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# City of Detroit, Michigan

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**Federal Awards  
Supplemental Information  
June 30, 2020**

**Independent Auditor's Reports**

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance 1-2

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* 3-4

Report on Compliance for Each Major Federal Program and Report on Internal Control Over  
Compliance Required by the Uniform Guidance 5-6

**Schedule of Expenditures of Federal Awards** 7-11

**Notes to Schedule of Expenditures of Federal Awards** 12

**Schedule of Findings and Questioned Costs** 13-29

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, 2020 and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 17, 2020, 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 17, 2020.

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 76.36 percent, 74.10 percent, and 59.49 percent of the assets, net position/fund balance, 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 \$225.8 million, \$39.5 million, and \$26.5 million, respectively, as well as the Detroit Building Authority and Greater Detroit Resource Recovery Authority, which collectively represent 1.12 percent, 0.32 percent, and 4.94 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 above, is based on the report 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, Detroit Building Authority, Greater Detroit Resource Recovery Authority, and Joint Employment and Procurement Advisory Board. 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 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 20, 2021

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, 2020 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 17, 2020.

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 76.36 percent, 74.10 percent, and 59.49 percent of the assets, net position, 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 \$225.8 million, \$39.5 million, and \$26.5 million, respectively, as well as the Detroit Building Authority and Greater Detroit Resource Recovery Authority, which collectively represent 1.12 percent, 0.32 percent, and 4.94 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) 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.

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.

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

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 did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Findings 2020-001, 2020-002, 2020-003, 2020-004, 2020-005, and 2020-006 to be material weaknesses.

### **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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as Finding 2020-005.

### **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 17, 2020

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, 2020. 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 Public Library, Detroit Transportation Corporation, Detroit Housing Commission, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Detroit Land Bank 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, Greater Detroit Resource Recovery Authority, Joint Employment and Procurement Advisory Board, 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, 2020. 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, 2020.

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 the Uniform Guidance, which are described in the accompanying schedule of findings and questioned costs as Findings 2020-007, 2020-008, 2020-009, and 2020-010. 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 them.

**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.

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. 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.

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. We did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as Findings 2020-007, 2020-008, 2020-009, and 2020-010, that we consider to be material weaknesses.

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 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.



January 20, 2021



Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
<b>Department of Agriculture</b>				
Passed through Michigan Department of Education:				
Summer Food Service Program for Children	10.559	N/A	-	\$ 266,575
COVID-19 Summer Food Service Program for Children	10.559	N/A	-	1,705,998
Total Summer Food Service Program for Children			-	1,972,573
Passed through Michigan Department of Education -				
2019 Child and Adult Care Food Program	10.558	N/A	-	7,396
Passed through Michigan Department of Health and Human Services:				
Special Supplemental Nutrition Program for Women, Infants, and Children 2019	10.557	192M003W1003	1,358,737	1,377,936
Special Supplemental Nutrition Program for Women, Infants, and Children Breastfeeding 2019	10.557	192M003W1003	34,413	39,551
Special Supplemental Nutrition Program for Women, Infants, and Children Breastfeeding 2020	10.557	202M003W1003	99,343	101,964
Special Supplemental Nutrition Program for Women, Infants, and Children 2020	10.557	202M003W1003	3,081,446	3,299,066
Total Supplemental Nutritional Assistance Program WIC			4,573,939	4,818,517
Total Department of Agriculture			4,573,939	6,798,486
<b>Department of Commerce</b>				
Passed through the Michigan Department of National Resources -				
Coastal Zone Management Administration Awards - FY18 Maheras-Gentry Park	11.419	NA17NOS4190177	-	54,800
<b>Department of Housing and Urban Development</b>				
Direct Programs -				
CDBG Entitlement Grants Cluster:				
Community Development Block Grant	14.218	B-14-MC-26-0006	1,160,767	3,563,767
Community Development Block Grant	14.218	B-15-MC-26-0006	218,694	737,156
Community Development Block Grant	14.218	B-16-MC-26-0006	2,674,771	2,872,276
Community Development Block Grant	14.218	B-17-MC-26-0006	3,127,339	3,175,303
Community Development Block Grant	14.218	B-18-MC-26-0006	4,783,232	7,642,049
Community Development Block Grant-sec 108 loans	14.218	B-19-MC-26-0006	1,107,689	11,320,139
Neighborhood Stabilization Program (NSP) 1	14.218	B-08-MN-26-0004	-	197,136
Community Development Block Grant - Declared Disaster Recovery	14.218	B-15-MC-26-2006	-	2,308,224
Total Community Development Block Grant Entitlement Grants Cluster			13,072,492	31,816,050
Direct Programs:				
Emergency Shelter Grant (ESG)	14.231	E-15-MC-260006	39,119	97,776
Emergency Shelter Grant (ESG)	14.231	E-16-MC-260006	36,002	43,702
Emergency Shelter Grant (ESG)	14.231	E-17-MC-260006	657,611	946,088
Emergency Shelter Grant (ESG)	14.231	E-18-MC-260006	1,371,531	1,549,099
Emergency Shelter Grant (ESG)	14.231	E-19-MC-260006	569,129	569,129
COVID-19 Emergency Shelter Grant (ESG)	14.231	E-20-MW-26-0006	23,277	23,277
Total Emergency Shelter Grant (ESG)			2,696,669	3,229,071
Direct Programs:				
Home Investment Partnership (Special Housing)	14.239	M-15-MC-26-0202	-	654,259
Home Investment Partnership (Special Housing)	14.239	M-16-MC-26-0203	-	1,773,538
Home Investment Partnership (Special Housing)	14.239	M-17-MC-26-0203	-	3,241,889
Total Home Investment Partnership			-	5,669,686
Direct Programs:				
Housing Opportunities for Persons with AIDS	14.241	MIH17-F001	158,414	158,414
Housing Opportunities for Persons with AIDS	14.241	MIH18-F001	1,623,787	1,623,787
Housing Opportunities for Persons with AIDS	14.241	MIH19-F001	948,311	948,311
Total Housing Opportunities for Persons with AIDS			2,730,512	2,730,512

