

**City of Detroit**

**OFFICE OF THE AUDITOR GENERAL**

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**Audit Of The Civil Rights, Inclusion, And  
Opportunity Department**

**Second Interim Report  
On Compliance Fee Dollars**

**Detroit Employment Solutions Corporation**

**May 2021**



## Office of the Auditor General

Mark W. Lockridge, Auditor General

Coleman A. Young Municipal Center  
2 Woodward Avenue, Suite 216  
Detroit, Michigan 48226  
Phone: (313) 224-3101  
Fax: (313) 224-4091  
[www.detroitmi.gov](http://www.detroitmi.gov)

### MEMORANDUM

**DATE:** May 12, 2021

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

**FROM:** Mark Lockridge, CPA *MWL*  
Auditor General

**RE:** Audit Of The Civil Rights, Inclusion, And Opportunity Department Second Interim Report On Compliance Fee Dollars - Detroit Employment Solutions Corporation

**CC:** Kimberly Rustem, Director, Civil Rights, Inclusion, and Opportunity Department  
Jay Rising, Acting Chief Financial Officer, Office of the Chief Financial Officer  
Nicole Sherard-Freeman, Group Executive, Jobs, Economy & Detroit At Work  
Terri Weems, President and Chief Executive Officer, Detroit Employment Solutions Corporation

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Attached for your review is our interim report on Detroit Employment Solutions Corporation in conjunction with our audit of the Civil Rights, Inclusion, and Opportunity Department Compliance Fee Dollars. This report contains our audit purpose, scope, objectives, approach and methodology, and conclusions; background; our audit findings and recommendations; and the responses from the Detroit Employment Solutions Corporation.

We want to thank the employees of the above named organizations for their cooperation and assistance extended to us during this phase of the audit.

Copies of all of the Office of the Auditor General reports can be found on the City's Website: <https://www.detroitmi.gov/government/auditor-general>.

**AUDIT OF THE CIVIL RIGHTS, INCLUSION, AND OPPORTUNITY DEPARTMENT  
SECOND INTERIM REPORT ON COMPLIANCE FEE DOLLARS  
DETROIT EMPLOYMENT SOLUTIONS CORPORATION OPERATIONS  
MAY 2021**

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**AUDIT OF THE CIVIL RIGHTS, INCLUSION, AND OPPORTUNITY DEPARTMENT  
SECOND INTERIM REPORT ON COMPLIANCE FEE DOLLARS  
DETROIT EMPLOYMENT SOLUTIONS CORPORATION OPERATIONS  
APRIL 2021**

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## EXECUTIVE OVERVIEW

In September 2018, the Office of the Auditor General (OAG) was requested by City Council to conduct an audit of the Department of Civil Rights, Inclusion, and Opportunity Department (CRIO) Compliance Fee Dollars, and to specify when dollars were transferred to the Detroit Employment Solutions Corporation (DESC), and how DESC utilized those dollars. Our first interim audit report focused on the financial operations of CRIO relative to the collection, deposit, and reconciliation of compliance fee dollars.<sup>1</sup>

Our audit encompasses DESC activities from December 1, 2016 to June 30, 2019. This is the second interim report published during the audit and focuses on DESC's receipt and usage of CRIO's Compliance Fee Dollars.

According to the American Institute of Certified Public Accountants (AICPA), "the concept of accountability for use of public resources and government authority is key to our nation's governing processes." The "Generally Accepted Government Auditing Standards (GAGAS)<sup>2</sup>" states that:

*Government auditing is essential in providing accountability to legislators, oversight bodies, those charged with governance, and the public. GAGAS engagements provide an independent, objective, nonpartisan assessment of the stewardship, performance, or cost of government policies, programs, or operations, depending upon the type and scope of the engagement.*

As stated, this report focuses on DESC as it relates to the amount and receipt of CRIO's Compliance Fee Dollars assessed under Executive Order 2016-1 (EO-2016-1), which became effective December 2016 and coincides with the start of our audit period. We focused on DESC's use of the Compliance Fee Dollars based on the purposes established within the Workforce Training Fund Agreement.

We found that DESC training programs related to the execution of EO2016-1 through the Workforce Training Fund Agreement were not used exclusively for the specific program goal of preparing Detroit residents for employment in the skilled construction trades and jobs resulting from new development in the City. Compliance Fee Dollars administered through the City's Workforce Training Fund Agreement were used for training programs in other non-construction related industries and activities such as:

- Training related to Information Technology;
- Jobs related to the medical industry;
- Jobs related to the hospitality industry;

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<sup>1</sup> "Audit Of The Civil Rights, Inclusion, And Opportunity Department Interim Report On Compliance Fee Dollars - Financial Operations, December 2020, <https://www.detroitmi.gov/government/auditor-general>.

<sup>2</sup> Generally Accepted Government Auditing Standards (GAGAS) 2018 Revision, Compiled by the Comptroller General of the United States Government Accountability Office, <https://www.gao.gov/yellowbook>.

- Staffing and facility related services;
- Employment, foundational skills, and “wrap-around” services for individuals.

While training in these “other” programs may have led to some permanent jobs, the specific jobs in the “other” industries cannot be directly attributed to the new construction developments. As an example, training was provided to participants to obtain a Certified Nursing Assistant certification. However, we could not associate the training to the construction of a new hospital or any new development in the medical industry. And we could not associate this type of training with the types of construction from the pool of contractors who were assessed and paid compliance fees under EO2016-1 (during the audit period.)

We recognize that DESC has a much broader mandate to provide workforce training to Detroit residents which encompasses a wide spectrum of needs and services to accomplish their goals. We understand the challenges with ensuring that there is adequate funding to provide those services across this spectrum. Hence DESC’s need to leverage funds while “blending and braiding” in order to maximize program training that meets the needs of the individual participant, as well as the employers who need a skilled workforce.

The Workforce Training Fund Agreement is specific in its purpose to build a pipeline of Detroit residents for employment in construction and construction related industries. We do agree that the Agreement allows for providing support services to job seekers. However, nowhere in the Agreement does it provide for training other than in skilled construction and/or construction related trades.

We feel that more effort must be made to match training programs funded through the Workforce Training Agreement and (whose source of funds are EO-2016-1 Compliance Fee Dollars,) with the collective training needs of the contractors who are assessed and pay these particular fees. DESC should consider ways to leverage “other funds” with Compliance Fee dollars and increase training opportunities for Detroit Residents in skilled construction trades and construction-related industries.

As independent internal auditors, we approach our audits with an unbiased focus on “adding value and improving an organization’s operations.” Responsibility for monitoring the implementation of recommendations is set forth in Section 7.5-105(4) of the City Charter which states in part that:

Recommendations that are not put into effect by the department shall be reviewed by the Finance Director<sup>3</sup> (or his Designee) who shall advise the Auditor General and the City Council of the action being taken with respect to the recommendations.

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<sup>3</sup> The 2012 City Charter does not reflect that the position and responsibilities of the “Finance Director” were replaced with the creation of the Office of the Chief Financial Officer and its positions under the “Emergency Manager Order No. 41” signed into law on September 25, 2014. We interpret the responsibility to lie with the Chief Financial Officer and/or the Deputy Chief Financial Officer/Finance Director as his designee.

## **AUDIT PURPOSE, SCOPE, OBJECTIVES, APPROACH AND METHODOLOGY, AND CONCLUSIONS**

### **Audit Purpose**

The Audit of Civil Rights, Inclusion, and Opportunity Department Compliance Fee Dollars is being performed in accordance with the Office of the Auditor General's charter mandate to make audits of the financial transactions, performance and operations of City agencies based on an annual risk-based audit plan prepared by the Auditor General, or as otherwise directed by the City Council, and report findings and recommendations to the City Council and the Mayor.

### **Audit Scope**

This is a performance audit conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) 2018 Revision, compiled by the Comptroller General of the United States Government Accountability Office, except for a Peer Review within the last three years (See "**APPENDIX A: Generally Accepted Government Auditing Standards**" on page 38 of this report for more information on GAGAS.)

This audit focuses on the operations of the Civil Rights, Inclusion, and Opportunity Department (CRIO) for the period of December 1, 2016 through June 30, 2019, specifically relating to CRIO's compliance fee dollars and the utilization of these dollars. This second interim audit report focuses on the City's financial operations relating to the collection, deposit, and reconciliation of CRIO's compliance fee dollars. Specifically this interim audit report focuses on Detroit Employment Solutions Corporations (DESC).

### **Audit Objectives**

The objectives of the Audit of the Civil Rights, Inclusion, and Opportunity Department Compliance Fee Dollars specifically related to Detroit Employment Solutions Corporation (DESC) are:

- To determine if DESC utilized the dollars in accordance with applicable state and local laws, City ordinances and executive orders, the directives approved by the City of Detroit Mayor's Workforce Development Board, departmental policies and procedures, and any other applicable policies and procedures;
- To determine if DESC complies with the receipt and disbursement of funds transferred from the City of Detroit, in accordance with applicable state and local laws, City ordinances and executive orders, directives approved by the City of Mayor's Workforce Development Board, departmental policies and procedures, and any other applicable policies and procedures; Specifically to include when dollars were transferred to DESC;
- To determine if there are any other cash-related areas that should be included as a part of the audit.

## **Audit Approach and Methodology**

To accomplish our objectives, our audit approach and methodology included:

- Reading relative prior audit reports;
- Reviewing prior audit work papers, Executive Orders 2014-4 and 2016-1, The Agreement for Administration and Operation of Programs, financial reports, budget reports, the City's Comprehensive Annual Financial Report, organization charts, Finance Directives, Chief Financial Officer Directives (CFO Directives), and any other reports or directives pertinent to DESC Operations related to the receipt and usage of CRIO Compliance Fee Dollars;
- Gathering policies and procedures of core operations and other similar data;
- Conducting audit-planning meetings to determine the scope and audit objectives, and to determine the financial transactions and/or areas to audit;
- Developing questions regarding transactions, processes and procedures, controls, functions, records, and personnel;
- Interviewing relevant personnel of entities directly involved in the receipt and usage of CRIO's Compliance Fee dollars and other appropriate personnel;
- Observing, documenting and testing of relevant processes, procedures, contracts and agreements;
- Conducting any necessary additional testing, and completing any other audit steps necessary to conclude on the relevant objectives;
- Developing recommendations for all findings.

*Notes: See "APPENDIX A: Generally Accepted Government Auditing Standards" for more information on Fieldwork, Developing Findings, Reporting Conclusions and Recommendations in a Performance Audit on page 38 of this report.*

## **Conclusions**

Based upon the results of our audit, we conclude that DESC:

- Used Workforce Training Fund compliance fee dollars for various training programs and services, but not exclusively for the specific program goal of preparing Detroit residents for employment in the skilled construction trades.
- Did not always comply with the disbursement of funds transferred from the City of Detroit, in accordance with applicable state and local laws, City ordinances and executive orders, the "Workforce Training Fund Agreement", departmental policies and procedures, and other applicable policies and procedures;
- Lack its own internal finance directives and/or accounting standard operating procedures to ensure adequate accounting for the use of Compliance Fee dollars.



## BACKGROUND

In 2012, the City of Detroit identified the Detroit Employment Solutions Corporation (DESC) as its workforce agency. A “workforce agency” is the agency or bureau in each State that deals with employment and labor issues. DESC is a part of the Michigan Works! Association, and is one of sixteen Michigan Works! Agencies located around the state. Before 2012, the City’s workforce agency was an internal department within City governance known as the “Detroit Workforce Development Department.”

The mission of DESC is to revitalize Detroit by cultivating local workforce talent to align with the needs of the business community through partnerships with key workforce agencies, faith-based and community based organizations, education and training institutions, philanthropic, and economic development and government entities. DESC is a non-profit 501(c)(3) private foundation that provides a comprehensive array of high quality, value-added programs, trainings, services, and support to job seekers and businesses at no cost to their customers.

DESC is governed by a Board of Directors as required under their Articles of Incorporation. The Board of Directors is responsible for the day-to-day oversight of its operations.

### DESC and the Civil Rights, Inclusion, and Opportunity Department

The relationship between DESC and the Civil Rights, Inclusion, and Opportunity Department (CRIO) exists on three levels:

#### A. **Governance**

CRIO establishes policies governing the movement of Compliance Fee Dollars to DESC and how the Compliance Fee Dollars are used. The policies are executed through the Executive Orders, such as 2020-5 (which supersedes Executive Orders 2014-4 and 2016-1) and the “Workforce Training Fund Agreement”;

#### B. **Strategic**

The Workforce Training Fund Agreement formalized the strategic relationship between CRIO and DESC whereas they work together with the joint purpose of providing training, support, and placement for Detroiters seeking jobs in the skilled construction trades and/or jobs resulting from new development;

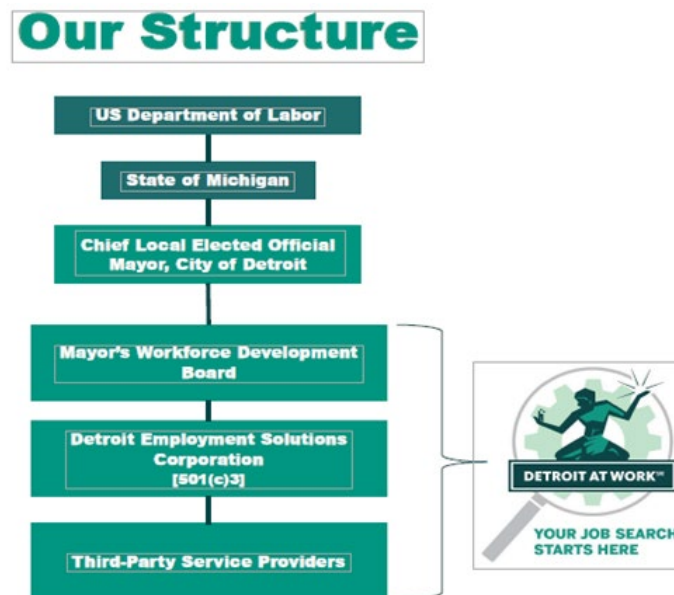
#### C. **Operations**

DESC partners with CRIO to find the right curriculum and programs needed for City job seekers. It is DESC’s responsibility to ensure that providers are training job seekers to fulfil the needs of prospective employers. DESC is required to provide CRIO with periodic reports on the number of job seekers trained, and resulting job placement statistics.

## DESC and “Detroit At Work”

The term “Detroit At Work” is often used synonymously and interchangeably with DESC and other organizations to describe the collective activities needed to create a highly skilled labor pool in Detroit. In February 2017, the City launched “Detroit at Work” which is an amalgamation of the Mayor’s Workforce Development Board, DESC, and Third-Party Service Providers. “Detroit At Work” offers residents and employers a simplified brand and serves as the umbrella for all City workforce development efforts that are charged with building Detroit’s talent pool, creating opportunities for Detroiters, and to giving employers access to a demand-driven talent pipeline.

