maximization project that aims to improve processes for billing, collections, payment channel improvement, fee optimization, data cleansing, and reporting optimization. Through this project, the OCFO will review aged receivables according to Treasury policies, interfunds for enterprise funds, and tighten operations for deposits in transit. The City will establish a review calendar to ensure audit schedules are properly reviewed. The OCFO will also work with the law department to improve procedures for reviewing open cases and reserving for them appropriately.</p> <p>DBA and EMC will implement procedures to ensure balances are properly stated and will maintain a proper cutoff.</p> <p>Lastly, DWSD will implement follow-up procedures to ensure any adjustment requests are completed in a timely fashion.</p> |

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

| Reference Number | Finding |
|------------------|--|
| 2019-002 | <p>Finding Type - Material weakness (repeat finding)</p> <p>Criteria - There should be a procedure in place to reconcile bank activity on a timely basis.</p> <p>Condition - The City did not have procedures in place to ensure all reconciling items identified during the preparation of bank reconciliations were resolved and posted timely.</p> <p>Context - The City has a significant number of bank accounts to reconcile each month, and primary accounts have significant monthly activity. During the current year, the City has continued to review accounts to determine if accounts could be closed to increase efficiency and to reduce both costs and the potential for error.</p> <p>We noted during COIN procedures that bank reconciliations are being performed and reviewed. All reconciliations are prepared centrally by one division. Any reconciling items noted during the bank reconciliation process are then distributed to the various responsible division for resolution. Although the bank reconciliations are prepared timely, resolution of the reconciling items can occur 60 days or longer after month end.</p> <p>Cause - The City did not have procedures in place to ensure timely resolution of reconciling items identified in the bank reconciliations.</p> <p>Effect - Without timely recording of cash activity and preparation and review of bank reconciliations, the City could fail to timely identify errors and malfeasance related to cash transactions.</p> <p>Recommendation - We recommend the City continue to review its bank accounts to determine if additional consolidation of accounts is possible. For those accounts that are necessary, we recommend the City ensure adequate resources are available to timely resolve reconciling items.</p> <p>Views of Responsible Officials and Planned Corrective Actions - In 2019, the City launched 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 fiscal year 2018 audit findings, many remain in progress through the project plan. The City will add the fiscal year 2019 audit findings to this project to ensure policies, procedures, and training are in place in fiscal year 2020.</p> <p>As a part of this process, the City will implement procedures to ensure the timely recording of reconciling items identified during the bank reconciliation process. To address timely recording of cash transactions, OCFO has developed a cash accounting and auditing unit that is responsible for the daily recording and reconciliation of all cash transactions. In addition, to facilitate timely resolution of outstanding items, OCFO onboarded additional staff to follow up on outstanding reconciling items. We are also continually working to optimize the functionality of the Oracle Cloud ERP system to automate the bank reconciliation process.</p> |

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

| Reference Number | Finding |
|------------------|--|
| 2019-003 | <p>Finding Type - Material weakness (repeat finding)</p> <p>Criteria - There should be a documented process in place to ensure that the City has proper segregation of duties and approval processes in place related to the appropriateness of cash disbursements and Detroit-Based Business certification process.</p> <p>Condition - There was a lack of adequately documented, segregated, and implemented controls over approval processes related to the appropriateness of certain cash disbursements, and the City did not require a vendor to have a year of residency in Detroit.</p> <p>Context -</p> <ul style="list-style-type: none"> • Both the human resources and payroll audit functions have the ability to initiate and approve a wage or salary change. • In regard to the Internet Supplier Portal transactions, the procurement department does not have the ability to identify or review change requests to suppliers' and vendors' account information, specifically changes to ACH information. • The housing and revitalization department does not have an approved formal process in place for handling contractor payments with US Bank/First Trust, which is done outside of the City's accounts payable system. In addition, the checks issued by US Bank are not being reviewed by the department prior to distribution to the various contractors. • According to the Detroit-Based Business certification process, supporting documentation must be obtained to show one-year residency in Detroit in order to establish business base. <p>Cause -</p> <ul style="list-style-type: none"> • There was a lack of segregation of duties related to the ability to initiate and approve wage and salary changes. • There is a mechanism in place for review and approval of vendor applications and changes to suppliers' and vendors' account information. • The housing and revitalization department does not have an approved formal process in place for handling contractor payments outside of the City's accounts payable system and for the review of contractor distributions. • There was not a process in place to monitor compliance with the one-year residency requirement for Detroit-Based Business certification. <p>Effect -</p> <ul style="list-style-type: none"> • Since human resources and the payroll audit functions have the ability to initiate and approve compensation changes, there is a potential for improper rates to be initiated and approved without a secondary review. • Without a formal process for approval of vendor applications and review of change requests, fictitious accounts and fraudulent changes could occur. • Without a formal process in place for contractor payments and review of check distributions, misappropriation of cash could occur. • Without a formal process in place to ensure compliance with the one-year residency requirement, Detroit-Based Business certification could be improperly granted. |