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2020

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
<b>Direct Programs:</b>				
Lead Hazard Reduction Demonstration Grant Program	14.905	MILNG0007-19	\$ -	\$ 21,360
Lead Hazard Reduction Demonstration Grant Program	14.905	MILHB0682-18	-	<u>277,911</u>
Total Lead Hazard Reduction			-	<u>299,271</u>
Total Department of Housing and Urban Development			18,499,673	43,744,590
<b>Department of Interior - Historic Preservation</b>				
Passed through the Michigan Department of Natural Resources -				
Outdoor Recreation Acquisition, Development and Planning-FY17 LWCF Mariner Park	15.916	26-01782	-	50,000
<b>Direct Programs -</b>				
Challenge Cost Share National Park Service - FY 2019 Forest Service Challenge Cost Share	15.943	19-CS-11090100-016	-	<u>2,654</u>
Total Department of Interior			-	52,654
<b>Department of Justice</b>				
<b>Direct Programs -</b>				
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	N/A	-	1,647,442
Passed through Michigan Department of Health and Human Services:				
Crime Victim Assist - V.O.C.A. 2018 / 2019	16.575	2016-VA-GX-0021	-	230,770
Crime Victim Assist - V.O.C.A. 2019 / 2020	16.575	E20201880-00	-	<u>612,246</u>
Total Crime Victim Assistance			-	843,016
Passed through Michigan Department of Health and Human Services -				
Sexual Assault Services Formula Program-STOP Violence Against Women Formula Grant	16.017	2016-WF-AX0023	-	72,121
<b>Direct Programs - Encourage Arrest Policies and Enforcement of Protection Orders Program-Encourage Arrest Detroit</b>				
Domestic Violence Reduction Project 2015-2016	16.590	2015-WE-AX-0043	-	50,375
Passed through Black Family Development - Project Safe Neighborhoods				
	16.609	2018-GP-BX-0036	-	137,432
<b>Direct Programs:</b>				
Public Safety Partnership & Community Policing Grants - 2016 COPS Hiring Program	16.710	2016-UL-WX-0037	-	105,624
Public Safety Partnership & Community Policing Grants - 2017 COPS Hiring Program	16.710	2017-UL-WX-0023	-	<u>629,890</u>
Total COPS Grants			-	735,514
<b>Direct Programs:</b>				
Edward Byrne Memorial Justice Assistance Grant Program-FY18 Crime Gun Intelligence Center CGIC	16.738	2018-DG-BX-0003	-	105,568
Edward Byrne Memorial Justice Assistance Grant Program-FY16 Smart Policing Initiative - Smart Policing Innovation	16.738	2016-WY-BX-0005	-	192,502
Passed through the County of Wayne, Michigan:				
2016 Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX0989	-	96,483
2018 Edward Byrne Memorial Justice Assistance Grant Program	16.738	2018-DJ-BX-0620	-	801,233
2017 Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-DJ-BX-0955	-	813,402
2019 Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-MJ-BX-0191	-	<u>38,466</u>
Total Edward Byrne Memorial Justice Assistance Grant Program (JAG)			-	2,047,654
<b>Direct Programs:</b>				
Edward Byrne Memorial Competitive Grant Program - FY 16 Police Prosecutor Partnership Initiative Grant	16.751	2017-DG-BX-K012	-	297,050
Comprehensive Opioid, Stimulant, and Substance Abuse Program - FY18 Comprehensive Opioid Abuse Site	16.838	2018-AR-BX-K110	-	33,427
Passed through the Community Health & Social Services Center -				
Consolidated And Technical Assistance Grant Program to Address Children and Youth Experiencing Domestic and Sexual Violence and Engage Men and Boys as Allies-2015 Community Health and Social Services Center-National Crime Victims Rights Week	16.888	2015-CY-AX-0006	-	<u>367</u>
Total Department of Justice			-	5,864,398

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2020

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
<b>Department of Transportation</b>				
Passed through the Michigan Department of Transportation:				
Highway Planning and Construction	20.205	1900(025)	\$ -	\$ 768,865
Highway Planning and Construction	20.205	1682(269)	-	1,316
Highway Planning and Construction	20.205	194410A	-	255,199
Passed through the SEMCOG -				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.205	SEMCOG CPG16-17006	-	314,304
Total Highway Planning and Construction Cluster			-	1,339,684
Direct Programs -				
Federal Transit Capital Investment Grants:				
Federal Transit Capital Investment Grant	20.500	MI-03-0241	-	118,210
Federal Transit Capital Investment Grant	20.500	MI-2017-005	-	750
Federal Transit Capital Investment Grant	20.500	MI-34-0006	-	163,462
Federal Transit Capital Investment Grant	20.500	MI-04-0093	-	2,377,700
Total Federal Transit Capital Investment Grants			-	2,660,122
Direct Programs -				
Federal Transit Formula Grants:				
Federal Transit Formula Grants	20.507	MI-90-X605-00	-	4,686,719
Federal Transit Formula Grants	20.507	MI-2016-006	-	15,196,921
COVID-19 5307-Urbanized Area Formula Grants (Cares Act)	20.507	MI-2020-022	-	8,435,892
Federal Transit Formula Grants	20.507	MI-2018-013	-	4,746,162
Federal Transit Formula Grants	20.507	MI-2018-014	-	9,747,566
Total Federal Transit Formula Grants			-	42,813,260
Direct Programs - Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs				
Total Federal Transit Cluster	20.526	MI-2016-024	-	1,557,984
Total Federal Transit Cluster			-	47,031,366
Transit Services Program Cluster - Direct Programs:				
Job Access and Reverse Commute Grant	20.516	MI-37-X041-02	-	364,877
New Freedom Program Grant	20.521	MI-57-X015-02	-	948,946
Total Transit Services Programs Cluster			-	1,313,823
Highway Safety Cluster - Passed through Michigan Department of State Police -				
State and Community Highway Safety:				
State and Community Highway Safety Program 2018-2019	20.600	PT-19-04	-	3,645
State and Community Highway Safety Program 2019-2020	20.600	PT-20-31	-	14,288
Total State and Community Highway Safety			-	17,933
National Priority Safety Programs - Passed through Michigan Department of State Police:				
State and Community Highway Safety-FY19 Detroit Pedestrian/Bike Overtime Enf Grant	20.616	PS-19-06	-	8,133
State and Community Highway Safety-Detroit Safe Routes Ambassador Program	20.616	PS-19-02	-	33,202
State and Community Highway Safety-FY2020 Pedestrian & Bicycles Overtime Enforcement Grant	20.616	PS-20-04	-	6,670
State and Community Highway Safety-2019 Youth and Alcohol Enforcement	20.616	AL 19-06	-	6,685
Total National Priority Safety Programs			-	54,690
Total Highway Safety Cluster			-	72,623
Total Department of Transportation			-	49,757,496
<b>Department of Treasury</b>				
Direct Programs - COVID-19 Coronavirus Relief Fund	21.019	N/A	-	107,417,691
<b>Environmental Protection Agency</b>				
Passed through Michigan Department of Environmental Quality -				
Drinking Water State Revolving Fund Cluster -				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	7414-01	-	977,890
Passed through Southwest Detroit Environmental Vision:				
Diesel Emission Reduction Act (DERA) National Grants-National Clean Diesel Funding Assistance Program	66.039	00E02336	-	307,481
Diesel Emission Reduction Act (DERA) National Grants-National Clean Diesel Funding Assistance Program	66.039	00E02428	-	392,816
Total Diesel Emission Reduction Act (DERA) National Grants			-	700,297
Direct Programs:				
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements -				
Brownfield Cleanup Revolving Loan Fund	66.818	BF-00E01519	-	11,410
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements -				
FY19 Brownfield Redevelopment Program Assessment Grant	66.818	BF-00E01519	-	1,809
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements -				
US0079A Brownfields Program (Part A): Assessment Grants	66.818	BF-00E01519	-	28,432
Total Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements			-	41,651
Total Environmental Protection Agency			-	1,719,838