DESC is the lead agency for carrying out “Detroit at Work” initiatives. In the 2019 City Council Budget Presentation, DESC presented its structure as follows:



### A. **Mayor’s Workforce Development Board**

DESC serves as the fiscal and administrative agent of the Mayor’s Workforce Development Board (MWDB), which is a body appointed by Mayor Mike Duggan. The MWDB is accountable to the Mayor’s office to successfully deliver workforce training programs across the City. To accomplish this, the MWDB provides career pathways and entry points for Detroiters of all skill levels within five high-growth, high-demand industries:

1. Construction;
2. Healthcare;
3. Information Technology;
4. Manufacturing;
5. Retail Hospitality and Entertainment.

The MWDB provides governance and oversight to DESC.

**B. Detroit Employment Solution Corporation (DESC)**

DESC manages funds, implements programs, and oversees the performance of service providers to fulfill their financial, programmatic, and operational roles. They are the lead agency for “Detroit at Work.” Locally, the Michigan Works! One-Stop Service Centers have been branded as “Detroit at Work Career Centers.” DESC manages the Michigan Works! One-Stop Service Centers, and the “Partnership, Accountability, Training, Hope” (PATH) locations in and around Detroit.

**C. Third-Party Service Providers**

Third-Party Service Providers are procured by DESC to provide employment and training services directly to job seekers. DESC currently partners with ten high-quality organizations who manage and operate nine Career Centers across Metro Detroit.

Overview of Executive Orders Governing Compliance Fee Dollars

The following Executive Orders entitled “Utilization of Detroit Residents on Publicly-Funded Construction Projects” were enacted to ensure that Detroit residents make up a majority percentage of the workforce on large publicly funded construction projects:

**1. Executive Order 2014-4 (EO2014-4):**

Enacted on August 22, 2014. The Executive Order:

- Directed City departments and agencies to implement specific residency requirements on all construction projects funded, in whole or in part, by the City, and applies to those funded by state or federal funds to the extent permitted by law;
- Required all City of Detroit project construction contracts shall provide that at least fifty-one percent (51%) of the workforce must be bona-fide Detroit residents;
- Required Detroit residents to perform fifty-one percent (51%) of the hours worked on the project;
- Imposed monthly financial penalties (e.g. – Compliance Fees) for failure to meet the Detroit resident workforce requirement, including project hours.

**2. Executive Order 2016-1 (EO2016-1):**

Issued on December 16, 2016 and supersedes EO 2014-4. The updated Executive Order:

- Clarified the meaning of “publicly-funded construction projects” to mean: (a) any construction contract for more than \$3,000,000 (Three Million Dollars) made by the City with any person or entity; and (b) are subject to implement specific residency targets for its workforce. Consistent with EO 2014-4,
- Added specific definitive language regarding the “Workforce Target”, including requirements, how targets are calculated, and the penalty for non-compliance.

- Added language specific to the City’s “Workforce Training Fund” and that it is used to support development-related job training and placement efforts. All collected compliance fees from noncompliant developers and contractors is the primary source of funds for the City’s Workforce Training Fund.

**3. Executive Order 2020-5 (EO2020-5)**

Went into effect November 20, 2020, and supersedes EO2016-1. The significant change between EO2016-1 and EO2020-5 is the addition of “publicly-funded demolition/rehabilitation” projects in excess of \$50,000.” For purposes of this executive order, this means any contract for the demolition or rehabilitation of residential buildings under the Proposal N Neighborhood Improvement Plan. It requires demolition contractors to obtain the same residency requirements as its predecessors (i.e. - 51% of the workforce to be bona-fide Detroit residents) to avoid paying compliance fees.

Dollars collected from non-compliant contractors are used to provide training to Detroiters in skilled trades and other related areas to increase the pool of qualified laborers for the contractors. The activities related to the collection of Compliance Fee Dollars will be the subject of a future Interim Report of the Audit of the Civil Rights, Inclusion, and Opportunity Department Compliance Fee Dollars – Operations.

*Note: See “**Appendices C and D: Executive Orders 2016-1 and 2014-4**” for the full copy of the executive orders on pages 49 and 53, respectively, of this report. Executive Order 2020-5 is not included in the Appendices of this report as it is outside the scope of this audit.*

Workforce Training Agreement and Compliance Fee Dollars

Effective July 2017, the City memorialized an agreement between DESC and CRIO governing the administration/use of Compliance Fee dollars.

The “Agreement for Administration and Operation of Programs Funded through the City of Detroit Workforce Training Fund” was created:

To achieve the economic revitalization of Detroit by increasing employment of Detroit residents by maximizing the utilization of those residents on publicly funded construction projects.

The “Workforce Training Fund” was established in the City’s financial ledgers specifically for the receipt of financial penalties imposed under Executive Orders 2014-4 and 2016-1 (described above) on non-compliant developers, general contractors, prime contractors, and sub-contractors engaged in projects covered under the relevant executive orders.

Penalties and pre-payments are deposited into the “Workforce Training Fund,” which also receives other “purpose driven deposits”:

- “Purpose Driven Deposits” are defined as funds received by the City for the specific purpose of increasing the employability of Detroit Residents. Such funds can be used for programs that educate and train the Detroit workforce for jobs and career advancement opportunities.

The Agreement specifically states that the funds are used to:

Develop and implement specific initiatives aimed at preparing Detroit Residents for employment in the skilled construction trades and permanent jobs resulting from new developments.

- Detroit Resident is an individual who can demonstrate residency in the City as of a date at least thirty (30) days prior to the date that person seeks to be employed for work on a publicly-funded construction project or other permanent job resulting from new development in the City

The Agreement does not mention employment in any other industries such as information technology, medical, hospitality, etc. Instead, it specifically calls for programs, training, and support services related to employment in the skilled construction trades.

As of this report, we have not been provided with a copy of the Detroit Workforce Training Fund” agreement that has been signed and approved by City Council.

*Note: See “**Appendix B: Workforce Training Fund Agreement**” for the Agreement on page 41 of this report.*

#### DESC’s Scope of Responsibilities under the Workforce Training Fund Agreement

- A. Work with employers, educational institutions and other community stakeholders to identify the current and expected needs of employers in the City for qualified workers;
- B. Work with employers, educational institutions and other community stakeholders to identify the current and expected skills gaps of Detroit residents seeking employment;
- C. Develop and implement specific initiatives aimed at preparing Detroit Residents for employment in the skilled construction trades and permanent jobs resulting from new developments;
- D. Use the Workforce Training Program funds to develop, administer, market and implement training or education programs and to provide support services to Detroit Residents seeking employment;
- E. Develop and approve an annual budget for the expenditure and disbursement of funds received from the City;

F. Monitor and evaluate the performance of all programs and initiatives supported by funds received from the City and shall be accountable to the MWDB for such performance;

G. Provide CRIO with performance reports on a quarterly basis.

According to DESC, it should be noted that their contractual obligations to the City of Detroit are contained in the Workforce Training Fund Agreement. They are not obligated to comply with specific requirements in the Executive Orders, and in particular EO2016-1.

DESC Funding

During the audit period December 2016 through June 2019, the City transferred a total of \$12.0 million to DESC, including \$5.5 million of Compliance Fee dollars, detailed in the table below:

<b>Total City Dollars Transferred To DESC</b>			
<b>December 1, 2016 – June 30, 2019</b>			
<b>Fiscal Year</b>	<b>CRIO Compliance Fee Dollars</b>	<b>Other City Dollars <sup>(A)</sup></b>	<b>Total City Dollars <sup>(B)</sup></b>
2017	\$ -	\$ -	\$ -
2018	2,900,000	2,875,749	5,775,749
2019	2,570,075	3,642,666	6,212,741
<b>Total</b>	<b>\$ 5,470,075</b>	<b>\$ 6,518,415</b>	<b>\$ 11,988,490</b>
	<i>Percent of Total City Funding</i>	<i>45.6%</i>	<i>54.4%</i>
			<i>100.0%</i>

Notes: (A) The “Other City Dollars” for fiscal year 2018 includes a \$1,500,000 Bridge Fund allocation for the “Job Training Initiative”;

(B) The “Total City Dollars” does not include \$3,000,000 approved in fiscal year 2019 for the City’s “Better Outcomes, Opportunities, Support & Training (BOOST)” Program. The funds were transferred in fiscal year 2020 with goals to address the mismatch between residents’ educational attainment, skills, experience, and job requirements.

DESC leverages its state, federal, and philanthropic funding sources. DESC “blends and braids” resources where appropriate and allowable. According to DESC, this is necessary to fill gaps created by restrictions associated with a particular funding source. For fiscal years 2016 through 2019, total City dollars transferred to DESC represented 6.1% of their budgeted revenues, while Compliance Fee dollars represented 2.8% of their total budgeted revenues:

<b>Total City Dollars and Compliance Fee Dollars As a Percentage of DESC's Total Budgeted Revenues</b>					
<b>Category</b>	<b>Dollars Per Fiscal Year</b>				
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Total</b>
DESC Approved Budgeted Revenues	\$34,451,288	\$41,459,727	\$63,743,417	\$58,451,216	\$198,135,648
<b>Total City Dollars Transferred to DESC</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,775,749</b>	<b>\$6,212,741</b>	<b>\$11,988,490</b>
<i>Percentage of Total City Dollars to DESC's Total Budgeted Revenues</i>	<i>0.0%</i>	<i>0.0%</i>	<i>9.1%</i>	<i>10.6%</i>	<i>6.1%</i>
<b>Total Compliance Fee Dollars Transferred to DESC</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,900,000</b>	<b>\$2,570,075</b>	<b>\$5,470,075</b>
<i>Percentage of Compliance Fees to DESC's Total Budgeted Revenues</i>	<i>0.0%</i>	<i>0.0%</i>	<i>4.5%</i>	<i>4.4%</i>	<i>2.8%</i>

#### DESC Use of Compliance Fee Dollars Overview

The following table show the total amount of Compliance Fee dollars transferred from the CRIO to DESC, and the breakdown of how those dollars were used (i.e. – program expenses versus administrative costs:

<b>DESC Usage of Compliance Fee Dollars December 1, 2016 – June 30, 2019</b>		
<b>Usage</b>	<b>Dollars</b>	<b>Percent</b>
Program Training Expenses	\$3,992,585	73.0%
Administrative and Other Costs	\$949,475	17.3%
Carryforward Workforce Training Fund Balance @ 6/30/2019	\$528,015	9.7%
<b>Total Compliance Fee Dollars</b>	<b>\$5,470,075</b>	<b>100.0%</b>

#### DESC Executive Administration

On March 17, 2016, Jose Reyes was selected as the Interim President and Chief Executive Officer (CEO) of DESC. On the same day, DESC's Board of Directors Executive Committee announced a transition plan by creating an ad-hoc committee to conduct a national search for a new President/CEO. They established a three-month timeline to hire a new President/CEO. In May 2016, eight persons were recommended for the national search committee, including Nicole Sherard-Freeman.

By mid-July, the committee had received 322 prospective candidates from which DESC's Human Resource team narrowed the list to 10 candidates. According to the minutes, DESC's Board of Directors, posted the CEO job description (August 25, 2016) and shared the profile of the ideal candidate along with explaining the next steps in the search process. On November 14, 2016, Ms. Sherard-Freeman was introduced to the Mayor's Workforce Development Board as the new President and CEO of DESC. We

requested, but as of this report, we have not received the documentation indicating when Ms. Sherard-Freeman withdrew from the search committee and applied for the CEO position.

Mr. Reyes' appointment as the Interim President and CEO ended in December 2016.

Ms. Sherard-Freeman served as President and CEO of DESC from January 2017 to August 2019. She was then promoted to Executive Director for Mayor Duggan's Workforce Development Department. It was announced that she would serve dual leadership positions as Executive Director of Workforce Development and Detroit at Work.

In October 2020, Mayor Mike Duggan appointed Ms. Sherard-Freeman to Group Executive of Jobs, Economy, and Detroit at Work. Later, she was also tasked with leading the operations for the Community Health Corps.

August 2019, Terri Weems, DESC's Chief Financial Officer, was appointed as interim President/CEO. One year later, in August 2020, Ms. Weems was appointed President of DESC.



## AUDIT FINDINGS AND RECOMMENDATIONS

### **1. DESC Used The Workforce Training Fund For Various Training Programs And Services, But Not Exclusively For The Specific Program Goal Of Preparing Detroit Residents For Employment In The Skilled Construction Trades.**

DESC used Workforce Training Fund compliance fee dollars for various training programs and services, but not exclusively for the specific program goal of preparing Detroit residents for employment in the skilled construction trades. According to the documentation, some programs may have led to permanent jobs. However, we could not associate some of the jobs indicated, to new construction developments in that industry. And, DESC did not provide CRIO with the required performance reports consistently on a quarterly basis.

#### Audit Sample

We reviewed a representative sample of DESC's training programs funded by compliance fee dollars through the workforce training funds. Our sample represented over 43% of the total dollars used for program training expenses. We did not audit administrative and other costs that were an allowed usage of compliance fee dollars.

<b>Compliance Fee Dollars and Audit Sample December 1, 2016 – June 30, 2019</b>	
<b>Usage</b>	<b>Dollars</b>
Total Program Training Expenses	\$3,992,585
Audit Sample of Compliance Fee Dollars	\$1,735,764
<b>Percentage of Audit Size Based on Dollars</b>	<b>43.5%</b>

#### Stratification of Training Programs in Audit Sample

Three types of training programs are used to classify compliance Fee Dollars/Workforce Training Fund expenses:

- A. Individual Training Accounts (ITA's);
- B. Subcontractors/Sub-recipient contractors (Sub-Rec's);
- C. Skills Trade Training Funds (STTF's);

Our audit sample included a total of 31 contracts supported by 87 invoices:

<b>Stratification of Audit Sample by Program Type</b>				
<b>Type of Program</b>	<b>ITA</b>	<b>SUB-REC</b>	<b>STTF</b>	<b>Total</b>
Contracts	21	7	3	31
Invoices	74	7	6	87

Each program type is described in detail further in this finding.