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

| Reference Number | Finding |
|-------------------------|--|
| 2019-003 (Continued) | <p>Recommendation - We recommend the City implement the following controls:</p> <ul style="list-style-type: none"> • The City should review the duties of human resources and the payroll audit departments to determine which department should initiate wage changes and which should review and approve them to ensure proper segregation of duties. • The City should establish a formal approval process for vendor applications and a formal review process to verify account change requests. It was noted during audit fieldwork that new procedures related to the Internet Supply Portal were implemented. • The City should determine if the City’s normal AP process can be used for contractor payments, and, in addition, the City should establish a formal approval process for the housing and revitalization department to follow in regards to contractor payments to ensure the proper review of information is taking place. • The City should establish a formal process to ensure that the one-year residency requirement is properly verified to ensure Detroit-Based Business certification is appropriately awarded. <p>Views of Responsible Officials and Planned Corrective Actions - Human resources will continue with the implementation of the Ultipro Human Resources Information System (HRIS) and Payroll System. Phase 1 has been implemented. It includes new policies, procedures, and internal controls, and staff will monitor, track, and measure the adequacy of the internal controls. We have also reassigned the initiation of wage changes from payroll audit to human resources to ensure proper segregation of duties. These new policies and procedures will also include controls over compensated absence bank payouts. These new procedures will include validation checks to ensure that accumulated hours are accurate based on source data. The procedures will also include a separate review and authorization process to ensure accuracy.</p> <p>During July 2019, the City implemented a policy that segregates the duties and responsibilities of human resources and payroll audit departments. The policy also included monitoring controls to ensure system access aligns with the controls described in policy.</p> <p>As a part of the AFCAP project, a new process was implemented to monitor vendor account changes outside the normal course of business activity on a monthly basis.</p> <p>Through the Audit Finding Corrective Action Plan (AFCAP) project, the OCFO has reviewed the current processes and different options for payments currently made through First Trust. In collaboration with the department and multiple division within OCFO, the OCFO will determine the best procedure to meet business needs with the appropriate controls. The approved policies, procedures, and staff training will be put into place prior to June 30, 2020.</p> <p>The civil rights, inclusion, and opportunity (CRIO) department will continue to follow the established certification process and perform quality checks. We have updated our database monitoring systems, and we are expanding the team to meet the demand of business certification applications. During fiscal year 19, CRIO enhanced the procedures within its certification process to ensure each vendor has at least a one-year residency in Detroit.</p> |