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2020

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
<b>Department Health and Human Services</b>				
Passed through the Michigan Department of Health and Human Services:				
National Bioterrorism Hospital Preparedness Program - Bioterrorism Emerg Prep 9/2020	93.889	U3REP190584	\$ 119,794	\$ 122,980
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements - Public Health Emergency Preparedness 9/2019	93.074	NU90TP921906	48,247	48,247
Passed through the Michigan Department of Health and Human Services:				
Public Health Emergency Preparedness 9/19	93.069	NU90TP000528	21,271	21,942
Public Health Emergency Preparedness 9/20	93.069	NU90TP922062	<u>123,181</u>	<u>168,524</u>
Total Public Health Emergency Preparedness			144,452	190,466
Passed through the Michigan Department of Health and Human Services:				
Public Health Emergency Response: CoAg Public Health Crisis Response	93.354	NU90TP921987	55,218	55,218
Public Health Emergency Response: CoAg Public Health Crisis Response	93.354	NU90TP921987	<u>2,051</u>	<u>2,576</u>
Total Public Health Emergency Response: CoAg Public Health Crisis Response			57,269	57,794
Direct Programs - Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79SP080337-01	-	223,056
Passed through the Michigan Department of Health and Human Services:				
Immunizations CoAg and Vaccines for Children Program-IAP-Vaccination Shipped (in-Kind)	93.268	N/A	-	886,365
Immuniz: Total Clean Diesel Funding Assistance	93.268	NH23IP922635	209,652	215,287
Immunizations CoAg and Vaccines for Children Program-IAP	93.268	H23 IPOOO752	<u>136</u>	<u>83,740</u>
Total Immunizations CoAg and Vaccines for Children Program			209,788	1,185,392
Passed through the Michigan Department of Health and Human Services -				
West Nile Virus 9/2019	93.323	NU50CK000369	3,744	4,363
Passed through the Michigan Department of Health and Human Services:				
Children's Health Insurance Program (CHIP) 2019	93.767	E20192796	-	125,851
Children's Health Insurance Program (CHIP) 2020	93.767	E20202331	<u>-</u>	<u>389,012</u>
Total State Children's Health Insurance Program			-	514,863
Passed through the Michigan Department of Health and Human Services:				
Medical Assistance Program - CSHCS Outreach & Advocacy 9/2019	93.778	1905MI5ADM	78,304	78,304
Medical Assistance Program - CSHCS Outreach & Advocacy 9/2020	93.778	2005MI5ADM	193,668	193,668
Medical Assistance Program - State Targeted Response to the Opioid Crisis Grants (Naloxone Kits)	93.778	N/A	-	148,500
Medical Assistance Program - Lead Intervention/EBL 9/2019	93.778	1905M15MAP	29,585	29,585
Medical Assistance Program - Lead Intervention/EBL 9/2020	93.778	2005MI5MAP	<u>101,592</u>	<u>101,592</u>
Total Medicaid Cluster			403,149	551,649
Direct Programs:				
HIV Emergency Relief Project Grants - FY19 National Training & Technical Assistance Grant	93.914	U69HA3317-01	48,462	53,052
HIV Emergency Relief Project Grants 2/2020	93.914	H89HA00021-27-00	6,844,059	6,844,059
HIV Emergency Relief Project Grants 2/2021	93.914	H89HA00021-27-00	1,728,296	1,819,675
COVID-19 HIV Emergency Relief Project Grants	93.914	1 H9AHA369400100	<u>7,503</u>	<u>7,503</u>
Total HIV Emergency Supplemental Relief			8,628,320	8,724,289
Direct Programs - Ending the HIV Epidemic (EHE)-FY2020-Ryan White HIV/AIDS Program A and B	93.686	UT8HA33931	5,314	5,314
Passed through the Michigan Department of Health and Human Services -				
HIV Care Formula Grants-HIV Ryan White Part B MAI 9/2019	93.917	B0432550	14,412	28,825
Passed through the Michigan Department of Health and Human Services:				
Maternal and Child Health Services (MCHS) Block Grant to the States - Fetal Infant Mortality Review 9/2020	93.994	B04MC33846	1,103	1,103
Maternal and Child Health Services (MCHS) Block Grant to the States - Local Maternal & Child Hlth 9/2019	93.994	B04MC31495	564,465	564,465
Maternal and Child Health Services (MCHS) Block Grant to the States - Local Maternal & Child Hlth 9/2020	93.994	B04MC33846	881,627	881,627
Maternal and Child Health Services (MCHS) Block Grant to the States - Sudden Unexplained Infant Death	93.994	B1MIMCHS	-	149
Maternal and Child Health Services (MCHS) Block Grant to the States - Lead Poison Prevention (MDCH) 9/2019	93.994	B04MC325508	85,412	85,481
Maternal and Child Health Services (MCHS) Block Grant to the States - Lead Poison Prevention (MDCH) 9/2020	93.994	B04MC33846	<u>106,491</u>	<u>114,888</u>
Total Maternal and Child Health Block Grant			1,639,098	1,647,713
Total Department of Health and Human Services			11,273,587	13,304,951