## Overall Condition

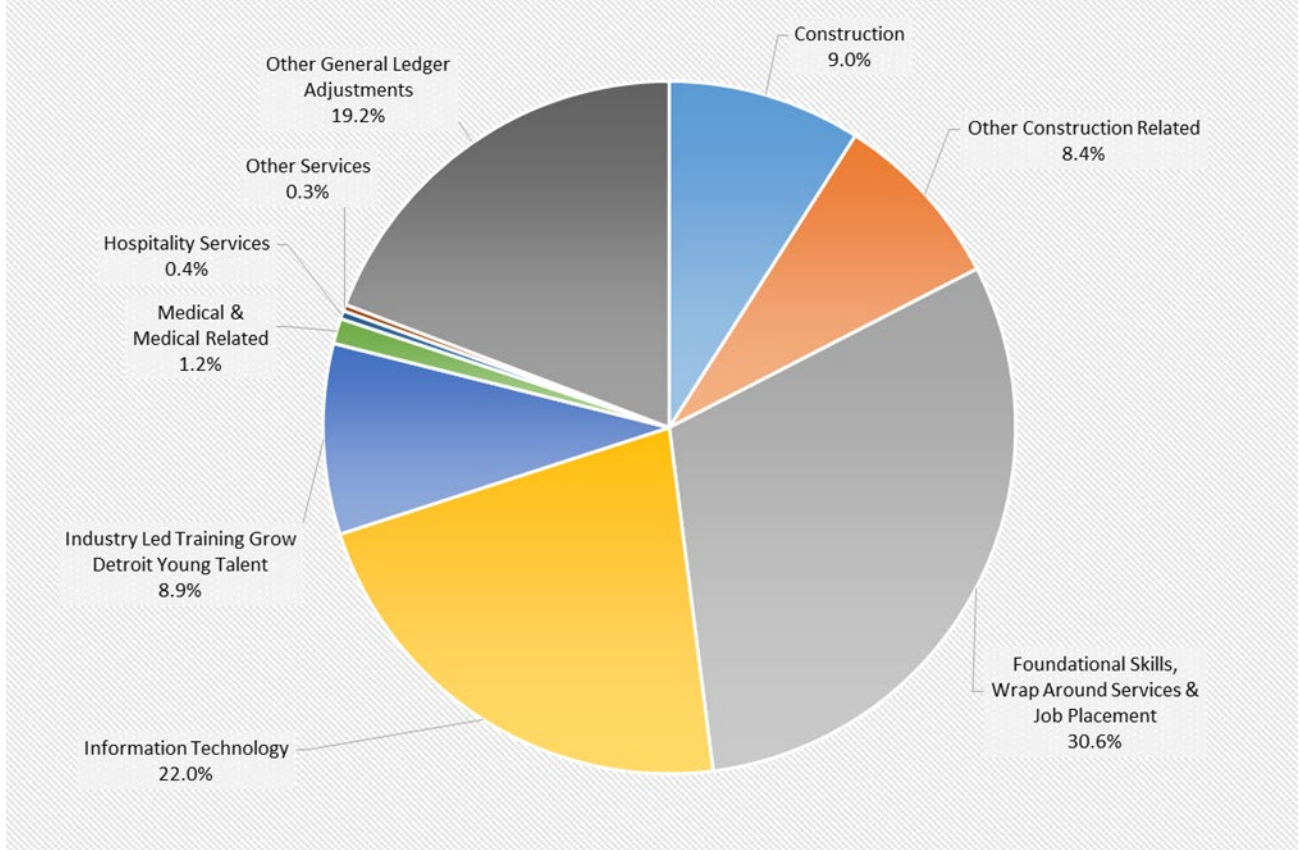
Our detailed audit of the contracts and invoices included in our audit sample, revealed that overall only 17.4% of the Compliance Fee dollars were used for training programs specifically related to construction and/or construction-related programs. Based on our review, we found the following primary uses of the \$1,735,764 Compliance Fee dollars in our audit sample:

- Construction and construction related: \$302,398 or 17.4%;
- Foundational Skills, Wrap Around Services and Job Placement: \$530,372 or 30.6%;
- Information Technology: \$382,500 or 22.0%;
- Other General Ledger Adjustments: \$333,638 or 19.2%.

The table and chart below presents different views of the conditions in our finding:

Overview of the Use of Compliance Fee Dollars By Program Training Category and Type						
Program Training Type/Category	Types of Training Provided	Use of Compliance Fee Dollars for ITA Programs	Use of Compliance Fee Dollars for Sub-Recipient Programs	Use of Compliance Fee Dollars for STTF Programs	Total Compliance Fees Dollars in Audit Sample	Percentage Use of Compliance Fees Dollars in Audit Sample
Construction	Carpentry; Hi-Lo, Masonry; Blight Removal; Heavy Equipment Operator; Electrical Wiring; HVAC; Diesel Mechanic	\$ 142,142	\$ -	\$ 14,684	\$ 156,826	9.0%
Other Construction Related	Automotive Technician; Commercial Driver License	145,572	-	-	145,572	8.4%
<b>Subtotal Construction</b>		<b>\$ 287,714</b>	<b>\$ -</b>	<b>\$ 14,684</b>	<b>\$ 302,398</b>	<b>17.4%</b>
<i>Percentage of Construction &amp; Construction Related Training in Audit Sample</i>		<i>27.6%</i>	<i>0.0%</i>	<i>9.1%</i>	<i>17.4%</i>	
Foundational Skills, Wrap Around Services & Job Placement	Vocational Training; Support Services; Employment	\$ -	\$ 530,372	\$ -	\$ 530,372	30.6%
Information Technology	Information Technology	382,500	-	-	382,500	22.0%
Industry Led Training Grow Detroit Young Talent	Industry Led Training GDYT	-	-	154,421	154,421	8.9%
Medical & Medical Related	Certified Nursing Assistant; Phlebotomy Technician	20,530	-	-	20,530	1.2%
Hospitality Services	Culinary Arts	6,650	-	-	6,650	0.4%
Other Services	Facility Services; Technical Support	-	598	4,657	5,255	0.3%
<b>Subtotal Other Training and Support</b>		<b>\$ 409,680</b>	<b>\$ 530,970</b>	<b>\$ 159,078</b>	<b>\$ 1,099,728</b>	<b>63.4%</b>
<i>Percentage of Other Training and Support in Audit Sample</i>		<i>39.3%</i>	<i>100.0%</i>	<i>98.7%</i>	<i>63.4%</i>	
<b>Other General Ledger Adjustments</b>	Other General Ledger Adjustments	<b>\$ 346,279</b>	<b>\$ -</b>	<b>\$ (12,641)</b>	<b>\$ 333,638</b>	<b>19.2%</b>
<i>Percentage of Other General Ledger Adjustments in Audit Sample</i>		<i>33.2%</i>	<i>0.0%</i>	<i>-7.8%</i>	<i>19.2%</i>	
<b>Total Compliance Fees Dollars in Audit Sample</b>		<b>\$ 1,043,673</b>	<b>\$ 530,970</b>	<b>\$ 161,121</b>	<b>\$ 1,735,764</b>	<b>100.00%</b>

**Overview of the Use of Compliance Fee Dollars By Program Training Category**



The following sections detail the results of our review of the thirty-one (31) contracts and conditions by each training program type (ITA, Sub-Rec, or STTF), by the training providers, and the actual types of training programs funded with Compliance Fee dollars.

**Conditions For Individual Training Accounts Programs**

Individual Training Accounts (ITA) type programs allow eligible adult and dislocated workers the freedom to choose from a variety of quality training programs from the State of Michigan’s “Eligible Training Providers” list and/or DESC’s “Preferred Providers List.”

As indicated in the previous table on page 13 of this report, \$287,714, representing 27.6% of Compliance Fees dollars in our audit sample provided to ITA program providers, was used for construction and construction-related training programs:

<b>Compliance Fee Dollars Used on ITA Training Program Types</b>		
<b>Category of Training</b>	<b>Dollars</b>	<b>Percent</b>
Construction Related Training	\$ 287,714	27.6%
All Other Training and Support Services	409,680	39.3%
Other General Ledger Adjustments	346,279	33.2%
<b>Total ITA Training Program Dollars In Audit Sample</b>	<b>\$1,043,673</b>	<b>100.0%</b>

The following is a listing of the dollars, by provider, type of program and category:

Overview of the Use of ITA Compliance Fee Dollars In Audit Sample							
By Program Training Category and Type							
ITA Training Provider	By Dollars			By Programming Training Category			
	Specific ITA Dollars	ITA Adjustments	Total ITA Dollars	Construction/Construction Related	Non-Construction	Total ITA Dollars	
1 Wayne County Community College	\$ 127,500	\$ -	\$ 127,500	\$ 127,500	\$ -	\$ 127,500	
2 Suburban Truck Driving	24,400	-	24,400	24,400	-	24,400	
3 ArcelorMittal Taylor Blanks	20,400	-	20,400	20,400	-	20,400	
4 Global Information Technology	18,750	363,750	382,500	-	382,500	382,500	
5 Detroit Training Center	16,620	27,473	44,093	44,093	-	44,093	
6 Vehicles for Change	15,000	-	15,000	15,000	-	15,000	
7 AnBeyon Truck Driving	14,700	-	14,700	14,700	-	14,700	
8 U.S. Truck Driving Training School	12,250	-	12,250	12,250	-	12,250	
9 Emerging Industries	11,000	-	11,000	11,000	-	11,000	
10 Greater Horizon Training Institute	5,425	-	5,425	-	5,425	5,425	
11 All Stars Trucking	4,999	-	4,999	4,999	-	4,999	
12 EZ Truck Driving	4,800	-	4,800	4,800	-	4,800	
13 Phlebotomy Express Training	4,600	-	4,600	-	4,600	4,600	
14 Operation Able of Michigan	4,400	-	4,400	-	4,400	4,400	
15 Excelling Nursing Academy	3,750	-	3,750	-	3,750	3,750	
16 Helping Hands Training Program for CENA	3,605	-	3,605	-	3,605	3,605	
17 Irvings Professional	3,150	-	3,150	-	3,150	3,150	
18 Walkers Advanced Technical Training	3,000	-	3,000	3,000	-	3,000	
19 Detroit Training Institute	2,500	-	2,500	2,500	-	2,500	
20 Cleary University & Operation Able	2,250	-	2,250	-	2,250	2,250	
21 Henry Ford	1,072	2,000	3,072	3,072	-	3,072	
<b>Subtotal Training Programs</b>	<b>\$ 304,171</b>	<b>\$ 393,223</b>	<b>\$ 697,394</b>	<b>\$ 287,714</b>	<b>\$ 409,680</b>	<b>697,394</b>	
<b>Other General Ledger Adjustments</b>	<b>\$ -</b>	<b>\$ 346,279</b>	<b>\$ 346,279</b>	<b>\$ -</b>	<b>\$ 346,279</b>	<b>346,279</b>	
<b>Total ITA Compliance Fees Dollars in Audit Samp</b>	<b>\$ 304,171</b>	<b>\$ 739,502</b>	<b>\$ 1,043,673</b>	<b>\$ 287,714</b>	<b>\$ 755,959</b>	<b>1,043,673</b>	
<i>Percentage of ITA Compliance Dollars by Category</i>	<i>29.1%</i>	<i>70.9%</i>	<i>100.0%</i>	<i>27.6%</i>	<i>72.4%</i>	<i>100.0%</i>	

It should be noted for ITA type programs, and based on our review:

- A. Under ITA type programs, and as noted earlier, program recipients' can select the type of training they prefer from a wide selection of pre-approved quality training programs. As can be seen in the details above, \$409,680 of Compliance Fee dollars was used on "other training" with the majority used for information technology programs;
- B. There was a total of \$739,502 General Ledger Adjustments in the ITA program category. Based on information provided by DESC more than half of this amount (or \$393,223) was attributed to specific programs as listed. DESC did not provide program details for the remaining General Ledger Adjustments of \$346,279. This condition is discussed in further detail in "**Finding #4: DESC Does Not Have Its Own Internal Finance Directives or Accounting Standard Operating Procedures**" on page 35 of this report.

### Sub-contractor/Sub-recipient Programs

DESC "Sub-contractors" are businesses or people that carry out work for themselves as part of a larger project. DESC's "Sub-recipients" are non-federal entities that receive sub-awards from the pass-through entity (DESC) to carry out a part of a federal program.

As indicated in the previous table on page 13 of this report, all of the \$530,970 (except \$598) of the Compliance Fee dollars in our audit sample provided to Sub-contractors/Sub-recipients (Sub-Rec) program providers were spent on providing Foundational Skills; Wrap Around Services; and Job Placement services to Detroiters:

<b>Compliance Fee Dollars Used on Sub-Rec Training Program Types</b>		
<b>Category of Training</b>	<b>Dollars</b>	<b>Percent</b>
Construction Related Training	\$ 0	0.0%
Foundational Skills; Wrap Around Services; Job Placement	530,970	100.0%
<b>Total Sub-Rec Training Program Dollars In Audit Sample</b>	<b>\$530,970</b>	<b>100.0%</b>

The following is a listing of the dollars, by provider, type of program and category:

<b>Overview of the Use of Sub-Rec Compliance Fee Dollars In Audit Sample By Program Training Category and Type</b>				
	By Dollars	By Programming Training Category		
		Specific Sub-Rec Dollars	Construction / Construction Related	Non-Construction
1 United Way of SE Michigan	\$ 250,000	\$ -	\$ 250,000	\$ 250,000
2 The Resource Network	100,000	-	100,000	100,000
3 Jewish Vocational Services	50,000	-	50,000	50,000
4 The Greening of Detroit	50,000	-	50,000	50,000
5 Ross Innovative Employment Solutions	50,000	-	50,000	50,000
6 Maximus	30,372	-	30,372	30,372
7 Seattle Jobs Initiative	598	-	598	598
<b>Total Sub-Rec Compliance Fees Dollars in Audit Sample</b>	<b>\$ 530,970</b>	<b>\$ -</b>	<b>\$ 530,970</b>	<b>\$ 530,970</b>
<i>Percentage of Sub-Rec Compliance Dollars by Category</i>	<i>100.0%</i>	<i>0.0%</i>	<i>100.0%</i>	<i>100.0%</i>

### Skills Trade Training Fund Programs

Skilled Trade Training Fund (STTF) programs are funded through competitive awards given to employers to assist in training, developing, and retaining current and newly hired employees. All training must fulfill a demonstrated talent need experienced by the employer, be short-term, and lead to a credential for a skill that is transferable and recognized by the relevant industry. The training must also include at least one of the following components:

- Classroom or customized training;
- New employee on the job training;
- Training for new U.S. Department of Labor Registered Apprenticeship.