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

| Reference Number | Finding |
|------------------|---|
| 2019-004 | <p>Finding Type - Material weakness (repeat finding)</p> <p>Criteria - The City, in conjunction with the City's retirement systems (police and fire and general) (the "Retirement Systems"), as well as the Detroit Transportation Corporation (DTC), a component unit of the City, should have a documented process to ensure timely and accurate accumulation, review, and submission of census data to the Retirement Systems' actuary in order to obtain the information required to comply with GASB Statement Nos. 67 and 68.</p> <p>Condition - During the audit of the census data provided to the actuary, several instances of errors were noted in the data or there was missing data that resulted in incomplete information.</p> <p>Context - The specific issues noted include the following:</p> <p>City</p> <ul style="list-style-type: none"> • Frozen accrued benefits (Police and Fire and General retirement systems Component II) - As Component II is frozen as of June 30, 2014, a calculation of individuals' frozen accrued benefits for active members should be performed and provided to the actuary. Currently, these calculations have not been performed, and the actuary is estimating based on average final compensation (AFC) and sick bank data as of June 30, 2014 provided by the systems. • Completeness of census data (Police and Fire and General retirement systems Components I and II) - Based on the testing performed, it was noted some members were either improperly included or excluded from the data sent to the actuary. In addition, some key employee data was missing for members. • Active pay amount (General Retirement System Component I) - The actuary uses an active member's current pay in its calculation for determining a member's estimated future benefit. Based on the testing performed, some discrepancies were noted between the pay information provided to the actuary and pay information from the City. • Member classifications (General Retirement System Components I and II) - Based on the testing performed, some members were incorrectly classified between the three statuses (active, deferred, or retired). Incorrect classification leads to inaccurate actuarial calculations being performed on those members. • Death audit (General Retirement System Components I and II) - It was noted that a death audit was not performed on the deferred members list sent to the actuary. These issues could lead to the pension liability being misstated due to incomplete or inaccurate information. • Based on discussions with the actuary and review of the actuarial valuations, it was noted that significant work is performed on the original census provided by the Police and Fire and General retirement systems that is ultimately used in the valuations. This includes removing ineligible individuals and reclassifying individuals between the different statuses (active, deferred, and retired). <p>Component Units</p> <ul style="list-style-type: none"> • During the audit of DTC, it was noted that the census reconciliation to the actuaries was not readily available. In addition, there were discrepancies noted in the data related to the following: missing census data, inaccurate reconciliations and lack of support for payments made, and inaccurate employee data. |

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

| Reference Number | Finding |
|-------------------------|---|
| 2019-004 (Continued) | <p>Cause -</p> <p>City</p> <p>The City provides active pay data to the Retirement Systems, but sometimes that data is not accurate or complete. The Retirement Systems maintain census information for retired or deferred members. While the Retirement Systems do have a process in place to review the census data prior to providing it to the actuary, the City should have a process in place to ensure that the census information is complete and accurate.</p> <p>Component Units</p> <p>DTC should have a process in place to ensure that the census information is complete and accurate, as well as the related reconciliations.</p> <p>Effect - Without procedures to ensure timely accumulation of complete and accurate census data, the City's net pension liability that is recorded on the statement of net position of each affected opinion unit, as well as DTC's net pension liability, could be materially misstated.</p> <p>Recommendation -</p> <p>City</p> <p>We recommend the City, in conjunction with the Retirement Systems, implement the following processes and controls:</p> <ul style="list-style-type: none"> • Frozen accrued benefits - It is recommended the City and the Retirement Systems complete the calculations of the final frozen accrued benefits as of June 30, 2014 and provide the data to the actuary as soon as possible; this would result in the most accurate calculation of the total pension liability of Component II. • Completeness of census data - As the Component I and II census data is retained in the same database, it is recommended the City and the Retirement Systems have a process in place to accurately determine which members are eligible for each plan. Also, we recommend a more robust review of census data prior to sending the census information to the actuary to identify any missing data; subsequent follow-up should be performed timely prior to remitting the data to the actuary. • Active pay amount - It is recommended the City and/or the Retirement Systems perform sample testing on the data sent to the actuary to ensure it is providing the proper compensation information, as defined in the plan of adjustment. • Member classifications - It is recommended the City and/or the Retirement Systems perform more robust review of census data prior to sending the census information to the actuary to identify errors between the classification of employees as active, deferred, or retired. • Death audit - We encourage the City and/or the Retirement Systems to put in place more comprehensive procedures to further ensure the accuracy of this census data, particularly for deferred members who were not subject to a death audit this past year. • We recommend the Retirement Systems perform high-level analytical procedures on the census data to ensure the ultimate reporting by the actuary encompasses the totality of the information that the Retirement Systems actually provided. |

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

| Reference Number | Finding |
|-------------------------|--|
| 2019-004 (Continued) | <p data-bbox="360 514 756 541">Recommendation (Continued) -</p> <p data-bbox="360 562 584 590"><i>Component Units</i></p> <p data-bbox="360 611 1482 793">We strongly recommend that DTC collaborate with the plan actuary and review the census data files for all pension plan participants in their entirety to ensure that all components agree to DTC's information. Once this complete review is performed, we recommend that DTC develop a procedure to periodically check samples or portions of the census data files that the actuary utilizes on a recurring basis. We also recommend that any over/underpayments of benefits should be corrected per correct benefit payment calculations.</p> <p data-bbox="360 814 1482 903">Views of Responsible Officials and Planned Corrective Actions - The Retirement Systems will develop procedures to ensure the appropriate level of review is performed on the census data by the appropriate staff.</p> |