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2020

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
<b>Department of Homeland Security</b>				
Direct Programs - 2017 Port Security Grant Program (PSGP)	97.056	EMW-2017-PU-00597	\$ -	\$ 132,671
Passed through Michigan State Police - 2019 Emergency Management Performance Grants (EMPG)	97.042	EMC-2019-EP-00001-S01	-	32,346
Direct Programs:				
2014 Assistance to Firefighter Grant - Fire Prevention and Safety	97.044	EMW-2014-FR-00285	-	49,595
2016 Assistance to Firefighter Grant - Fire Prevention and Safety	97.044	EMW-2016-FO-06586	-	248,875
Total Assistance to Firefighter Grant			-	298,470
Direct Programs - FY2016 Hazard Mitigation Grant	97.039	FEMA-4195-DR-MI	-	273,684
Passed through Michigan State Police -				
BRIC: Building Resilient Infrastructure and Communities - Legislative Pre/Disaster Mitigation Program	97.047	LPDM-PJ-05-MI-2008-012	-	839,112
Direct Programs:				
2018 Homeland Security Grant Program: UASI	97.067	EMW-2018-SS-00010-S01	-	217,478
2016 Homeland Security Grant Program: SHSP	97.067	EMW-2016-SS-00010-S01	-	31,674
2017 Homeland Security Grant Program: UASI	97.067	EMW-2017-SS-00013-S01	-	263,763
Total Homeland Security Grant Program			-	512,915
Total Department of Homeland Security			-	2,089,198
Total federal awards			\$ 34,347,199	\$ 230,804,102

## Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

### 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, 2020. 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 Public Library, Detroit Transportation Corporation, Detroit Housing Commission, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Detroit Land Bank 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, Greater Detroit Resource Recovery Authority, Joint Employment and Procurement Advisory Board, and Community Education Commission, which received federal awards that are not included in the Schedule during the year ended June 30, 2020. 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 Funds (DWSRF) program. The DWSRF expenditures are reported on cash basis in accordance with the subrecipient reporting guidelines outlined in the 2020 OMB Compliance Supplement for CFDA 66.468.

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 (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 outstanding principal due of \$39.9 million at June 30, 2020. There were no new borrowings in fiscal year 2020. 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 projects are managed directly by the State, and the expenditures related these projects have been excluded from the Schedule. The total award of these projects is approximately \$58.7 million for the year ended June 30, 2020.

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## Schedule of Findings and Questioned Costs

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**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2020**

**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?   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?        Yes   X   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
14.241	Housing Opportunities for Persons with AIDS	Unmodified
16.034	COVID-19 Coronavirus Emergency Supplemental Funding Program	Unmodified
21.019	COVID-19 Coronavirus Relief Fund	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, 2020

Section II - Financial Statement Audit Findings

Reference Number	Finding
2020-001	<p data-bbox="362 531 954 556"><b>Finding Type</b> - Material weakness (repeat finding)</p> <p data-bbox="362 583 1479 699"><b>Criteria</b> - 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 data-bbox="362 726 1479 810"><b>Condition</b> - 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 data-bbox="362 837 477 863"><b>Context</b> -</p> <p data-bbox="362 890 412 915"><i>City</i></p> <p data-bbox="362 942 1479 995">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 data-bbox="362 1022 1479 1377">Adjusting journal entries identified during the audit of the City resulted in an increase of approximately \$14.9 million to net position, impacting several opinion units, including entries related to the following: adjustment to reduce the general claims reserve liability and related expense, adjustment to properly classify the change in accrued interest on debt as interest expense, adjustment to reduce the balance of casino receivables recorded, adjustment to properly reflect a disbursement of Section 108 HUD loan proceeds as other assets instead of expenditures, adjustment to properly reflect unearned revenue for HOME loans, adjustment of various miscellaneous accounts receivable and other liability accounts, adjustment of revenue and expenditures related to reimbursements received from the City's pension system, adjustment of interfund receivables and payables, adjustments related to the Automobile Parking Fund transfer into the General Fund and governmental activities, and adjustment to the classification of transfers in and out.</p> <p data-bbox="362 1404 1479 1728">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: adjustment to record unearned revenue related to a lease agreement, increasing asset retirement obligations related to underground storage tanks, a reduction to accounts receivable that lacked supporting documentation, the reversal of the transfer of workers' compensation reserve expense from the General Fund to the COVID-19 Revenue Fund, a reclassification from transfers between the Solid Waste Management Fund and General Fund to expenses, and a reduction to legal reserves. The effect of certain adjustments could not be quantified, such as those related to the liability for compensated absences for governmental activities and business-type funds and the estimate of income tax receivables, net of an estimate for uncollectible amounts.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2020