As indicated in the previous table on page 13 of this report, \$14,648 (or 9.1%) of the \$161,121 Compliance Fees dollars in our audit sample provided to STTF program providers were spent on training programs in the construction or construction-related industry:

<b>Compliance Fee Dollars Used on STTF Training Program Types</b>		
<b>Category of Training</b>	<b>Dollars</b>	<b>Percent</b>
Construction Related Training	\$ 14,684	9.1%
All Other Training and Support Services	159,078	98.7%
Other General Ledger Adjustments	(12,641)	(7.8)%
<b>Total STTF Training Program Dollars In Audit Sample</b>	<b>\$161,121</b>	<b>100.0%</b>

The following is a listing of the dollars, by provider and type of program:

<b>Overview of the Use of STTF Compliance Fee Dollars In Audit Sample By Program Training Category and Type</b>						
	<b>By Dollars</b>			<b>By Programming Training Category</b>		
	<b>Specific STTF Dollars</b>	<b>STTF Adjustments</b>	<b>Total STTF Dollars</b>	<b>Construction / Construction Related</b>	<b>Non-Construction</b>	<b>Total STTF Dollars</b>
<b>STTF Training Providers</b>						
1 Industry Led Training-Grow Detroit Young Talent: General Ledger Adjustment Programs/Providers						
- Making it Happen	\$ -	\$ 29,250	\$ 29,250	\$ -	\$ 29,250	\$ 29,250
- Black Bottom	-	27,974	27,974	-	27,974	27,974
- Matrix-Parsons	-	21,000	21,000	-	21,000	21,000
- Emerging Industries	-	18,497	18,497	-	18,497	18,497
- Be-Moor	-	15,000	15,000	-	15,000	15,000
- Grand Circus	-	15,000	15,000	-	15,000	15,000
- SERMetro	-	14,684	14,684	14,684	-	14,684
- Team 84	-	12,000	12,000	-	12,000	12,000
- JOURNi	-	8,000	8,000	-	8,000	8,000
- Junior Achievement	-	7,700	7,700	-	7,700	7,700
- Cadillac Asphalt	-	-	-	-	-	-
2 Randolph Detroit Public School Community District	3,636	-	3,636	-	3,636	3,636
3 Randolph Career Technical Center	1,021	-	1,021	-	1,021	1,021
<b>Subtotal Training Programs</b>	<b>\$ 4,657</b>	<b>\$ 169,105</b>	<b>\$ 173,762</b>	<b>\$ 14,684</b>	<b>\$ 159,078</b>	<b>\$ 173,762</b>
<b>Other General Ledger Adjustments</b>	<b>\$ -</b>	<b>\$ (12,641)</b>	<b>\$ (12,641)</b>	<b>\$ -</b>	<b>\$ (12,641)</b>	<b>\$ (12,641)</b>
<b>Total STTF Compliance Fees Dollars in Audit Sample</b>	<b>\$ 4,657</b>	<b>\$ 156,464</b>	<b>\$ 161,121</b>	<b>\$ 14,684</b>	<b>\$ 146,437</b>	<b>\$ 161,121</b>
<i>Percentage of STTF Compliance Dollars by</i>	<i>2.9%</i>	<i>97.1%</i>	<i>100.0%</i>	<i>9.1%</i>	<i>90.9%</i>	<i>100.0%</i>

## **Overall Program Metrics and Performance Scorecards**

Full program metrics, performance scorecards, and other key performance indicators are provided for the programs included in our audit sample. They are presented in “**APPENDIX E: Program Metrics and Performance Scorecards (Unaudited)**” on page 55 of this report. This information is unaudited and is provided for informational purposes only. It is based solely on performance scorecards provided by DESC (or the specific training provider.) We did not audit the program results, and therefore we are not rendering an opinion on the effectiveness of the programs or program information contained therein.

You will note that some program providers may have training programs in other categories that were not included in our audit sample. For example, Emerging Industries provided ITA type training in construction trades, and also non-construction training in culinary arts and advanced call centers. The other programs may have been funded by other sources, but are included in the provider’s metrics, performance scorecards, etc.

## **Conditions Related To Lack Of Required Reporting**

Based on our review, we noted that DESC did not provide CRIO with “its own” reporting, nor was it consistently provided on a quarterly basis as required in the Workforce Training Fund Agreement. Instead, reports are compiled and published by the City’s “Detroit at Work” and are a combination of workforce activities from other local workforce agencies, including DESC. We cannot determine if the performance results provided to CRIO are based solely on DESC workforce activities funded by Compliance Fee dollars.

We reviewed DESC’s fiscal year 2019 Budget Presentation to City Council. We noted that “Detroit at Work,” the Mayor’s Workforce Development Board, DESC, and Third-Party Service Providers have working relationships, and they all provide inputs into the final report. With the major focus on reporting, some details in the presentation revealed the following:

### Detroit at Work Reported

- Accomplishments made for Detroiters by Detroit at Work, such as growing non-traditional revenue stream;
- Expansion of Career Centers;
- Impact of Detroit at Work;
- Enrollment Results for jobs in Healthcare, Information Technology, Skills Trades and Construction, and the Transportation industries.

### DESC Reported

- Funding Sources and amounts for fiscal year 2018, the amount of funding expected to be fully expended by the end of fiscal year 2019, and anticipation of new City of Detroit workforce funding in fiscal year 2020;
- Their fiscal year 2019 Budget;

- Their goals and strategic plans;
- Information on the Gordie Howe International Bridge Multi-Year Project, including expected and actual enrollment and placement information for its training programs for fiscal year 2019;
- The Workforce Training Fund fiscal years 2018 and 2019 quarterly results.

#### Third Party Service Providers (Career Pathway Training Centers) Reported

- Career Center Services such as Basic Skills Programs, GED or High School Diploma Completion, Tutoring, Transportation Assistance, etc.
- Training provided;
- Training related employment results.

#### **Criteria**

Executive Order 2016-1 (EO2016-1) was implemented to “encourage and maximize the utilization of Detroit residents on all City contracts and all projects benefited by City subsidies.” The Executive Order applies to any entity entering into publicly funded construction projects with contracts greater than \$3,000,000 (Three million dollars.)

To accomplish this goal, the City developed the “Workforce Training Fund” and entered into an “Agreement” with the Detroit Employment Solutions Corporation (DESC) in July 2017, to facilitate and administer the following scope of services:

1. Work with employers, educational institutions and other community stakeholder to identify the current and expected needs of employers in the City of Detroit for qualified workers and to identify the current and expected skills gaps of Detroit Residents seeking employment;
2. Develop and implement specific initiatives aimed at preparing Detroit Residents for employment in the skilled construction trades and permanent jobs resulting from new developments;
3. Use Workforce Training Program funds to develop, administer, market and implement training or education programs and to provide support services to Detroit Residents seeking employment;
4. Develop and approve and annual budget for the expenditure and disbursement of funds received from the City under this “Agreement”;
5. Monitor and evaluate the performance of all programs and initiatives supported by funds received from the City under this “Agreement”;
6. Be accountable to the Mayor’s Workforce Development Board for such performance;
7. Provide CRIO with performance reports on a quarterly basis.

The Workforce Training Fund Agreement is specific in its purpose to build a pipeline of Detroit residents for employment in construction and construction related industries. We do agree that the Agreement allows for providing support services to job seekers. However, nowhere in the



Agreement does it provide for training other than in skilled construction and/or construction related trades.

### **Effects**

Due to how DESC's uses Workforce Training Funds to provide training in non-construction and/or non-construction related skills trades diminishes the pool of qualified Detroit applicants for jobs in the skilled construction trades and jobs resulting from new developments in the City. Although Workforce Training Fund programs benefited Detroiters by providing support and other "wrap-around" services to job seekers, based on our audit sample, it did not materially benefit the employers in construction and construction related industries. These support services instead benefited employers in other industries such as information technology, medical, and the hospitality industries.

DESC's lack of reporting based solely on the program results from the use of Compliance Fee dollars prohibits the City from knowing whether or not the penalties enforced and collected help construction contractors fill their need for a skilled-trained workforce. Contractors may object to paying penalties imposed if the City, if DESC acting as it's agent, cannot prove that the majority of fees are being used as intended.

### **Causes**

DESC stated and believes the funding sourced from Workforce Training Fund Agreement is "flexible funding" that gives them flexibility throughout the year to use as needed. According to DESC, the "funding doesn't have an expiration date," and as funding change and invoice amounts change, they have needed flexibility to "blend and braid" and "mix and match" funding from various sources.

Regarding reporting, DESC stated that:

- Key indicators or metrics that are reflected in their quarterly reports, are based on federal and state performance results, and they have their own key indicators and metrics which are reported quarterly and annually;
- They report their results to the state, then the state reports to the federal government, [and] lastly, DESC provides those reports to City Council;
- They also provide City Council with their own reports, based on the number of job seekers trained by industry, job placement, and supportive services provided;
- They develop data and provide results to "Detroit at Work," who then provides reports to CRIO.

## **Recommendations**

We recommend that DESC:

- A. Collaborate with CRIO to develop and coordinate workforce training programs sourced from the Workforce Training Fund dollars to be specifically targeted to meet the needs of construction contractors who are subject to E0-2016-1;
- B. Use Workforce Training Funds sourced from Compliance Fee dollars to provide foundational skills, wrap-around, job placement support services to job seekers (only) in the construction and construction-related industries;
- C. Ensure that Detroiters seeking jobs in the skilled construction trades and/or permanent jobs resulting from new developments have adequate programs available to them and educated on how to obtain the targeted training;
- D. Collaborate with CRIO to establish Citywide goals and performance expectations relating to programs in the Workforce Training Fund;
- E. Develop reporting that identifies the results of workforce training programs sourced from Compliance Fee dollars so that correlations can be made about the effectiveness of the executive order. The reporting should include key performance indicators, metrics, and other program results so that the City and contributing contractors, and other stakeholders can easily see that the Compliance Fee dollars are being used for their intended purposes as stated in the Workforce Training Fund Agreement;
- F. Provide reporting to CRIO consistently on a quarterly basis as required by the Workforce Training Fund Agreement.

**2. DESC Did Not Always Comply With Their Own Policies And Procedures, Some Federal And State Laws, Or Industry Standards Relating To Procurement Practices For Workforce Training Fund Programs**

DESC did not always comply with their own policies and procedures, some federal and state laws, or industry standards relating to procurement practices for workforce training fund programs. Current practices do not ensure full and open competition for training providers' services.

**Conditions and Criteria**

We audited thirty-one contracts across the various three programs classifications: (1) Individual Training Accounts (ITA), (2) Sub-contractors/Sub-Recipients (Sub-Rec), and (3) Skills Trade Training Fund (STTF).

<b>Stratification of Audit Sample by Program Type</b>				
<b>Type of Program</b>	<b>ITA</b>	<b>SUB-REC</b>	<b>STTF</b>	<b>Total</b>
Contracts	21	7	3	31
Invoices	74	7	6	87

*Note: Program classifications and audit sample selections are described in more detail in “Finding #1: DESC Used Workforce Training Fund For Various Training Programs And Services, But Not Exclusively For The Specific Program Goal Of Preparing Detroit Residents For Employment In The Skilled Construction Trades.” on page 13 of this report.*

The selected contracts were reviewed against a “checklist” of contract requirements compiled from a detailed and extensive review of the Workforce Training Fund Agreement, DESC’s policies and procedures, and federal, state, local, and other requirements related to the workforce training fund programs. We also included criteria directly from the scope of services and other requirements in providers’ agreements/contracts.

DESC procurements are to conform to applicable regulations including the Uniform Guidance Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (which is federal law), any state statutes, DESC Procurement policy, DESC Board Procurement Approval Process Proposal, and DESC Master Training Agreements, Contracts, and/or Memorandum’s of Understanding.

The General procurement standards that cover the purchase of services under the Uniform Guidance Administrative Requirements obligate DESC to:

1. Maintain written policies and procedures for procurement covering the methods available, and records sufficient to detail the history of procurement;
2. Provide full and open competition;
3. Maintain documentation addressing cost and price analysis and vendor selection where applicable based on the method of procurement used;

4. Adhere to protocols that ensure suppliers, employees, and buyers follow the terms laid out in their contracts.

Contract compliance focuses on how well ITA's, Sub-Rec's, and STTF's procurement practices conform with regulations and performance of obligations within their agreements to ensure terms are being honored by all parties.

Our review of applicable procurement policies and procedures resulted in different contract compliance requirements or "Criteria" specific to each of the different program agreements/contracts. For purposes of presentation, we grouped the conditions/criteria by the program type detailed below:

**A. Individual Training Accounts (ITA) Programs Compliance (20 Criteria)** – covers the required procurement and program/contract compliance for ITA agreements evidenced by:

- The provider being listed on the State of Michigan approved provider list (Michigan Training Connect);
- Additional vetting for providers who desire to be listed on DESC's "Preferred Training Provider" list;
- Procurements being conducted in a manner that provides full and open competition;
- Adequate record retention to prove that providers followed reporting guidelines and processed and monitored the receipt and use of funds;
- Documenting that funding and payments did not exceed the amount stated in the agreement.

**B. Sub-Recipients Contract Compliance (52 Criteria)** – covers the required procurement and program/contract compliance for all Sub-Recipients contracts evidenced by:

- An award letter that outlines the award amount, the general terms and conditions of the contractual relationship; along with signed and dated contracts;
- The contractor developing and maintaining relationships with employers, identifying immediate employment opportunities, and tracking job search activities;
- A detailed written history for all procurements;
- All six (6) affirmative steps being taken;
- Regular reviews by DESC on the training providers detailed work plans, and feedback to each provider;
- Completed, on-site monitoring visits by DESC at least one time per contract, or three to six times per year if the contractor was new or had previous findings; along with Monthly desktop fiscal reviews completed by DESC for this group of contractors;

- Probation and penalties imposed on non-compliant contractors if they were found in violation of the contractual requirements. If applicable, financial penalties amounted to “holding back” 10% of each month’s invoice amount until the findings were resolved;
- Approval of specific contracts by DESC’s Board of Directors.

**C. Skills Trade Training Fund (STTF) Compliance (54 Criteria) – covers the required compliance for STTF contracts evidenced by:**

- Standard policy and procedures for disbursements from the Skills Trade Training Fund;
- Competitive awards given to employers to assist in training, developing, and retaining current and newly hired employees;
- A detailed written history of procurements;
- Publicized requests for proposals;
- All six (6) affirmative steps being taken;
- Conducting cost/price analyses;
- Allowing training and targeted funding amounts that meet the criteria of customized training (e.g. - up to \$1500 per individual, plus an additional \$500 for new hire Veterans);
- Training plans defined by the employers;
- Training that leads to full-time or continued employment;
- Master Training Agreements/Contacts for all training providers.

The table below is an overview of the results of our testing summarized by the three program types:

DESC Training Programs Overview Of Contract Compliance Testing							
Type of Program		Number of Contracts	Percentage of Non-Compliance Per Criteria				
			Number of Criteria	0% - 25%	>25% - 50%	>50% - 75%	>75%
A.	ITA Contracts	21	20	11	2	-	7
B.	Sub-Rec Contracts	7	52	23	7	6	16
C.	STTF Contracts	3	54	11	2	-	41
<b>Total</b>		<b>31</b>	<b>126</b>	<b>45</b>	<b>11</b>	<b>6</b>	<b>64</b>

*Notes: (A) The Percentage of Noncompliance represents the percentage of contracts that were audited that did not meet the procurement requirement for each individual criterion. Contracts can “fail” the criteria if the required documentation or information was not provided and/or found within DESC records;*

*(B) Details of each “Condition/Criteria” and the number and percentage of compliant and non-compliant contracts can be found in “APPENDIX F: Performance Summary of DESC Training Programs Contract Compliance” on page 75 of this report.*

### **Sources of Criteria**

The criteria listed above are based on detailed and extensive reviews of the following criteria:

- Federal Government 2 CFR 200 Uniform Guidance Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards;
- Michigan Department of Labor and Economic Opportunity Department Workforce Development Policy;
- The City of Detroit The Workforce Training Fund Agreement for Administration and Operation of Programs (between CRIO, on behalf of the City, and DESC);
- Detroit Employment Solutions Policy No. FIN-2018-008 Procurement Policy and Procedures;
- Detroit Employment Solutions Policy No. CA 2015-011 Individual Training Accounts;
- Detroit Employment Solutions Master Training Agreements and Training Provider Invoices;
- Detroit Employment Solutions Funding Opportunity Announcement for Sector Partnership Training;
- Detroit Employment Solutions WIOA-PATH On the Job Training Policy;
- Detroit Employment Solutions Award letter;
- Detroit Employment Solutions Sub-recipient Contract;
- Detroit Employment Solutions Board Procurement Approval Process Proposal;
- Detroit Employment Solutions Food Assistance Employment and Training Plus with Matching Funding Request For Proposal;
- Detroit Employment Solutions Policy No. FIN 2018-004 On-Site Contract Monitoring and Desktop Fiscal Review Policy.