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

| Reference Number | Finding |
|------------------|---|
| 2019-005 | <p>Finding Type - Material weakness (repeat finding)</p> <p>Criteria - The City should have appropriate continual overall monitoring procedures in place over the general ledger and external financial reporting function to ensure timely and accurate financial statements are able to be produced throughout the fiscal year.</p> <p>Condition - The City lacked appropriate reconciliation procedures and overall monitoring of account balances that are necessary for accurate financial reporting during the year. A variety of systems, decentralized staff, and manual procedures are required to compile complete and accurate financial reports, which, in some cases, are not being completed in a timely manner during the year. In addition, procedures are not in place to ensure that accounts and funds are reviewed regularly for accuracy and for completeness of all transactions involving the City. There is no comprehensive system that ensures overall monitoring of each department or fund's general ledger activity, both during the year and at year end. Periodic user access reviews to Oracle (the City's general ledger software) are also not being performed.</p> <p>Context - The lack of effective overall monitoring procedures delayed the City's year-end closing process and resulted in numerous general ledger balances to require reconciliations and adjustments identified during the audit. Likewise, during the year, financial reporting is not accurate and timely as a result of a lack of comprehensive overall general ledger monitoring. Without a user access review over the general ledger, there is potential for unauthorized user access to the general ledger system. In addition, the presence of manual procedures can increase the risk for errors or misappropriations.</p> <p>Cause - The City did not have effective comprehensive overall monitoring procedures in place to ensure accurate financial reporting. In addition, procedures were not in place to ensure user access reviews were periodically performed.</p> <p>Effect - As a result of the lack of appropriate overall monitoring procedures, the City is not able to produce accurate financial reports throughout the year. In addition, during the audit, auditor-proposed journal entries were necessary to account for transactions involving the City that were not addressed as a result of the lack of monitoring procedures. Without the monitoring and user access controls, there is an increased risk of error or fraud and potential for inappropriate user access.</p> <p>Recommendation - The City should develop comprehensive overall monitoring procedures to aid in ensuring that all activity in a fund is complete, accurate, and logical throughout the year. This includes assigning an appropriate individual to each general ledger account and/or fund, as well as assigning several individuals to be responsible for the entire general ledger and city financial statements to perform monitoring, analytical analysis, and adjustment, as needed. We recommend reconciliations, review, and analysis be performed at least on a monthly basis. In addition, procedures should be in place to ensure all transactions the City is involved in are reflected timely and accurately in the general ledger. Furthermore, to the extent possible, processes should be automated and a system should be in place to ensure regular user access reviews of Oracle are performed.</p> |

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

| Reference Number | Finding |
|-------------------------|---|
| 2019-005 (Continued) | <p>Views of Responsible Officials and Planned Corrective Actions - As part of the Audit Finding Corrective Action Plan (AFCAP) project, the City will look at the root cause of journal entries made following the close of the fiscal year and develop processes and reports to improve reconciliation procedures and overall monitoring. The OCFO staff will systematically review old appropriations, funds, and receivables to determine the proper action in accordance with city policy.</p> <p>OCFO will implement procedures to review user access for all users to determine that the current access is consistent with current job responsibilities and approved access.</p> |