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2020-001 (Con't)	<p>Deficiencies noted that were not related to adjusting entries were as follows: certain liability accounts, such as refundable deposit balances, undistributed tax accounts, and liabilities to other governments, have balances dating back many years and do not have adequate subledgers or support for amounts owed; certain cash accounts were excluded from or misclassified as either restricted or unrestricted cash and investments; certain revenue is being recorded on the cash versus modified accrual basis; the City did not have an adequate process for ensuring receipt and review of SOC-1 reports for third-party service organizations; support for payrates for a sample of individuals was unavailable; and compilation of investment fair value disclosures, as required under GASB Statement No. 72, required adjustment.</p> <p><b>Component Units</b></p> <p>During the Detroit Building Authority's fiscal year ended June 30, 2020 audit, adjusting entries were identified in order to properly state balances within the general ledger. In addition, the Detroit Transportation Corporation did not maintain proper cutoff related to accounts payable in its accounting system.</p> <p><b>Cause</b> - Processes were not in place to ensure year-end closing entries and significant transactions were properly recorded in the general ledger prior to the commencement of the audit.</p> <p><b>Effect</b> - If the auditor-identified entries identified above had not been recorded, the financial statements would have been materially misstated.</p> <p><b>Recommendation</b> - 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><b>Views of Responsible Officials and Planned Corrective Actions</b> - In fiscal year 2020, 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 fiscal year 2019 audit findings, some remain in progress through the project plan. The City will add the fiscal year 2020 audit findings to this project to ensure policies, procedures, and training are in place in fiscal year 2021.</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 OCFO staff will systematically review ledger balances to determine the proper action in accordance with city policy.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2020

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2020-001 (Con't)	<p>Through the AFCAP project, the City will also perform the following:</p> <ul style="list-style-type: none"> <li>- Implement a procedure for the monthly review of bank account classification to ensure that new accounts are classified in accordance with GAAP.</li> <li>- Work in conjunction with the law department to improve procedures for reviewing open cases and reserving for them appropriately.</li> <li>- Implement procedures to obtain and review vendor SOC-1 reports</li> <li>- Ensure proper documentation is maintained for employee pay rate changes</li> </ul>

Reference Number	Finding
2020-002	<p><b>Finding Type</b> - Material weakness (repeat finding)</p> <p><b>Criteria</b> - There should be a procedure in place to reconcile bank activity on a timely basis and ensure reconciling items are properly supported.</p> <p><b>Condition</b> - The City's process did not result in a timely reconciliation of bank accounts at year end, and certain reconciling items lacked proper support.</p> <p><b>Context</b> - During our audit procedures, we noted 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 divisions for resolution. Although the bank reconciliations are initially prepared timely, in one case, the final review occurred over 90 days past month end, with an unreconciled difference of approximately \$777,000.</p> <p><b>Cause</b> - The City did not have procedures in place to ensure timely review and resolution of reconciling items identified in the bank reconciliations.</p> <p><b>Effect</b> - Without timely preparation and review of bank reconciliations, including follow-up and resolution of significant reconciling items, the City could fail to timely identify errors and malfeasance related to cash transactions.</p> <p><b>Recommendation</b> - We recommend the City develop a process to ensure timely review and resolution of reconciling items related to bank accounts.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2020

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2020-002 (Con't)	<p><b>Views of Responsible Officials and Planned Corrective Actions</b> - In fiscal year 2020, 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 fiscal year 2019 audit findings, some remain in progress through the project plan.</p> <p>As part of this process, the City implemented procedures to ensure the timely recording of reconciling items identified during the bank reconciliation process. To address timely recording of cash transactions, OCFO developed a cash accounting and audit unit, which is responsible for the daily recording and reconciliation of all cash transactions. The City will continue to enhance procedures to ensure timely recording of reconciling items. We are also continually working to optimize the functionality of the Oracle Cloud ERP system to automate the bank reconciliation process.</p>

Reference Number	Finding
2020-003	<p><b>Finding Type</b> - Material weakness (repeat finding)</p> <p><b>Criteria</b> - 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.</p> <p><b>Condition</b> - There was a lack of adequately documented, segregated, and implemented controls over approval processes related to the appropriateness of certain cash disbursements.</p> <p><b>Context</b> - 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 the distribution to the various contractors.</p> <p><b>Cause</b> - 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.</p> <p><b>Effect</b> - Without a formal process in place for contractor payments and review of check distributions, misappropriation of cash could occur.</p> <p><b>Recommendation</b> - We recommend that the City determine if the City's normal AP process can be used for contractor payments. In addition, the City should establish a formal approval process for the housing and revitalization department to follow regarding contractor payments and contracts to ensure the proper review of information is taking place.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - As part of the AFCAP project, in September 2019, the City formed a work group to eliminate the First Trust process and pay the subrecipients through the normal accounts payable process. Effective July 1, 2020, payments for the Single and Multifamily HOME program are no longer processed via the First Trust/US Bank process.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2020

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2020-004	<p><b>Finding Type</b> - Material weakness (repeat finding)</p> <p><b>Criteria</b> - The City; the City's retirement systems (Police and Fire and General) (the "Retirement Systems"); and 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 their respective actuaries in order to obtain the information required to comply with GASB Statement Nos. 67 and 68.</p> <p><b>Condition</b> - During the audit of the census data provided to the actuary by the auditors of the Retirement Systems and DTC, instances of errors were noted in the data or there was missing data that resulted in incomplete information.</p> <p><b>Context</b> - The specific issues noted include the following:</p> <p><b>City and Retirement Systems</b></p> <ul style="list-style-type: none"><li>- Active Pay Amount - 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, discrepancies were noted ranging between 7 to 56 percent of pay between the pay information provided to the actuary and pay information from the City.</li><li>- Death Audit - It was noted a death audit was not performed on the deferred members list sent to the actuary. The result of the lack of a death audit resulted in a decrease in the net pension liability of approximately \$40 million between the two plans, which is composed of \$33 million pertaining to the General Employees Retirement System, which has been adjusted, and \$7 million pertaining to the Police and Fire Retirement System, which was not deemed material and, therefore, was not adjusted.</li><li>- Other Census Data Errors - In addition to the items noted above, other errors were noted, including inaccuracies with the average final compensation (AFC) and service years being used in the calculation of frozen accrued benefits, where applicable; missing census data; improper exclusion or inclusion of members within the census data; and incorrect classification of members between the categories of active, deferred, and retired.</li></ul> <p><b>Component Units</b></p> <ul style="list-style-type: none"><li>- During the audit of DTC, it was noted that the census reconciliation 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.</li></ul> <p><b>Cause</b> -</p> <p><b>City</b></p> <p>The current process to provide census data to the Retirement Systems does not result in accurate and complete data being provided.</p> <p><b>Component Units</b></p> <p>DTC should have a process in place to ensure that the census information and the related reconciliations are complete and accurate.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2020