### **Effects**

Failure to adhere to policies and procedures, federal, state, and local regulations, and failing to enforce contract requirements:

- Reduces transparency and competition and opens the door for favoritism, partiality, and other biases in the procurement process;
- Limits the selection of training providers which could lead to a lower quality of services and fewer training options for recipients;

- Results in inadequate oversight of training providers, leading to sub-standard work by not meeting contract requirements;
- Increases the probability of redundant purchases (i.e. programs) or paying too much for services;
- Puts DESC at risk for potential fines, penalties, lawsuits, other legal action, which could seriously impact its reputation in the workforce training industry;
- Diminishes the effectiveness and efficiency of operations and the concurrent controls it is designed to impose;
- Allows for override of controls, and/or the lack of controls which increases the potential for financial loss, including but not limited to, fraud, waste, and abuse;
- Prevents economic and employment growth within the City and prevents assisting with developing a sustainable workforce.

### **Causes**

When the control system is so complex or impractical, employees may be unable to adhere to it. DESC has many, and sometimes different criteria for each type of training program.

The following are various causes attributing to the conditions of noncompliance in procurement and contracting:

#### **A. Individual Training Agreements (ITA's)**

- These agreements do not follow the federal procurement guidelines because they have “only Master Training Agreements,” no contracts, and they [the providers] are vetted by the State of Michigan. Also, participants are allowed to (by law) choose the training provider and the type of training as available in the “Michigan Training Connect” virtual marketplace;”
- According to a DESC staff person, and in one instance, the pre-award review and the yearly programmatic review for “on the job-training” were not available because the person responsible for obtaining the information no longer worked for DESC.

#### **B. Sub-Recipient Contract Compliance**

- Initially DESC stated that there were no issues or findings on the monitoring reports that would have triggered a holdback of funding/payment to a provider. However, we found that there was one Sub-Recipient contractor who in fact received a holdback.
- Although there is a federal procurement rule requiring entities to take six affirmative steps to assure that minority businesses, women’s business enterprises, and labor surplus area firms are afforded contracting opportunities when possible, DESC management noted that it only requires them to practice one or more steps and not all six;

- It was stated, in one instance, the “Sole Source Justification” is applicable since the training is only available from a single source provider. However, DESC did not provide evidence that the provider has no competition and services are not obtainable from similar agencies. Specifically, the “Sole Source Justification” did not include the federal procurement required documented market survey results, independent agency research, and price/cost analysis or price certification (from provider) to support and justify the sole source selection in the sample;
- DESC staff indicated that Food Assistance Employment and Training (FAE&T) Plus contracts did not need approvals from the Board of Directors because they do not exceed the “required” threshold. However, the FAE&T policy governing these contracts specifically states “No contract will become effective until the contract has been approved by the DESC Board and signed by DESC’s President/Chief Executive Officer.” DESC’s Board Procurement Approval Process policy require Board approval for Competitive Proposals and for new contracts and contract renewals exceeding \$20,000.

DESC management also indicated that their FAE&T policy and Board Procurement Approval Process policy regarding board approvals are not their current policies being practiced, and that they follow their Bylaws which give them a \$500,000 “required threshold” for board approvals.

#### C. Skills Trade Training Fund (STTF) Contract Compliance

- DESC management stated that the STTF criteria should not have been applied to these contract because they were “misabeled” in the general ledger program classification;
- DESC management felt that the Workforce Training Fund Agreement allows them to use skilled trade training funds for the “Industry Led Training for Grow Detroit Young Talent” program. They felt that workforce training funds could be used for the six week training program for people ages 16-24 to obtain an industry recognized credential, or hours towards an industry recognized credential, or unsubsidized employment in the respective sector.

### **Recommendations**

We recommend that DESC:

- A. Develop and ensure that plans, policies, procedures, rules, and standards result in uniform actions across programs and programs types:
  - Plans are decisions to take specific steps and are goal oriented. Tactical plans relating to day-to-day operations must include employment levels, technology, and customer needs. For plans to be successful, they must be devised rationally, where failure is not “pre-ordained”, and must provide for feedback and control;
  - Policies are general guides for action and permit managers to delegate



authority while maintaining control. They should pre-decide issues and help avoid repeated analysis;

- Procedures detail the exact manner in which a certain activity must be accomplished, and are often listed as chronological events. For procedures to be effective, they must:
    - Clearly indicate who is responsible for what (i.e. accountability);
    - Be supported by adequate resources (people and equipment);
    - Provide for surveillance and progress reporting.
  - Rules are the simplest plans that do not allow for any discretion and must be followed as stated;
  - Standards are norms against which activities are measured, and help to determine whether actions comply with plans. Standards assume the attributes of control when they are used to determine whether actions meet the norms. Well-developed standards translate goals into specific measurable outputs or outcomes and let people know what is considered to be acceptable performance. Some examples of standards that are linked to plans include the quantity of output, accuracy of quality, costs, and timeliness;
  - Determine if their current procurement processes and procedures can be used for all programs. If not, establish a formal approval process for all procurements to ensure alignment across functional activities.
- B. Require all contracts and agreements to go through a competitive procurement process similar to the guidelines established in the federal “Uniform Guidance Requirements”;
- C. Conduct a thorough review of all program requirements to ensure that they can be monitored effectively and efficiently:
1. Review the applicable executive order(s), the workforce training fund agreement in effect, and monitor all program activity to ensure compliance;
  2. Conduct debriefings, establish, and maintain feedback loops with training providers to ensure providers understand goals and objectives needed for full compliance.
- D. Ensure that there is congruence between contract requirements (i.e. – RFP’s), policies, and By-laws as it relates to approvals by the Board of Directors;
- E. Ensure that contracts, agreements, and invoices reflect the correct and actual program type (or classification) so that program requirements are applied appropriately;
- F. Ensure that all records are properly and adequately maintained and are not subject to changes in staffing or termination of employees.

### **3. Compliance Fee Dollars Were Used To Pay Invoices But The City Was Not Always Listed As The Funding Source**

Compliance Fee dollars were used to pay invoices, but the City (CRIO) was not always listed as the funding source on supporting documentation.

#### **Conditions**

We audited thirty-one contracts across the various three program classifications: (1) Individual Training Accounts (ITA), (2) Sub-contractors/Sub-Recipients (Sub-Rec), and (3) Skills Trade Training Fund (STTF). There were eighty-seven invoices associated with the training programs also detailed below

<b>Stratification of Audit Sample by Program Type</b>				
<b>Type of Program</b>	<b>ITA</b>	<b>SUB-REC</b>	<b>STTF</b>	<b>Total</b>
Contracts	21	7	3	31
Invoices	74	7	6	87

*Note: Program classifications and audit sample selections are described in more detail in "Finding #1: DESC Used Workforce Training Fund For Various Training Programs And Services, But Not Exclusively For The Specific Program Goal Of Preparing Detroit Residents For Employment In The Skilled Construction Trades." on page 13 of this report.*

Based on our review of the 31 contracts, 71.0% of City funded agreements/contracts did not list CRIO as the source of funds. The City (CRIO) was only listed as the funding source on 9 out of 31 contracts (or 29.0%) of the contracts audited. The two tables below illustrate our findings relating to funding sources listed on contracts, detailed by training program type:

<b>Workforce Training Fund Disbursements CRIO Listed As A Funding Source On Contracts</b>				
<b>Program Type Funding Source</b>	<b>ITA</b>	<b>SUB-REC</b>	<b>STTF</b>	<b>Total Contracts</b>
Number of Contracts in Sample	21	7	3	31
CRIO Listed as Funding Source	8	1	0	9
<b>Percent of Invoices Listing CRIO as a Funding Source</b>	<b>38.1%</b>	<b>12.5%</b>	<b>0.0%</b>	<b>29.0%</b>

<b>Workforce Training Fund Disbursements CRIO "Not" Listed As A Funding Source On Contracts</b>				
<b>Program Type Funding Source</b>	<b>ITA</b>	<b>SUB-REC</b>	<b>STTF</b>	<b>Total Contracts</b>
Number of Contracts in Sample	21	7	3	31
Other Non-CRIO Funding Sources Listed on Contracts	13	6	3	22

<b>Percent of Contracts “Not” listing CRIO As a Funding Source</b>	<b>62.0%</b>	<b>86.0%</b>	<b>100.0%</b>	<b>71.0%</b>
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We also found similar conditions at the “invoice” level. We reviewed the 87 invoices provided by DESC supporting the contracts and found that the City (CRIO) was not always listed as a funding source. We found that “CRIO” was not identified as a funding source on 83.9% of the invoices. This means that only 17 out of the 87 invoices listed CRIO as a funding source. The two tables below illustrate our findings relating to funding sources listed on invoices, detailed by training program type:

<b>Workforce Training Fund Disbursements CRIO Listed As A Funding Source On Invoices</b>				
<b>Program Type Funding Source</b>	<b>ITA</b>	<b>SUB-REC</b>	<b>STTF</b>	<b>Total Invoices</b>
Number of Invoices in Sample	74	7	6	87
CRIO Listed as Funding Source	16	1	0	17
<b>Percent of Invoices Listing CRIO as a Funding Source</b>	<b>21.6%</b>	<b>14.3</b>	<b>0.0%</b>	<b>19.5%</b>

<b>Workforce Training Fund Disbursements CRIO “Not” Listed As A Funding Source On Invoices</b>				
<b>Program Type Funding Source</b>	<b>ITA</b>	<b>SUB-REC</b>	<b>STTF</b>	<b>Total Invoices</b>
Number of Invoices in Sample	74	7	6	87
Other Non-CRIO Funding Sources Listed on Invoices <sup>(A)</sup>	58	9	6	73
<b>Percent of Invoices “Not” listing CRIO As a Funding Source</b>	<b>66.7%</b>	<b>128.6% <sup>(B)</sup></b>	<b>100.0%</b>	<b>83.9%</b>

Notes: <sup>(A)</sup> Other Funding Sources listed on invoices paid from the City’s Workforce Training Fund at DESC:

1. Adult Workforce Innovation and Opportunity Act
2. Workforce Innovation and Opportunity Act Dislocated Worker
3. 2018 Cleary Contract
4. 2018 Gordie Howe-TIA
5. 2018 HFC Contract
6. PATH
7. Food Assistance Employment and Training (FAE&T)/US Department Agriculture

<sup>(B)</sup> Multiple “Other” funding sources were listed on some of the “Sub-Rec” program invoices.

## Criteria

### A. Financial Management and Processing Manual for Grant Programs

The “Invoice Approval and Payment Procedures for Grants” section includes the “Invoice Approval Checklist,” which requires that supporting documentation and proof that the invoice was reviewed occurs before approval of the payment. The checklist consists of the:

- Grant agreement number, PO number, or the project number;
- Grantee name and billing address;
- Point of Contact for billing questions;
- Total cost for the project to date;
- Total federal and state share of the project costs to date (i.e. - funding sources);
- Total grantee share of the project costs to date (i.e. - funding sources);
- Total payments to-date made to the grantee;
- A general breakdown of expenses that supports the payment requested;
- Period of performance for the payment requested;
- Amount of payment grantee is requesting;

### B. City of Detroit Chief Financial Officer CFO Directive No. 2018-101-018 – Accounts Payable

The primary objective of this directive is to ensure that the City disburses funds for valid business reasons [only] after receiving the proper documentation and required authorization. The relevant sub-section of this directive that is applicable to DESC states:

- **Subsection 6.3.1.** All payment requests shall be supported by proper documentation, authorization/approval, and general ledger account coding prior to processing, as confirmed by Accounts Payable.

### C. DESC CA 2018-017 WIOA - PATH On the Job Training Policy

For “On the Job Training” (OJT) programs that are funded with resources other than “Locally Allocated Workforce Innovation and Opportunity Department Act (WIOA)” funds, DESC’s policy states in part that:

- Specific requirements of funding sources other than a local area’s annual WIOA allocation must be incorporated and/or added to the general OJT requirements iterated in the policy. Such requirements will be designated in separate notice specific to the implementation of any other funding sources that may be used for OJT.

- D. State of Michigan Accounting Procedures Manual for Local Units of Government  
This accounting procedure and best practice recommends that “the payee, amount, purpose, and the disbursing fund of each disbursement must be communicated to the accountant or bookkeeper for entry into the general ledger;”
- E. Food Assistance Employment and Training Plus Request for Proposal  
The federal grant states that “providers must track and report, in an accurate and detailed manner, the non-federal funds spent on each eligible participant.”

### **Effects**

DESC’s failure to have adequate policy and procedures that ensure accurate accounting for the use of the City’s funds transferred to them increases the probability that:

- Training programs will not meet the intended goals and objectives outlined in the Workforce Training Fund Agreement;
- Funds can be misappropriated and used for purposes other than their intended use.

Further, inadequate, and/or inaccurate documentation of funding sources makes it difficult to know the exact amount of dollars spent on training programs, contracts, and/or agreements.

### **Causes**

According to DESC:

- A. City Council tells them what they can use the Compliance Fee dollars for and that all uses of Workforce Training Funds have been approved and appropriately spent;
- B. The intent of the Executive Order fees placed in the Workforce Training Fund is to get more people in skills trades and to support people in upskilling or getting them ready to take training, focusing on foundational skills to get them ready to fulfill the Workforce Training Fund Agreement;
- C. Contracts may be executed based on budgeting assumptions as to the amounts and timing of receipts of funds from the City, federal, and other sources. DESC expects that they will be able to “pay their bills” when due. Invoices may reflect a different source of funds at the time of payment, because funding changes throughout the year, and invoice amounts and due dates change. This is DESC’s process of “blend and braiding” various sources of funds to meet its obligations;

According to DESC’s management, they may use Compliance Fee dollars to meet payment obligations “as a last resort because it’s flexible funding and [the dollars] don’t have any expiration date.”

## **Recommendations**

We recommend that DESC:

- A. Implement control systems to ensure that supporting documentation and general ledger entries properly reflect actual funding sources. The general ledger and the financial system should be able to track payments by the:
  1. Contract and program;
  2. Contractor or training provider;
  3. Budgeted/approved funding source(s) for the amount of the contract;
  4. Actual amount of the invoice and the related funding source(s);
  5. Total cumulative amounts paid to date by:
    - i. Training program type;
    - ii. Contract;
    - iii. Training provider;
    - iv. Actual amounts aggregated by funding source.

**4. DESC Does Not Have Its Own Internal Finance Directives or Accounting Standard Operating Procedures**

DESC does not have its own internal finance directives or accounting standard operating procedures that derive from “Generally Accepted Accounting Principles” to govern its day-to-day financial operations. As a result, there are internal control weaknesses over adjusting journal entries recorded against workforce training funds general ledger accounts.