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

| Reference Number | Finding |
|------------------|---|
| 2019-006 | <p>Finding Type - Material noncompliance and material weakness (repeat finding)</p> <p>Criteria - There should be a process in place to ensure that the City complies with laws and regulations.</p> <ul style="list-style-type: none"> • The Uniform Unclaimed Property Act (Public Act 29 of 1995) requires the Michigan Holder Transmittal Annual Report of Unclaimed Property to be submitted annually by November 1. Any holder of unclaimed property who fails to file a report of unclaimed property is subject to fines and penalties, as prescribed in Public Act 29 of 1995. • Per Public Act 2 of 1968, Section 141.435 (2), states' total budgeted expenditures shall not exceed estimated revenue plus accumulated fund balance. Per Section 141.438 (3), "Except as otherwise provided in Section 19, an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body." In addition, all funds must have a legally adopted budget. <p>Condition - There were instances identified where the City was not in compliance with laws and regulations as follows:</p> <ul style="list-style-type: none"> • The City has outstanding checks or liabilities recorded related to payroll, accounts payable, refundable deposits, income tax, and property tax refunds that have not been escheated to the State of Michigan. Many of these checks/liabilities have been outstanding for several years. • The City's final budget for certain nonmajor funds resulted in a projected deficit. There were expenditures incurred against appropriations in excess of the amount appropriated by the City Council. In addition, a fund required to adopt a budget did not have an approved budget. <p>Context -</p> <ul style="list-style-type: none"> • The City has recorded a liability for amounts to be escheated to the State of Michigan, including estimated penalties and interest, at June 30, 2019. • For a certain nonmajor funds, the City's final budget resulted in a projected fund deficit, as presented in the required supplemental information. For certain appropriations, the City's actual expenditures exceeded its corresponding appropriation, as presented in the notes to the financial statements. The City did not have a legally adopted budget for a special revenue fund. <p>Cause - There is no process in place to fully monitor compliance with laws and regulations throughout the year.</p> <p>Effect - The City was out of compliance with the laws and regulations identified above.</p> <p>Recommendation - We recommend the City implement a process that identifies specific individuals responsible for identifying and monitoring applicable compliance requirements throughout the year. In addition, the City should consider filing a Voluntary Disclosure Agreement (Form 4869) when submitting escheatments to the State.</p> |

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

| Reference Number | Finding |
|-------------------------|--|
| 2019-006 (Continued) | <p>Views of Responsible Officials and Planned Corrective Actions - As part of the AFCAP, OCFO will develop, document, and implement a procedure to escheat all applicable liabilities to the State of Michigan. This procedure will require escheatment to the State within the appropriate amount of time to avoid incurring additional fees.</p> <p>As part of the CFO's strategic objectives to restructure and reorganize the financial operations of the City, the OCFO is preparing and reviewing monthly budget-to-actual reports and appropriation status reports to monitor, mitigate, and correct such technical noncompliance with the Uniform Budgeting and Accounting Act throughout the year. The OCFO is identifying and correcting root causes, such as recurring payroll expenditures linked to incorrect budget accounts and other recording errors. Furthermore, the OCFO is reviewing and making appropriate adjustments to ensure budget and actual data are recorded and presented on a consistent basis.</p> |

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

| Reference Number | Finding |
|------------------|--|
| 2019-007 | <p>Finding Type - Material weakness</p> <p>Criteria - The City, Eastern Market Corporation, and the Detroit Public Library should have processes in place to all activity related to capital assets is properly recorded and reflected in the financial statements and disclosures.</p> <p>Condition - The City and its component units do not have processes in place to effectively identify and capitalize all assets acquired during the year. In addition, the City does not have a process in place to ensure additions and disposals are properly identified and depreciation is properly calculated. The City did not have procedures in place to properly analyze and reconcile the AssetWorks inventory performed during the year to ensure adjustments were properly reflected in the City's accounting records.</p> <p>Context - The City did not have processes in place to ensure that capital assets were properly accounted for and reported in the financial statements. The following issues were identified during the City audit: initial recording of capital assets was incomplete and did not include all assets acquired during the year, disposals were not identified, assets previously placed in service were not identified, depreciation was not properly calculated, additions identified by AssetWorks impacted capital outlay and depreciation expense misclassifications, and the AssetWorks inventory was not properly analyzed, and, as a result, assets were duplicated, recorded at incorrect amounts, and had incorrect in-service dates. In addition, there were several instances where cutoff was not proper for ongoing construction projects, resulting in the balance being understated. As a result, capital asset adjustments were identified as part of the City's external audit totaling approximately \$24 million.</p> <p>Detroit Public Library</p> <p>The Library fixed asset subsidiary ledger did not match the audited balance from the prior year audit.</p> <p>Eastern Market Corporation</p> <p>Eastern Market Corporation's identification of assets was off by approximately \$2.5 million, which resulted in the need to adjust accumulated depreciation and depreciation expense.</p> <p>Cause - Procedures were not in place to ensure an effective internal review process of the capital asset activity occurred.</p> <p>Effect - As a result of the lack of appropriate controls and procedures over capital asset recording, material journal entries were necessary to properly state year-end balances.</p> <p>Recommendation - The City, Eastern Market Corporation, and the Detroit Public Library should develop overall monitoring procedures to ensure that all capital asset activity is reconciled to the general ledger system timely and accurately.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Through the AFCAP project, the City will review capital asset policies and procedures. If enhancements are needed to address this finding, the City will do so and then provide necessary training to staff.</p> |