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2020-004 (Con't)	<p><b>Effect</b> - The active pay errors mainly impact Component I of the Retirement Systems. While the impact of the errors on the total pension liability is currently immaterial, the magnitude of the issues identified during our testing is extremely significant. As participation and years of service continue to increase in Component I, the magnitude of the issues will grow if not corrected. As a result, 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><b>Recommendation -</b></p> <p><b><i>City and Retirement Systems</i></b></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"><li>- Active Pay Amount - In order to resolve this issue, a formal reconciliation process should be developed that includes the City and the Retirement Systems to ensure proper payroll data is submitted to the actuary.</li><li>- Death Audit - We recommend that the data obtained from the death audits for all members be utilized properly to update the census data and ultimately the data provided to the actuary.</li><li>- Other Census Data Errors - It is recommended that the City and the Retirement Systems work together to ensure the processes of entering and updating data ensure ongoing recordkeeping and result in accurate information. Additionally, a process should be undertaken to improve the completeness and quality of the current census data to ensure materially accurate actuarial calculations.</li></ul> <p><b><i>Component Units</i></b></p> <p>We recommend that DTC collaborate with its 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 overpayment/underpayment of benefits be corrected per correct benefit payment calculations.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The OCFO will work with the Retirement Systems to develop procedures to ensure the validity, accuracy, and completeness of pension and census data. The OCFO will work with DTC to ensure it develops and implements procedures to validate pension data on a continuous basis. Additionally, the DTC HR department will work closely with the plan actuary to confirm that the census data is correct.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2020

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2020-005	<p><b>Finding Type:</b> Material noncompliance and material weakness (repeat finding)</p> <p><b>Criteria</b> - There should be a process in place to ensure that the City and its component units comply with laws and regulations.</p> <ul style="list-style-type: none"><li>- 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 that fails to file a report of unclaimed property is subject to fines and penalties, as prescribed in Public Act 29 of 1995.</li><li>- 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.</li><li>- Per the State Constitution of Michigan of 1963, Article 9, Section 24, "the accrued financial benefits of each pension plan and retirement system of the state and its political subdivisions shall be a contractual obligation thereof which shall not be diminished or impaired thereby. Financial benefits arising on account of service rendered in each fiscal year shall be funded during that year and such funding shall not be used for financing unfunded accrued liabilities."</li></ul> <p><b>Condition</b> - There were instances identified where the City and a component unit (the Detroit Transportation Corporation) was not in compliance with laws and regulations as follows:</p> <ul style="list-style-type: none"><li>- 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.</li><li>- 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, certain funds required to adopt a budget did not have an approved budget.</li><li>- DTC did not make its actuarially required pension contribution.</li></ul> <p><b>Context</b> -</p> <ul style="list-style-type: none"><li>- The City has recorded a liability for amounts to be escheated to the State of Michigan, including estimated penalties and interest, at June 30, 2020.</li><li>- For 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 basic financial statements. The City did not have a legally adopted budget for certain special revenue funds.</li><li>- DTC did not make its actuarially required pension contribution in accordance with Article 9, Section 24, of the State Constitution of Michigan of 1963.</li></ul> <p><b>Cause</b> - There is no process in place to fully monitor compliance with laws and regulations throughout the year.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2020

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2020-005 (Con't)	<p><b>Effect</b> - The City and DTC were out of compliance with the laws and regulations identified above.</p> <p><b>Recommendation</b> - We recommend the City and its component units 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> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - As part of the AFCAP, the OCFO will develop, document, and implement a procedure to monitor component unit compliance with laws and regulations and 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>During fiscal year 2020, the OCFO recommended and the City Council approved a comprehensive budget amendment to recognize projected revenue shortfalls and to reduce appropriations and maintain a balanced budget in the General Fund. The OCFO also undertook a substantial effort to review and correct technical line-item appropriation deficits in the General Fund. While they must still be addressed, the instances detailed in this finding represent technical rather than substantive noncompliance. Specific examples include:</p> <ul style="list-style-type: none"> <li>- The OCFO recorded extraordinary one-time adjustments to its due to/due from balances across various funds after year end, creating appropriation deficits and activity in funds with no budget.</li> <li>- The OCFO is working on a process to better reconcile final fund balances for special revenue funds with its amended budgets that otherwise showed as budgeted appropriation and/or fund deficits. No funds incurred an actual deficit per the Michigan Department of Treasury's guidelines.</li> <li>- The City does not budget for its component units, but there are Detroit Building Authority and Greater Detroit Resource Recovery Authority activities showing as appropriation deficits in the Capital Projects Fund and Solid Waste Management Fund, respectively.</li> </ul> <p>Nevertheless, the OCFO continues to identify and address root causes of this repeat finding, such as reviewing and addressing payroll expenditures linked to incorrect budget accounts, one-time year-end adjustments, and budget amendment and carryforward procedures. The OCFO continues to work on ensuring greater consistency between the budget presentation and the recording and presentation of actual activity. This work will continue through fiscal year 2021.</p>



Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2020

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2020-006	<p><b>Finding Type</b> - Material weakness (repeat finding)</p> <p><b>Criteria</b> - The City should have processes in place to ensure all activity related to capital assets is recorded properly and reflected in the financial statements and disclosures.</p> <p><b>Condition</b> - The City does 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 all assets owned by the City are recognized in the City's capital asset systems and schedules.</p> <p><b>Context</b> - 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/transferred during the year; disposals were not identified, including material amounts of land, which resulted in a prior period adjustment in the governmental activities in the amount of approximately \$99,000,000; certain assets owned by the City during the year were not recorded in the City's capital asset systems at any point during the year; certain assets were removed from construction work in progress but not fully capitalized in the fixed asset module; and the construction work in progress information received from the Detroit Building Authority was not accurate or timely. The approximate impact of the adjustments exclusive of the prior period adjustment was a \$24.5 million increase in the recorded balance of capital assets. In addition to the adjusting entries made as a result of the audit, auditor-identified entries were not recorded due to immateriality related to an estimated reduction in land to properly reflect parcels transferred or sold, as well as an adjustment to increase land for parcels owned but not recorded.</p> <p><b>Cause</b> - Procedures were not in place to ensure an effective internal review process of the capital asset activity that occurred, and information from component units was not received on a timely basis.</p> <p><b>Effect</b> - As a result of the lack of appropriate controls and procedures over capital assets, adjustments were necessary to properly state year-end balances.</p> <p><b>Recommendation</b> - The City should develop overall monitoring procedures to ensure that all capital asset activity is identified and reconciled to the general ledger system timely and accurately.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Through the AFCAP project, the City will continue to review and update capital asset policies and procedures to ensure that all asset activity is identified and reconciled to the general ledger system timely and accurately.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2020

Section III - Federal Program Audit Findings

Reference Number	Finding
2020-007	<p><b>CFDA Number, Federal Agency, and Program Name</b> - CFDA #21.019 - COVID-19 Coronavirus Relief Fund (CRF)</p> <p><b>Federal Award Identification Number and Year</b> - N/A</p> <p><b>Pass-through Entity</b> - N/A - Direct funded</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> - Pursuant to Section 601(d) of the Social Security Act, as added by Section 5001 of the CARES Act, payments must be used to cover costs that:</p> <ul style="list-style-type: none"> <li>• Are necessary expenditures incurred due to the public health emergency with respect to COVID-19</li> <li>• Were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the state of government, meaning the cost either: <ul style="list-style-type: none"> <li>o Cannot be lawfully funded using a line item, allotment, or allocation within that budget</li> <li>o Is for a substantially different use from any expected use of funds in such a line item, allotment, or allocation</li> </ul> </li> <li>• Were incurred during the period that begins on March 1, 2020 and ends on December 30, 2020</li> </ul> <p><b>Condition</b> - The City charged payroll-related costs of \$29,837 to the grant for time incurred prior to March 1, 2020.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Identification of How Questioned Costs Were Computed</b> - Not applicable</p> <p><b>Context</b> - The City received an allocation of COVID-19 Coronavirus Relief Fund (CRF) of \$116,915,242. As of June 30, 2020, the City identified CRF-eligible expenditures of \$107,417,691. During our testing of expenditures charged to the grant, we noted 3 items from a sample of 60 were incurred prior to March 1, 2020 and, as a result, are ineligible for CRF funding. After the discovery, to address the risk that certain lump-sum payments related to time incurred prior to March 1, 2020, the City excluded all lump-sum payments that were allocated to the grant, which amounted to approximately \$94,000. The City had other eligible payroll-related costs not previously charged to grant that were included to replace the ineligible costs noted above. Expenditure reporting to the Treasury was due on November 30, 2020, i.e., after the City's replacement of cost. An additional sample of 12 was tested to verify the replacement costs were allowable. As a result, there are no questioned costs.</p> <p><b>Cause and Effect</b> - The City accumulated data related to payroll incurred for the period from March 1, 2020 through June 30, 2020 in order to identify CRF-eligible expenditures. The City's process did not consider lump-sum payouts for items such as retro pay, vacation payout, or comp time where the time incurred was prior to March 1, 2020. As a result, certain ineligible expenditures were charged to the grant that were later replaced by the City.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2020

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2020-007 (Con't)	<p><b>Recommendation</b> - We recommend that the City review the various earnings codes used to charge expenditures to the grant to evaluate whether any of the earnings codes are ineligible to be charged based on the requirements of 601(d) of the Social Security Act.</p> <p><b>Views of Responsible Officials and Corrective Action Plan</b> - The City allocated the CRF payroll dollars based on the general ledger regular pay object account. Upon audit and review, it was determined that lump-sum and retro payments were also posted to the object account. The codes (lump sum and retro) relate to various time periods that include both the eligible and ineligible periods. The City performed a detailed review of all payroll earnings codes used to allocate expenditures to the CRF grant. The lump-sum and retro earnings codes were excluded from the detail employee support and replaced with eligible costs. Going forward, future payroll cost will be reviewed in detail, and all unallowed earnings codes will be excluded.</p>

Reference Number	Finding
2020-008	<p><b>CFDA Number, Federal Agency, and Program Name</b> - CFDA #14.241 - Department of Housing and Urban Development - HOPWA</p> <p><b>Federal Award Identification Number and Year</b> - MIH16-F001, MIH17-F001, and MIH18-F001</p> <p><b>Pass-through Entity</b> - N/A - Direct funded</p> <p><b>Finding Type</b> - Material weakness and material noncompliance with laws and regulations</p> <p><b>Repeat Finding</b> - Yes</p> <p>2019-010</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, is specifically designated by the agency to meet the family's housing costs.</p> <p><b>Condition</b> - During eligibility testing, Plante &amp; Moran, PLLC (PM) noted two errors in the rental assistance amount charged to participants. In the first instance, the calculation of rental assistance was improperly calculated. In the second instance, the calculation of rental assistance was correctly calculated; however, the correct utility allowance was not used.</p> <p><b>Questioned Costs</b> - \$1,344</p> <p><b>Identification of How Questioned Costs Were Computed</b> - Questioned costs represent actual rental assistance, provided to a participant during fiscal year 2020, in excess of the amount they were eligible to receive.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2020