**Conditions**

We reviewed the following journal entries that were recorded as “adjustments” in the Workforce Training Fund general ledger accounts:

<b>DESC Workforce Training Fund General Ledger Adjusting Journal Entries</b>		
<b>No.</b>	<b>Transaction Description</b>	<b>Adjustment Out\ (Adjustment In)</b>
A.	WIOA ADULT ITA Transfer	\$497,953
B.	ITA Transfer	265,029
C.	STTF Industry Led	156,464
D.	GDYT 2017 Adjustments	86,099
E.	CRIO ITA Transfer (Out)	49,961
F.	STTF Bridge/Admin Training Reconciliation	(46,530)
G.	CRIO ITA Transfer (In)	(113,010)
H.	<b>Total Net Adjustments</b>	<b><u>\$895,966</u></b>

DESC does not have its own internal finance directives or standard operating procedures that govern adjusting accounting entries resulting in the following internal control weaknesses:

A. None or Insufficient Supporting Documentation

Three (3) of the seven (7) adjusting journal entries listed above, or 42.9%, had no supporting documentation, or the supporting documentation was insufficient to support the adjustment entry:

*Example: DESC provided invoice for the Grow Detroit Young Talent (GDYT) 2017 adjustment which totaled \$100,100 which is greater than the amount of the adjusting entry for \$86,099.*

B. Adjusting Journal Entries Not Properly Approved

Four (4) of the seven (7) adjusting entries listed above, or 57.1% were not approved by someone other than the preparer prior to the entry being posted in the general ledger.

C. Some Adjusting Entries Were Not Linked To Actual Training Program Contracts Or Providers

Some of the adjusting journal entries did not include specific details or links to the actual training program, contract, and/or provider. As a result, these dollars are not included in a training program's full total cost.

## Criteria

A. Federal Government Accountability Office's (GAO) "Standards for Internal Control in the Federal Government"

This standard requires that "all transactions, and other significant events need to be clearly documented, and the documentation should be readily available for examination. All documentation and records should be properly managed."

B. City of Detroit Chief Financial Officer CFO Directive No. 2018-105 001 - Manual Journal Entries:

The City's finance directive reflect best practices such as:

- "Preparers" being responsible for preparing manual journal entries and "Approvers" being responsible for reviewing and approving manual journal entries;
- All manual journal entries shall be balanced in total;
- All manual journal entries shall have appropriate documentation attached and require a comprehensive description explaining the reason for the journal entry.

C. City of Detroit Chief Financial Officer CFO Directive No. 2018-101-018 Accounts Payable:

- All supplier invoices shall be for valid business purposes and must be supported with proper authorization/approval;
- All payment requests shall be supported by proper documentation, authorization/approval, and general ledger account coding.

D. Sawyer's Internal Auditing: The Practice of Modern Internal Audit (fifth Edition)

This publication which includes guidance for internal auditors, as well as best practices for organizations, states that:

- Written policies and procedures should be stated clearly, communicated to appropriate employees, and designed to reduce the possibility of errors. Written policies and procedures should be periodically reviewed and revised as circumstances change.



## **Effects**

DESC's failure to have its own internal finance directives or accounting standard operating procedures that are derived from "Generally Accepted Accounting Procedures" to govern its day-to-day financial operations can result in:

- A. Financial entry amounts being misstated and/or not adequately supported;
- B. Differences related to varying employee judgement which can minimize the system of "checks and balances", and lead to failed internal control systems;
- C. A lack of adequate tracking, inefficient bookkeeping, possible losses, and potential misuse of assets that go undetected without proper management approval and oversight;
- D. Reporting inaccuracies and a lack of transparency leading to questions on allowed costs from funders and grantors;
- E. Duplicate payments and assets not being properly safeguarded;

We found one instance of a duplicate payment on DESC's grant report for one of the providers in the audit sample. Establishing and implementing cash disbursement policies and procedures that include invoice and payment guidelines could have resulted in the prevention of the duplicate payment.

Specifically, DESC's failure to establish and implement internal cash disbursement policies and procedures, that define all functions of disbursements (including but not limited to the appropriate documentation for supporting invoices, authorized payment preparers, and separate approvers, check signers, etc.), can result in:

- Duplicate payments;
- Assets not being properly safeguarded;
- Increased risk of misstatements in the financial statements.

## **Causes**

DESC's management stated that having separate accounting policies and procedures would be "redundant, since they follow GAAP."

DESC also stated that the adjusting entries listed under STTF "were not a direct reference to Skilled Trade Training Fund programs," and they were not affiliated with the STTF.

## **Recommendations**

We recommend that DESC create its own set of internal accounting policies, policies, and standard operating procedures that align with "Generally Accepted Accounting Procedures," to govern specific types of financial activities (e.g. – practices governing adjusting journal entries.) Standard operating procedures (SOP's) are a set of step-by-step instructions compiled by an organization to help workers carry out routine operations. SOP's aim to achieve efficiency, quality output, and uniformity of performance, while reducing miscommunication and failure to comply with industry regulations.

**Generally Accepted Government Auditing Standards for Performance Audits**

The following excerpt is related to Generally Accepted Government Auditing Standards as compiled by the United States Government Accountability Office (GAO) for Performance Audits. According to the GAO and GAGAS<sup>4</sup>:

§1.21: Performance audits are defined as audits that provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. The term “program” is used in GAGAS to include government entities, organizations, programs, activities, and functions.

§1.22 Performance audit objectives vary widely and include assessments of program effectiveness, economy, and efficiency; internal control; compliance; and prospective analyses. Audit objectives may also pertain to the current status or condition of a program. These overall objectives are not mutually exclusive. For example, a performance audit with an objective of determining or evaluating program effectiveness may also involve an additional objective of evaluating the program’s internal controls. Key categories of performance audit objectives include the following:

- a. Program effectiveness and results audit objectives. These are frequently interrelated with economy and efficiency objectives. Audit objectives that focus on program effectiveness and results typically measure the extent to which a program is achieving its goals and objectives. Audit objectives that focus on economy and efficiency address the costs and resources used to achieve program results.
- b. Internal control audit objectives. These relate to an assessment of one or more aspects of an entity’s system of internal control that is designed to provide reasonable assurance of achieving effective and efficient operations, reliability of reporting for internal and external use, or compliance with provisions of applicable laws and regulations. Internal control objectives also may be relevant when determining the cause of unsatisfactory program performance. Internal control is a process effected by an entity’s oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. Internal control comprises the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity.
- c. Compliance audit objectives. These relate to an assessment of compliance with criteria established by provisions of laws, regulations, contracts, or grant agreements, or other requirement

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<sup>4</sup> Government Auditing Standards (Yellow Book) 2018 Revision; [www.gao.gov/yellowbook](http://www.gao.gov/yellowbook).

## Generally Accepted Government Auditing Standards for Performance Audits

that could affect the acquisition, protection, use, and disposition of the entity's resources and the quantity, quality, timeliness, and cost of services the entity produces and delivers. Compliance requirements can be either financial or nonfinancial.

- d. Prospective analysis audit objectives. These provide analysis or conclusions about information that is based on assumptions about events that may occur in the future, along with possible actions that the entity may take in response to the future events.

There are four "Elements of a Finding" in a Performance Audit. The following excerpt(s) from GAGAS describe how auditors develop Findings

§8.116 As part of a performance audit, when auditors identify findings, they should plan and perform procedures to develop the criteria, condition, cause, and effect of the findings to the extent that these elements are relevant and necessary to achieve the audit objectives.

§8.125 **Condition:** Condition is a situation that exists. The condition is determined and documented during the audit.

§8.124 **Criteria:** To develop findings, criteria may include the laws, regulations, contracts, grant agreements, standards, measures, expected performance, defined business practices, and benchmarks against which performance is compared or evaluated. Criteria identify the required or desired state or expectation with respect to the program or operation. The term program includes processes, projects, studies, policies, operations, activities, entities, and functions. Criteria provide a context for evaluating evidence and understanding the findings, conclusions, and recommendations in the report.

§8.126 **Cause:** The cause is the factor or factors responsible for the difference between the condition and the criteria, and may also serve as a basis for recommendations for corrective actions. Common factors include poorly designed policies, procedures, or criteria; inconsistent, incomplete, or incorrect implementation; or factors beyond the control of program management. Auditors may assess whether the evidence provides a reasonable and convincing argument for why the stated cause is the key factor contributing to the difference between the condition and the criteria.

§8.127 **Effect** or potential effect: The effect or potential effect is the outcome or consequence resulting from the difference between the condition and the criteria. When the audit objectives include identifying the actual or potential consequences of a condition that varies (either positively or negatively) from the criteria identified in the audit, effect is a measure of those consequences. Effect or potential effect may be used to demonstrate the need for corrective action in response to identified problems or relevant risks.

**Generally Accepted Government Auditing Standards for Performance Audits**

GAGAS, also provides the following “Reporting Standards for Performance Audits”:

§9.27 **Conclusions:** Report conclusions are logical inferences about the program based on the auditors’ findings, not merely a summary of the findings. The strength of the auditors’ conclusions depends on the persuasiveness of the evidence supporting the findings and the soundness of the logic used to formulate the conclusions. Conclusions are more compelling if they lead to the auditors’ recommendations and convince the knowledgeable user of the report that action is necessary.

§9.23 **Recommendations:** When feasible, auditors should recommend actions to correct deficiencies and other findings identified during the audit and to improve programs and operations when the potential for improvement in programs, operations, and performance is substantiated by the reported findings and conclusions. Auditors should make recommendations that flow logically from the findings and conclusions, are directed at resolving the cause of identified deficiencies and findings, and clearly state the actions recommended.

§9.28 **Effective recommendations** encourage improvements in the conduct of government programs and operations. Recommendations are effective when they are addressed to parties that have the authority to act and when the recommended actions are specific, feasible, cost effective, and measurable.

**APPENDIX B**  
**Workforce Training Fund Agreement**

**AGREEMENT FOR ADMINISTRATION AND OPERATION OF PROGRAMS  
FUNDED THROUGH THE DETROIT WORKFORCE TRAINING FUND**

THIS AGREEMENT FOR ADMINISTRATION AND OPERATION OF PROGRAMS FUNDED THROUGH THE CITY OF DETROIT WORKFORCE TRAINING FUND (“Agreement”) is entered into as of the Effective Date by and between the **City of Detroit**, a Michigan Municipal Corporation (“City of Detroit” or “City”), acting through the Civil Rights, Inclusion and Opportunity Department (“CRIO”), and **Detroit Employment Solutions Corporation** (“DESC”), a Michigan non-profit corporation. DESC and City of Detroit may each be referred to herein as a “Party” or collectively as the “Parties” to this Agreement, as applicable.

**RECITALS**

**Whereas**, DESC is an IRS §501(c)(3) entity and is the fiduciary designated by the Mayor’s Workforce Development Board to carry out the Detroit workforce area’s strategic plan, and the goals and objectives of the local workforce development board for the City of Detroit, as described in the Workforce Innovation and Opportunity Act of 2014 (“WIOA”) and pursuant to MCL 408.123; and

**Whereas**, an important component of the economic revitalization of Detroit is the employment of Detroit residents and it is the policy of the City to encourage and maximize the utilization of Detroit Residents on publicly-funded construction projects; and

**Whereas**, Executive Order 2014-4, effective August 22, 2014 (Exhibit A) directed City departments and agencies to implement specific residency requirements on all construction projects funded, in whole or in part, by the City, and applies to projects funded by state or federal funds to the extent permitted by law; and

**Whereas**, Executive Order 2016-1, effective December 16, 2016 (Exhibit B) supersedes Executive Order 2014-4 with respect to publicly funded construction projects on which construction activities commence after December 16, 2016; and

**Whereas**, Executive Orders 2014-4 and 2016-1 impose monthly financial penalties on non-compliant developers, general contractors, prime contractors and sub-contractors engaged to service all construction projects funded, in whole or in part, by the City; and

**Whereas**, the City has collected such financial penalties and expects to collect such penalties and pre-payments of such penalties on an ongoing basis; and

**Whereas**, such penalties and pre-payments are deposited into the City of Detroit Workforce Training Fund which also receives other Purpose Driven Deposits as set forth in certain Policies and Procedures established by the City (Exhibit C);

**APPENDIX B**  
**Workforce Training Fund Agreement**

**Whereas**, the City desires to use financial penalties received into the City of Detroit Workforce Training Fund for purposes of programming designed to increase the pool of qualified Detroit applicants for jobs in the skilled construction trades and jobs resulting from new development in the City; and

**Whereas**, the City desires to have DESC administer and operate programs for the foregoing purposes;

**NOW THEREFORE**, in consideration of the foregoing premises and agreements, the Parties agree as follows:

**Section 1. Definitions.**

- 1.1 “Detroit Resident” shall have the meaning set forth in Executive Order 2016-1. Specifically, a Detroit Resident is an individual who can demonstrate residency in the City of Detroit as of a date at least thirty (30) days prior to the date the person seeks to be employed for work on a publicly-funded construction project or other permanent job resulting from new development in the City. Residency shall be established by the address listed on (a) any one of the following: State of Michigan identification card, State of Michigan driver’s license, or Detroit municipal ID; plus (b) any one of the following: Voter Registration Card, Motor Vehicle Registration, most recent federal, state, or City of Detroit tax returns, Lease/Rental agreement, the most recent utility bill (or utility affidavit signed by a landlord with respect to a leased residence), or most recent municipal water bill. Other forms of proof-of-residence may be accepted under certain circumstances.
- 1.2 “Workforce Training Fund” is the fund established by the City of Detroit to receive financial penalties imposed under Executive Orders 2014-4 and 2016-1 on non-compliant developers, general contractors, prime contractors and sub-contractors engaged to service all construction projects funded, in whole or in part, by the City. The Workforce Training Fund may also receive certain pre-payments and other Purpose Driven Deposits which may be disbursed pursuant to this Agreement, as defined by the City of Detroit Department of Civil Rights, Inclusion and Opportunity “Workforce Training Fund Policies and Procedures,” attached hereto as Exhibit C.
- 1.3 “Purpose Driven Deposits” are funds received by the City of Detroit for the specific purpose of increasing the employability of Detroit Residents. Such Funds can be used for programs that educate and train the Detroit workforce for jobs and career advancement opportunities.

**APPENDIX B**  
**Workforce Training Fund Agreement**

**Section 2. Effective Date, Term and Termination.**

- 2.1 The Effective Date of this Agreement is the date on which each of the following has occurred: (i) execution of the Agreement by the Chief Executive Officer of DESC, (ii) execution of this Agreement by an authorized representative(s) of the City of Detroit, and (iii) approval of this Agreement by resolution of the Detroit City Council;
- 2.2 The Term of this Agreement commences on the Effective Date and expires on June 30, 2022. Thereafter, this Agreement shall be renewed annually for successive one year Terms unless either party provides the other party with notice of termination at least 90 days in advance of June 30. Notwithstanding the foregoing, this Agreement may be terminated by either Party, with or without cause, upon 90 days written notice by the terminating Party to the non-terminating Party.