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

| Reference Number | Finding |
|------------------|---|
| 2019-008 | <p>Finding Type - Significant deficiency</p> <p>Criteria - The City should have a process in place to ensure proper reconciliation of accounting information with all departments and agencies.</p> <p>Condition - The City did not have procedures in place to properly reconcile accounting information with all departments and agencies. The City, in conjunction with the Retirement Systems, did not have effective controls and processes in place to ensure the correct employee and employer contributions were being made.</p> <p>During the audit for the Detroit Water and Sewer Department, we noted certain invoices from the Great Lakes Water Authority were improperly included in accounts payable at year end. The balances on these particular invoices were settled in the prior year as part of the bifurcation and final negotiations with the Great Lakes Water Authority. The payables were flagged in the system during fiscal year 2020 as closed, and, therefore, no payment would have been made on them. Despite being flagged in the system as closed, the general ledger and accounts payable detail were not updated to reflect the adjustment in fiscal year 2019.</p> <p>Context -</p> <p>The City, in conjunction with the City's retirement systems (Police and Fire and General) (the "Retirement Systems"), should have processes in place to verify that employer and employee contributions are being made at the rates specified by the Plan of Adjustment.</p> <ul style="list-style-type: none"> • Employer contributions - The reports used to calculate the pensionable wages for Component I employer contributions had calculation errors. The amount is not material, and errors resulted in both overbilled and underbilled invoices. • EE contributions - There were discrepancies noted between the amount of Component I employee contributions withheld at the City and the amount remitted to the combined plan. Also, proper procedures were not in place to verify that employees were making the correct contributions, and, as a result, there were employees not making the required contribution amount or, in some cases, making no contribution at all. <p>The auditors identified invoices to the Great Lakes Water Authority that were improperly included in accounts payable at year end in the amount of \$1.5 million in the Water Fund and \$2.3 million in the Sewage Disposal Fund.</p> <p>Cause - Due to the manual process and staffing changes that took place during the year, effective controls and procedures were not in place over employer and employee contributions.</p> <p>In addition, the City does not have a formal reconciliation process in place to ensure all transaction requests made by departments and agencies are properly updated in the system.</p> <p>Effect - As a result of the lack of appropriate controls and procedures over Component I employer and employee contributions, there were errors in the calculation of contributions and also discrepancies in contribution amounts received by the combined plan.</p> <p>Without proper reconciliations with the departments and agencies, transactions may be recorded in the wrong time periods, resulting in the financial statements being misstated.</p> |

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

| Reference Number | Finding |
|-------------------------|--|
| 2019-008 (Continued) | <p>Recommendation - The City, in conjunction with the Retirement Systems, should implement an effective process to verify that the correct Component I employee and employer contributions were being made and that those contributions were properly remitted to the appropriate plans. The City should continue to work with all departments to ensure a process is implemented to accurately reconcile and record all journal entries, including year-end entries.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Through the AFCAP project, the City and the Retirement System will implement a process to ensure employee and employer contributions are correct. The process will include a timely resolution process.</p> |