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2020-008 (Con't)	<p><b>Context</b> - 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 by \$53 per month over a period of 10 months. In the second instance, the participant's rent contribution was undercharged \$108 per month over a period of 7.5 months.</p> <p><b>Cause and Effect</b> - 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><b>Recommendation</b> - 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><b>Views of Responsible Officials and Planned Corrective Actions</b> - Effective December 2020, the HOPWA program now has a dedicated quality coordinator position. This coordinator will work closely with HOPWA staff, conduct regular file audits, and create and implement realistic strategies to overcome the risk of noncompliance. This coordinator has already begun to conduct a quality assessment, meeting with staff and performing chart audits.</p> <p>In response to the recommendation from the audit, the coordinator will work closely with the HOPWA manager to conduct a detailed review of participants' rent assessment prior to finalizing the benefits and communicating the same to the participant.</p>

Reference Number	Finding
2020-009	<p><b>CFDA Number, Federal Agency, and Program Name</b> - CFDA #14.241 - Department of Housing and Urban Development - HOPWA</p> <p><b>Federal Award Identification Number and Year</b> - MIH16-F001, MIH17-F001, and MIH18-F001</p> <p><b>Pass-through Entity</b> - N/A - Direct funded</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> - All housing that involves acquisition, rehabilitation, conversion, lease, repair of facilities, new construction, project- or tenant-based rental assistance (including assistance for shared housing arrangements), and operating costs must meet various housing quality standards listed in 24 CFR Sections 574.310(b)(1)-(2). Grantees are required to perform required inspections to ensure that units meet housing quality standards, including timely follow-up of needed repairs.</p> <p><b>Condition</b> - During testing of housing quality standards, PM noted that the City did not exercise timely follow-up of a failed inspection that required needed repairs.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Identification of How Questioned Costs Were Computed</b> - Not applicable</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2020

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2020-009 (Con't)	<p><b>Context</b> - Out of 60 samples selected for testing, PM noted 1 instance of noncompliance, i.e. a lack of timely follow-up of needed repairs.</p> <p><b>Cause and Effect</b> - The City has a Housing and Revitalization Department Annual Action Plan under which housing quality inspection guidelines are established. However, we noted that the plan does not include specific guidelines on what happens in the event of a failed inspection or what constitutes timely repairs. In addition, the City has a tracking mechanism in place for identifying those units on which housing quality inspections are due. However, the City's tracking mechanism does not clearly track failed inspections and needed repairs or the necessary timeline of completing those repairs. As a result of a lack of clear guidance on inspections, and due to the fact that the controls over inspections are not properly designed, the City is at risk for noncompliance with housing quality standards.</p> <p><b>Recommendation</b> - We recommend that the City revise its Housing and Revitalization Department Annual Action Plan to incorporate controls to monitor failed inspections to verify repairs are completed timely.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - As stated in response to Finding 2020-008, effective December 2020, the HOPWA program now has a dedicated quality coordinator position, and this staff member will be responsible for monitoring all files and ensuring the correct procedures are followed. The HOPWA program has a policy and procedure in place regarding housing quality inspections.</p>

Reference Number	Finding
2020-010	<p><b>CFDA Number, Federal Agency, and Program Name</b> - CFDA #16.034 - COVID-19 Coronavirus Emergency Supplemental Fund (CESF)</p> <p><b>Federal Award Identification Number and Year</b> - N/A</p> <p><b>Pass-through Entity</b> - N/A - Direct funded</p> <p><b>Finding Type</b> - Material weakness and material noncompliance with laws and regulations</p> <p><b>Repeat Finding</b> - No</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2020

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2020-010 (Con't)	<p><b>Criteria</b> - Per 2 CFR 200.403 Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under federal awards:</p> <ul style="list-style-type: none"><li>(a) Be necessary and reasonable for the performance of the federal award and be allocable thereto under these principles.</li><li>(b) Conform to any limitations or exclusions set forth in these principles or in the federal award as to types or amount of cost items.</li><li>(c) Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the nonfederal entity.</li><li>(d) Be accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal award as an indirect cost.</li><li>(e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.</li><li>(f) Not be included as a cost or used to meet cost-sharing or matching requirements of any other federally financed program in either the current or a prior period. See also §200.306(b).</li><li>(g) Be adequately documented. See also §§200.300 through 200.309 of this part.</li><li>(h) Cost must be incurred during the approved budget period. The federal awarding agency is authorized, at its discretion, to waive prior written approvals to carry forward unobligated balances to subsequent budget periods pursuant to §200.308(e)(3).</li></ul> <p><b>Condition</b> - Public safety overtime hours charged to the grant were inaccurate and inconsistent with supporting documentation maintained.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Identification of How Questioned Costs Were Computed</b> - Not applicable</p> <p><b>Context</b> - The City charged approximately \$1.6 million of public safety overtime to the grant. The process used to accumulate the activity resulted in duplicates being charged to the grant and hours that were inconsistent with time and effort support. The grant was overcharged by approximately \$16,000. The City had not drawn down on the funds as of December 5, 2020 and concluded to reduce expenditures reported on the schedule of expenditures of federal awards by approximately \$16,000. As a result, there are no questioned costs.</p> <p><b>Cause and Effect</b> - The City accumulated data related to public safety payroll that was incurred during the period from January 20, 2020 through June 30, 2020 and manually identified overtime that was incurred and could be charged to the grant. The manual process used in identifying overtime hours resulted in duplicates being charged to the grant and hours that were inconsistent with time and effort support. Because of the errors identified, the City of Detroit, Michigan reduced the expenditures reported on the SEFA and will reduce the amount requested for reimbursement on its first reimbursement request.</p> <p><b>Recommendation</b> - We recommend the City perform a detail review of the eligible costs identified, including tracing a sample of costs to supporting documentation, to ensure overtime charged is consistent with support.</p>

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Schedule of Findings and Questioned Costs (Continued)

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Year Ended June 30, 2020

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2020-010 (Con't)	<b>Views of Responsible Officials and Planned Corrective Actions</b> - A review of the COVID-19-related overtime tracking process was performed with a sample of Detroit Police Department (DPD) timesheets. Upon review of the sample, no additional errors were found. Going forward, before allocating future DPD overtime payroll cost to CESF, the City will perform a three-way review of the overtime payroll hours, which will include (1) the payroll reports, (2) smartsheet tracking log, and (3) individual employee daily activity log to help ensure amounts allocated to CESF are consistent with supporting documentation.