**Section 3. Establishment of Workforce Training Fund Program.**

- 3.1 The Parties establish a Workforce Training Program funded by the City and administered by DESC. The Workforce Training Program shall be funded through payments, pre-payments and other deposits received by the City into the Workforce Training Fund and disbursed to DESC as set forth more fully in this Agreement. The purpose of the Program is to support initiatives undertaken by DESC to provide training, support and placement for Detroiters seeking jobs in the skilled construction trades and/or the permanent jobs resulting from new development.

**Section 4. Scope of Services.**

- 4.1 In consultation and cooperation with the Mayor's Workforce Development Board, DESC shall:
- 4.1.1 Work with employers (including developers, general contractors, prime contractors and subcontractors, and unions), educational institutions and other community stakeholders to identify the current and expected needs of employers in the City of Detroit for qualified workers;
  - 4.1.2 Work with employers, educational institutions and other community stakeholders to identify the current and expected skills gaps of Detroit Residents seeking employment;
  - 4.1.3 Develop and implement specific initiatives aimed at preparing Detroit Residents for employment in the skilled construction trades and permanent jobs resulting from new developments. Examples of such initiatives undertaken to date by DESC which may be supported under this Agreement include DESC's partnership with the Detroit Public Schools Community District to operate a skilled trades training facility and programs at the A. Phillip Randolph Career and Technical Center, Detroit Environmental Employment Program (asbestos and lead abatement training) conducted at the Detroit Reentry Center and Macomb Correctional Facility, and Construction Basic Skills courses to build contextualized literacy and numeracy skills;

**APPENDIX B**  
**Workforce Training Fund Agreement**

- 4.1.4 Use Workforce Training Program funds to develop, administer, market and implement training or education programs and to provide support services to Detroit Residents seeking employment. Implementation costs may include facility costs or capital improvements to training facilities as necessary. Subject to the terms of this Agreement and its Governance Agreement with the City, DESC may select and enter into agreement(s) with third-parties to operate the program(s) contemplated herein, if DESC does not operate the program(s) directly;
  - 4.1.5 Develop and approve an annual budget for the expenditure and disbursement of funds received from the City under this Agreement;
  - 4.1.6 Monitor and evaluate the performance of all programs and initiatives supported by funds received from the City under this Agreement, and shall be accountable to the Mayor's Workforce Development Board for such performance;
  - 4.1.7 Provide CRIO with performance reports on a quarterly basis.
- 4.2 CRIO shall:
- 4.2.1 Monitor performance and outcomes of the Workforce Training Program on a quarterly basis and provide updates to City Council, including an annual report;
  - 4.2.2 Develop and implement a policy to define the collection and use of pre-payments of financial penalties owed to the City under Executive Orders 2014-4 and 2016-1. The current draft of these guidelines "Policy and Guidelines Regarding Pre-Payment Into The Workforce Training Fund," attached hereto as Exhibit C.

**Section 5. Budget and Funding Disbursements.**

- 5.1 The Workforce Training Program shall be funded through payments, pre-payments and other Purpose Driven Deposits received by the City into the Workforce Training Fund. Upon execution and approval of this Agreement by all parties, these funds shall be released to DESC for use in the Workforce Training Program.
- 5.2 On an annual basis in succeeding years of this Agreement, CRIO shall determine the expected balance of the Workforce Training Fund based on payments, pre-payments and other Purpose Driven Deposits received by the City into the Fund. As part of the City's annual budget approval process, including the Revenue Conference, CRIO shall include in its annual proposed budget an amount to be paid to DESC in support of the Workforce Training Program for the upcoming fiscal year. Upon final approval of CRIO's annual budget by City Council, the City shall pay to DESC the funds included in CRIO's final, approved budget for the Workforce Training Program.



**APPENDIX B**  
**Workforce Training Fund Agreement**

5.3 The Parties agree that from time to time during the term of this Agreement, the City may, in its sole discretion, amend CRIO's budget during an ongoing fiscal year to disburse to DESC additional and/or unanticipated payments, pre-payments and other Purpose Driven Deposits received by the City into the Workforce Training Fund. This process will follow the City's existing appropriation process and require City Council approval. Any additional funds so received by DESC shall be subject to all of the terms and conditions of this Agreement.

5.4 The individual responsible for accepting performance under this Agreement and to whom invoices should be sent to is the: Group Executive City of Detroit Civil Rights, Inclusion and Opportunity Department, who may be reached at 2 Woodward Ave., Suite 1240, Detroit, MI 48226. (313) 224-4950.

**Section 6. Recordkeeping.**

6.1 Each Party will maintain, and shall require its contractors who perform any services hereunder, to maintain, all source documents, records, and other information pertinent to its operation of the City Program under this Agreement for a minimum of three (3) years following the conclusion or earlier termination of this Agreement, but in no case for less time than may be required to maintain compliance with applicable laws or funding source requirements.

**Section 7. Indemnification.**

7.1 Except as otherwise provided herein, there shall be no indemnification of either Party by the other as regards to liabilities arising out of the functions covered by this Agreement. Each Party shall be responsible for its own liabilities and defenses as determined by law.

**Section 8. Amendments.**

8.1 No amendment to this Agreement will be effective and binding upon the Parties unless it is in writing, expressly makes reference to this Agreement, is executed by a duly authorized representative of each Party, and is approved by resolution of the Detroit City Council.

**Section 9. Notices.**

9.1 All notices, consents, approvals, requests, notifications, and other communications (collectively, "Notices") related to this Agreement shall be given by a Party in writing, signed by an authorized representative of the Party, and hand delivered, mailed by first-class mail, or mailed by overnight courier, and addressed as follows:

**APPENDIX B**  
**Workforce Training Fund Agreement**

If to DESC: Detroit Employment Solutions Corporation  
440 E. Congress, 4th Floor  
Detroit, MI 48202  
Attention: Chief Executive Officer

If to the City: City of Detroit Civil Rights, Inclusion, and Opportunity Department  
2 Woodward Avenue, Suite 1240  
Detroit, MI 48226  
Attention: Group Executive, Detroit Civil Rights, Inclusion and  
Opportunity Department

9.2 All Notices shall be deemed given on the date of hand delivery or of mailing. Either Party may change the name of the individual designated to receive Notices or the address for the receipt of Notices at any time by giving notice thereof to the other Party as herein provided.

**Section 10. Consideration.**

10.1 Both Parties acknowledge and agree that the duties, benefits, and obligations of each Party set forth in this Agreement shall constitute valid consideration for this Agreement.

**Section 11. Independent Parties.**

11.1 The Parties acknowledge and agree that DESC and the City are independent of each other and do not intend, as a result of this Agreement or otherwise, to become a joint venture, partners, joint employer, servants, agents, representatives, or any type of related business entities to one another.

**Section 12. No Third-Party Rights.**

12.1 The Parties agree that neither Party intends to create any legal or equitable rights or benefits in any third party or any other person as a result of this Agreement. The Parties acknowledge and agree that the enforcement of the terms and conditions of this Agreement, and all rights of action related to such enforcement, shall be strictly reserved to DESC and the City, or their successors and assigns, and nothing in this Agreement shall give or allow any such claim or right of action by any third party whatsoever on such Agreement.

**Section 13. Choice of Law and Venue.**

13.1 This Agreement shall be governed by the laws of the State of Michigan, excluding its choice of laws rules. Any legal suit, action, or proceeding arising out of this Agreement shall be instituted in the Third Judicial Circuit Court of the State of Michigan, County of Wayne, and each party irrevocably submits to the exclusive jurisdiction of such court in any such suit, action, or proceeding.

**Section 14. Merger.**

14.1 This Agreement constitutes the entire agreement between the Parties, and all prior discussions, negotiations, communications, understandings, and agreements, whether written or verbal, are hereby merged into this Agreement. Neither Party nor its agents have made any representations except those expressly set forth herein, and no rights or remedies are or shall be acquired by the Parties by implication or otherwise unless expressly set forth herein.

**Section 15. Severability.**

15.1 In the event that any provision in this Agreement is found by a court to be impermissible or illegal, then that provision shall be stricken from the Agreement and shall be replaced by a provision that is permissible and legal and by mutual agreement of the Parties comes closest to expressing the intent of the stricken provision. The remainder of the Agreement shall remain in full force and effect in accordance with its original overall intent.

**Section 16. Counterparts.**

16.1 This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same instrument. The exchange of copies of this Agreement and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Agreement as to the parties hereto and may be used in lieu of the original Agreement for all purposes. Signatures of the Parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

**Section 17. Force Majeure.**

17.1 No failure or delay in performance of this Agreement, by either Party, will be deemed to be a breach thereof when such failure or delay is caused by a force majeure event, including but not limited to any Act of God, fire, flood, hurricane, blizzard, earthquake, epidemic, strike, lockout, embargo, act of war, invasion, act of a foreign enemy, act of terrorism, riot, act of civil disobedience, sabotage, explosion, the binding order of any court or governmental authority, or any other cause not within the control of the Party.

**Section 18. Waiver.**

18.1 Neither Party shall be deemed to have waived any of its respective rights under this Agreement unless such waiver is in writing and signed by such waiving Party. A waiver on any one (1) occasion shall not be construed as a waiver of any right on any future occasion. No failure by either Party to insist upon the strict performance of any covenant, agreement, term or condition of this Agreement or to exercise any right, term or remedy upon a breach thereof shall constitute a waiver of any such breach or such covenant, agreement, term or condition.


**APPENDIX B**  
**Workforce Training Fund Agreement**

**Section 19. Compliance with Laws.**

19.1 Each Party shall be individually responsible for maintaining compliance in all respects with all applicable federal, state, and local laws, rules, regulations, and orders having the binding effect of law. Except as otherwise provided for herein, neither Party will be responsible for ensuring the other Party's compliance with applicable laws at any time, unless so required under applicable laws.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the dates shown below, to be effective as of the Effective Date.

**DETROIT EMPLOYMENT SOLUTION CORPORATION,**  
a Michigan non-profit corporation

By:   
Name: NICOLE A. SHERMAN-FREEMAN  
Its: Chief Executive Officer  
Date: 7.13.17

**CITY OF DETROIT,** a Michigan municipal corporation

By:   
Name: PORTIA E. ROBERSON  
Its: GROUP EXECUTIVE  
Date: 7.14.17

**APPROVED BY DETROIT CITY COUNCIL**

\_\_\_\_\_

**OFFICE OF CONTRACTS AND PROCUREMENT**

 7/14/17

**APPROVED BY LAW DEPARTMENT  
PURSUANT TO SECTION 7.5-206 OF  
THE DETROIT CITY CHARTER**

  
Corporation Counsel  
Date: 7/19/17

**EXECUTIVE ORDER 2016-1**

**TO: ALL BOARDS, COMMISSIONS, DEPARTMENT DIRECTORS, CITY COUNCIL MEMBERS, CITY CLERK, DEVELOPERS, CONTRACTORS, AND DETROIT ECONOMIC GROWTH CORPORATION (DEGC).**

**FROM: MICHAEL E. DUGGAN, MAYOR**

**SUBJECT: UTILIZATION OF DETROIT RESIDENTS ON PUBLICLY-FUNDED CONSTRUCTION PROJECTS**

**DATE: December 16, 2016**

**WHEREAS**, it is the policy of this Administration to encourage and maximize the utilization of Detroit residents on all City contracts and all projects benefited by City subsidies. An important component of the economic revitalization of Detroit is the employment of Detroit residents. Accordingly, this Executive Order directs any entity entering into a publicly-funded construction project to implement specific residency targets for its workforce, as follows:

1. A “publicly-funded construction project,” for purposes of this Executive Order, means (a) any construction contract for more than \$3,000,000.00 (Three Million Dollars) made by the City with any person or entity; and (b) any construction project for which the City, affiliated public or quasi-public entities of the City, or any of their agents or contractors provides funds or financial assistance via any of the following methods, where total assistance from the City or its affiliated entities is over \$3,000,000.00 (Three Million Dollars):

- (1) The sale or transfer of land below its appraised value;
- (2) Direct monetary support;
- (3) Public contributions originated by the State of Michigan or its agencies, the United States government or its agencies, or any other non-City government entity, and for which City approval is required and obtained; or
- (4) Tax increment financing. For purposes of calculating the total assistance directly provided through tax increment financing, tax revenue that would have accrued to all government entities shall be counted.

Other persons or entities doing business with the City, but not covered by this section, may voluntarily agree to be bound by some or all of the substantive requirements of this Executive Order.

2. A “bona-fide Detroit resident,” for purposes of this Executive order, means an individual who can demonstrate residency in the City of Detroit as of a date at least thirty (30) days prior to the date the person seeks to be employed for work on a publicly-funded construction project. Residency shall be established by the address listed on (a) any one of the following: State of Michigan identification card, State of Michigan driver’s license, or Detroit municipal ID; plus (b) any one of the following: Voter Registration Card, Motor Vehicle Registration, most recent federal, state, or City of Detroit tax returns, Lease/Rental agreement, the most recent utility bill (or utility affidavit signed by a landlord with respect to a leased residence), or most recent municipal water bill. Other forms of proof-of-residence may be accepted under certain circumstances.

3. All publicly-funded construction contracts shall include a provision providing that at least 51% of the workforce on the publicly-funded construction project shall be bona-fide Detroit residents. This requirement shall be referred to as the “Workforce Target.” The Workforce Target shall be measured by the hours worked by bona-fide Detroit residents on the publicly-funded construction project.

4. Developers, general contractors, prime contractors and subcontractors are all required to comply with the terms of this Executive Order. Collectively, these entities are hereinafter referred to as “contractors.” It is, however, the sole responsibility of the person or entity contracting with the City of Detroit to require all of its subcontractors either to (a) meet the Workforce Target; or (b) make the required contribution to the City’s Workforce Training Fund, as provided in Paragraph 6 of this Executive Order. Contractors may utilize local unions, Detroit Employment Solutions Corporation, or other entities to help meet the Workforce Target. Failure to satisfy the requirements of this Executive Order shall constitute a breach of contract and may result in the immediate termination of the contract.

5. Upon execution of a publicly-funded construction contract, the City of Detroit’s Civil Rights, Inclusion and Opportunity Department (“CRIO”) shall determine whether the Workforce Target in the contract shall be measured periodically either (a) monthly or (b) quarterly. This period shall be referred to as the “measurement period.” Thereafter, for the duration of the construction project, the contractor shall, at the end of each measurement period, submit to CRIO a report indicating:

- (1) The total hours worked on the project during the preceding measurement period (“total work-hours”);
- (2) The total hours worked on the project by bona-fide Detroit residents during the preceding measurement period; and
- (3) If applicable, the amount by which the contractor fell short of meeting the Workforce Target. A contractor falling short of the Workforce Target shall report both (a) the raw number of total work-hours by which the contractor fell short of the Workforce Target; and (b) the percentage of total work-hours by which the contractor fell short of the Workforce Target.