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section III - Federal Program Audit Findings

| Reference Number | Finding |
|------------------|---|
| 2019-009 | <p>CFDA Number, Federal Agency, and Program Name - CFDA #16.922 - Department of Justice - Equitable Sharing Program</p> <p>Federal Award Identification Number and Year - N/A</p> <p>Pass-through Entity - N/A - Direct funded</p> <p>Finding Type - Material weakness and material noncompliance with laws and regulations</p> <p>Repeat Finding - No</p> <p>Criteria - Section VI.A.(7) of the Department of Justice and the Department of the Treasury July 2018 Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies, (the "Guide"), requires that the state or local participating law enforcement agency report all transactions using cash-based accounting methods.</p> <p>Annually agencies must submit an Equitable Sharing Agreement and Certification (ESAC), which includes the agency's annual Affidavit and details an agency's receipts and expenditures of equitably shared funds for both the Department of Justice and the Department of Treasury Equitable Sharing Programs.</p> <p>Condition - The City's fiscal year 2019 ESAC did not report the equitable sharing funds spent using cash-based accounting methods.</p> <p>Questioned Costs - None</p> <p>Identification of How Questioned Costs Were Computed - Not applicable, reporting matter only</p> <p>Context - The City is required to prepare and submit the ESAC, for the fiscal year ended June 30, 2019, to the Department of Justice using cash-based accounting methods. The equitable sharing funds spent line item included \$4.4 million of expenditures, all of which were paid in August 2019, i.e., subsequent to the June 30, 2019 fiscal year end. During the fiscal year ended June 30, 2019, there were no expenditures paid.</p> <p>Cause and Effect - The City reported the expenditures on the ESAC based on when the City initiated the payment process rather than when the check was available for disbursement to the vendor. As a result, cash-based accounting methods were not followed for the initial ESAC submission for the year ended June 30, 2019.</p> <p>Prior to the issuance of the City's fiscal year 2019 single audit report, the City concluded to amend the fiscal year 2019 ESAC to reduce the equitable sharing funds spent line item by \$4.4 million. As of the report date, the ESAC was amended; the SEFA and ESAC for the year ended June 30, 2019 differ by \$4.4 million.</p> <p>Recommendation - We recommend that the City review its procedures and controls to ensure transactions reported on the ESAC are cash based. We further recommend that a review of the ESAC be established, prior to its submission, to ensure it is complete, accurate, and consistent with the reporting requirement of the Guide.</p> <p>Views of Responsible Officials and Corrective Action Plan - The City will implement review procedures to ensure the ESAC report is accurate. The report will be amended to reflect the cash basis of accounting, as required.</p> |

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section III - Federal Program Audit Findings (Continued)

| Reference Number | Finding |
|------------------|---|
| 2019-010 | <p>CFDA Number, Federal Agency, and Program Name - CFDA #14.241 - Department of Housing and Urban Development - HOPWA</p> <p>Federal Award Identification Number and Year - MIH15-F001, MIH16-F001, MIH17-F001 and MIH18-F001</p> <p>Pass-through Entity - N/A</p> <p>Finding Type - Significant deficiency and material noncompliance with laws and regulations</p> <p>Repeat Finding - No</p> <p>Criteria - 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, is specifically designated by the agency to meet the family's housing costs.</p> <p>Condition - During eligibility testing, Plante & Moran, PLLC (PM) noted two errors in the rental assistance amount charged to participants. In the first instance, the calculation of rental assistance for one out of 60 participants was improperly calculated. In the second instance, the calculation of rental assistance for one out of 60 participants appropriately utilized the three methods in the criteria noted above to determine the participant's payment amount. Instead of the higher of the three calculations being charged to the participant, the lesser of the three amounts was improperly charged to the participant.</p> <p>Questioned Costs - \$3,941</p> <p>Identification of How Questioned Costs Were Computed - Questioned costs represent actual rental assistance, provided to a participant during fiscal year 2019, in excess of the amount they were eligible to receive.</p> <p>Context - Out of 60 samples selected for testing, PM noted two instances of errors in the calculation of the rent contributions due from the participant. In the first instance, the participant's rent contribution was undercharged \$85 per month over a period of nine months. In the second instance, the participant's rent contribution was undercharged \$397 per month over a period of eight months.</p> <p>Cause and Effect - The participant rent contribution calculations were not reviewed prior to the participant's assessment. The participants were assessed too little based on the requirements of 24 CFR 574.310, and the errors were not detected.</p> <p>Recommendation - We recommend that the City implement a detailed review process of the participants' rent assessment prior to finalizing the benefits and communicating the same to the participant.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The health department will take additional training surrounding HOPWA financial management and rent calculations. The health department will also implement additional review procedures to ensure the accuracy of the rent calculation before finalizing participant benefits.</p> |