6. A contractor who does not meet the Workforce Target in any measurement period shall help strengthen Detroit's workforce by making a monetary contribution to the City's CRIO-administered Workforce Training Fund, thereby supporting the skill development of Detroit residents. The required contribution for any contractor who does not meet the Workforce Target shall be the sum of the following:

- (1) For each work-hour comprising the first 0-10% of total work-hours by which the contractor fell short of the Workforce Target, 5% of the average hourly wage paid by the contractor on the publicly-funded construction project during the preceding measurement period.
- (2) For each work-hour comprising the second 0-10% of total work-hours by which the contractor fell short of the Workforce Target (if applicable), 10% of the average hourly wage paid by the contractor on the publicly-funded construction project during the preceding measurement period.
- (3) For each work-hour comprising the remaining 0-31% of total work-hours by which the contractor fell short of the Workforce Target (if applicable), 15% of the average hourly wage paid by the contractor on the publicly-funded construction project during the preceding measurement period.<sup>1</sup>

7. If a contractor contracts for labor through a union which is meeting the goals set for it under the Detroit Skilled Trades Employment Program, that contractor will be deemed to have met the Workforce Target with respect to the employees for which it contracted through such a union.

Specifically: CRIO will make a periodic determination whether a union participating in the Detroit Skilled Trades Employment Program is meeting its established goals under that Program. For purposes of calculating a contractor's compliance with the Workforce Target, a union which, as of the date a contractor executes its publicly-funded construction contract or subcontract, is meeting its goals under the Program shall be deemed to have no less than 51% of the hours worked by its members on the publicly-funded construction project worked by bona-fide Detroit residents. If bona-fide Detroit residents actually account for more than 51% of the hours worked by union members on a publicly-funded construction project, that actual percentage may be used for purposes of calculating compliance with the Workforce Target.

8. If CRIO determines a contractor is in non-compliance with the requirements of this Order, CRIO will notify the contractor, in writing, of the contractor's non-compliance.

If a contractor wishes to challenge a finding of non-compliance, the contractor may, within fifteen (15) days of the notice of non-compliance, file with CRIO a written notice challenging the finding of non-compliance, and detailing the reasons for that challenge. The challenge will then

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<sup>1</sup> Thus, for example, if 25% of the total work-hours performed on a publicly-funded construction project were performed by bona-fide Detroit residents, the contractor will have fallen short of the Workforce Target by 26% of the total work-hours. That contractor's minimum required contribution would be the sum of (1) 5% of the average hourly wage for 10% of the total work-hours; (2) 10% of the average hourly wage for 10% of the total work-hours; and (3) 15% of the average hourly wage for 6% of the total work-hours.

be forwarded to a panel comprising of (1) the City's Corporation Counsel or his or her designee; (2) the head of the Department of Administrative Hearings or his or her designee; and (3) the Director of the Buildings, Safety, Engineering, and Environment Department, or his or her designee. The panel shall adjudicate the challenge and issue a written decision. The panel may, but need not, schedule an oral hearing on the challenge.

If, following written notice of non-compliance and the adjudication of any challenge, the contractor fails or refuses to take corrective actions within thirty (30) days, the City of Detroit may do any of the following:

- (1) withhold from the contractor all future payments under the construction contract until it is determined that the contractor is in compliance;
- (2) refuse all future bids on city projects or applications for financial assistance in any form from the city or any of its departments, until such time as the contractor demonstrates that it has cured its previous non-compliance;
- (3) debar the contractor from doing business with the City of Detroit for a period of up to one year.

In addition, the City of Detroit reserves the right to re-bid the contract, in whole or in part, or hire its own workforce to complete the work.

9. All applicable construction contracts, construction contract amendments, change orders and extensions shall include the terms of this Executive Order. CRIO shall have the responsibility for preparing administrative guidelines related to this Executive Order, and for monitoring and enforcing the provisions of this Executive Order.

\* \* \*

Pursuant to the powers vested in me by the 1963 Michigan Constitution and by the 2012 Detroit City Charter, I, Michael E. Duggan, Mayor of the City of Detroit, issue this Executive Order. This Executive Order is effective upon its execution and filing with the City Clerk and supersedes Executive Order No. 2014-4 issued by me on August 22, 2014. Provided, however, that this Executive Order shall not supersede the operation of any prior Executive Order with respect to any publicly-funded construction project on which construction activities have commenced as of the date of this Executive Order.

  
Michael E. Duggan  
Mayor, City of Detroit





CITY OF DETROIT  
MAYOR'S OFFICE

COLEMAN A. YOUNG MUNICIPAL CENTER  
2 WOODWARD AVE., SUITE 1126  
DETROIT, MICHIGAN 48226  
PHONE 313•224•3400  
FAX 313•224•4128  
WWW.DETROITMI.GOV

**EXECUTIVE ORDER NO. 2014-4**

**TO: ALL BOARDS, COMMISSIONS, DEPARTMENT DIRECTORS,  
CITY COUNCIL MEMBERS AND THE CITY CLERK**

**FROM: MICHAEL E. DUGGAN, MAYOR**

**SUBJECT: UTILIZATION OF DETROIT RESIDENTS ON PUBLICLY-  
FUNDED CONSTRUCTION PROJECTS**

**DATE: AUGUST 22, 2014**

**WHEREAS**, it is the policy of this Administration to encourage and maximize the utilization of Detroit Residents on publicly-funded construction projects. An important component of the economic revitalization of Detroit is the employment of Detroit residents,

**WHEREAS**, this Executive Order directs City departments and agencies to implement specific residency requirements on all construction projects funded, in whole or in part, by the City, and applies to those funded by state or federal funds to the extent permitted by law.

**WHEREAS**, all City of Detroit project construction contracts shall provide that at least **fifty-one percent (51%)** of the workforce must be bona-fide Detroit residents. In addition, Detroit residents shall perform **fifty-one (51%)** of the hours worked on the project. Workforce and project hours shall include work performed by Detroit residents in the various job categories: officials and managers, supervisors and forepersons, professionals, technicians, sales workers, office and clerical, skilled trades, craft workers, operators, laborers, service workers, apprentices, and on-the-job training positions.

**WHEREAS**, failure to meet the Detroit resident workforce requirement, including project hours, will result in the following monthly financial penalties:

MICHAEL E. DUGGAN, MAYOR

FINANCIAL PENALTIES

Detroit Resident Hours	Monthly Recruitment Fee
45% - 50%	3%
40% - 44%	7%
30% - 39%	10%
0% - 29%	15%

**WHEREAS**, developers, general contractors, prime contractors and sub-contractors are required to pass the requirements of this Executive Order down to all lower-tier contractors. However, it is the sole responsibility of the entity contracting with the City of Detroit to require all of their contractors to comply with the City of Detroit requirement to utilize fifty-one percent (51%) of Detroit residents on construction projects. In reaching the Detroit residency requirements, local union halls may be utilized. Additionally, Detroit Employment Solutions may be utilized to recruit and hire Detroit residents, where Detroit residents are unavailable through local unions. **Failure to meet the requirements of this Executive Order will constitute a breach of contract and may result in immediate termination of the contract.**

**WHEREAS**, at the option of the City of Detroit, any developer, general contractor, prime contractor, sub contractor, or lower-tier contractor that is deficient in the utilization of Detroit residents may be barred from doing business with the City of Detroit for one (1) year. In addition, the City of Detroit reserves the right to re-bid the contract, in whole or in part, and /or hire its own workforce to complete the work.

**WHEREAS**, all construction contracts, construction contract amendments, change orders and extensions shall include the terms of this Executive Order. The Human Rights Department shall have the responsibility for preparing administrative guidelines, monitoring and enforcing the provisions of this Executive Order.

Pursuant to the powers vested in me by the 1963 Michigan Constitution and by the 2012 Detroit City Charter, I, Michael E. Duggan, Mayor of the City of Detroit, issue this Executive Order. This Executive Order is effective upon its execution and filing with the City Clerk and supersedes Executive Order No. 22 issued by Mayor Coleman A. Young on August 29, 1983, and reissued by Mayor Kwame M. Kilpatrick on November 1, 2007.

  
\_\_\_\_\_  
Michael E. Duggan  
Mayor, City of Detroit

**Program Metrics and Performance Scorecards (Unaudited)**

The following are the full program metrics, performance scorecards, and other key performance indicators for the programs included in our audit sample. The Office of the Auditor General did not audit this information. It is **unaudited** and is provided for informational purposes only. It is based solely on performance scorecards provided by the Detroit Employment Solutions Corporation (DESC), or the specific training provider. We did not audit the program results and therefore we are not rendering an opinion on the effectiveness of the programs or program information presented below.

**Individual Training Accounts**

DESC provided “January 2019 Performance Scorecards” for 19 of the 21 ITA program contracts in our audit sample. The evaluation period covered in the scorecards was from July 1, 2017 to December 31, 2018. However, performance scorecards were not provided for 2 of the 21 contracts because the training provider was either not required to have a monitoring visit, or they were a newer program and not active during the evaluation time period 1) ArcelorMittal Taylor Blanks, and 2) Cleary University & Operation Able, and are labeled non applicable in the January 2019 Program Standing.

The following table list the training providers, the category of training provided, and their respective performance results for 19 of the 21 ITA programs in our audit sample, as reported in their “January 2019 Performance Scorecards:”

Individual Training Account Type Programs In Audit Sample									
ITA Training Program			Completion Measures		Placement Measures			Program Standing-	
No.	Name Of Training Provider	Category Of Training Provided	No. Persons Started In Training	Actual No. Of Persons That Completed Training	No. Of Persons 90+ Days After Completion	Actual No. Of Persons Placed In Training Related Employment 90+ Days After Completion	Percentage Of Persons Placed In Training Related Employment 90+ Days After Completion	As Of January 2019	As Of September 2019
1.	All Stars Trucking	CDL Class A	114	99	99	53	53.5%	Corrective Action- Probation two quarters in a row with low placement rates	Good Standing
		CDL Class B	5	5	5	1	20.0%	Not Evaluated- Less than 10 participants started	No Scorecard

**APPENDIX E**  
**Program Metrics and Performance Scorecards (Unaudited)**

Individual Training Account Type Programs In Audit Sample									
ITA Training Program		Completion Measures			Placement Measures			Program Standing-	
No.	Name Of Training Provider	Category Of Training Provided	No. Persons Started In Training	Actual No. Of Persons That Completed Training	No. Of Persons 90+ Days After Completion	Actual No. Of Persons Placed In Training Related Employment 90+ Days After Completion	Percentage Of Persons Placed In Training Related Employment 90+ Days After Completion	As Of January 2019	As Of September 2019
2.	AnBeyon Truck Driving	CDL Class A	145	110	110	53	48.2%	Corrective Action-Placement rate below 50%	Probation
3.	Detroit Training Center	Blight Removal	48	44	44	15	34.1%	Corrective Action-Placement rate below 50%	Corrective Action
		CDL Class A	93	55	55	34	61.8%	Probation-Placement rate below 70% but above 50%	Good Standing
		DEEP	17	14	14	0	0.0%	Corrective Action-Placement rate below 50%	N/A
		Heavy Equipment Operator	73	53	53	31	58.5%	Probation-Placement rate below 70% but above 50%	Good Standing
		Hi/Lo Randolph Masonry	100	97	97	3	3.1%	Corrective Action-Placement rate below 50%	Corrective Action
		Michigan Residential Builders License	4	4	0	0	0.0%	Not evaluated-Less than 10 participants started	N/A

**APPENDIX E**  
**Program Metrics and Performance Scorecards (Unaudited)**

Individual Training Account Type Programs In Audit Sample									
ITA Training Program		Completion Measures			Placement Measures			Program Standing-	
No.	Name Of Training Provider	Category Of Training Provided	No. Persons Started In Training	Actual No. Of Persons That Completed Training	No. Of Persons 90+ Days After Completion	Actual No. Of Persons Placed In Training Related Employment 90+ Days After Completion	Percentage Of Persons Placed In Training Related Employment 90+ Days After Completion	As Of January 2019	As Of September 2019
4.	Detroit Training Center	Blight Removal	48	44	44	15	34.1%	Corrective Action-Placement rate below 50%	Corrective Action
		CDL Class A	93	55	55	34	61.8%	Probation-Placement rate below 70% but above 50%	Good Standing
		DEEP	17	14	14	0	0.0%	Corrective Action-Placement rate below 50%	N/A
		Heavy Equipment Operator	73	53	53	31	58.5%	Probation-Placement rate below 70% but above 50%	Good Standing
		Hi/Lo Randolph Masonry	100	97	97	3	3.1%	Corrective Action-Placement rate below 50%	Corrective Action
		Michigan Residential Builders License	4	4	0	0	0.0%	Not evaluated-Less than 10 participants started	N/A

**APPENDIX E**  
**Program Metrics and Performance Scorecards (Unaudited)**

Individual Training Account Type Programs In Audit Sample									
ITA Training Program			Completion Measures		Placement Measures			Program Standing-	
No.	Name Of Training Provider	Category Of Training Provided	No. Persons Started In Training	Actual No. Of Persons That Completed Training	No. Of Persons 90+ Days After Completion	Actual No. Of Persons Placed In Training Related Employment 90+ Days After Completion	Percentage Of Persons Placed In Training Related Employment 90+ Days After Completion	As Of January 2019	As Of September 2019
5.	Emerging Industries	Pre-Apprentice Carpentry	64	57	57	40	70.2%	Good Standing-Completion and Placement rates above 70%	Probation
		Pre-Apprentice Electrical	19	16	16	10	62.5%	Probation-Placement rate below 70% but above 50%	N/A
		Advanced Call Center	3	3	3	1	33.3%	Not evaluated-Less than 10 participants started	N/A
		Culinary Arts	10	10	10	6	60.0%	Probation-Placement rate below 70% but above 50%	N/A
		Renewable Energy	9	9	9	5	55.6%	Not evaluated-Less than 10 participants started	N/A
6.	Excelling Nursing Academy	Certified Nursing Assistant	234	223	223	164	73.5%	Good Standing-Completion and Placement rates above 70%	Good Standing
7.	EZ Truck Driving	CDL Class A	142	134	134	62	46.3%	Corrective Action-Placement rate below 50%	Good Standing

**APPENDIX E**  
**Program Metrics and Performance Scorecards (Unaudited)**

Individual Training Account Type Programs In Audit Sample									
ITA Training Program			Completion Measures		Placement Measures			Program Standing-	
No.	Name Of Training Provider	Category Of Training Provided	No. Persons Started In Training	Actual No. Of Persons That Completed Training	No. Of Persons 90+ Days After Completion	Actual No. Of Persons Placed In Training Related Employment 90+ Days After Completion	Percentage Of Persons Placed In Training Related Employment 90+ Days After Completion	As Of January 2019	As Of September 2019
8.	Global Information Technology	IT Professional	199	130	130	59	45.4%	Corrective Action- Placement rate below 50%	Good Standing
9.	Greater Horizon Training Institute	Certified Nurse Assistant	46	34	34	19	55.9%	Probation- Placement rate below 70% but above 50%	Good Standing
		Medical Assistant	10	3	3	2	66.7%	Not evaluated- Less than 10 participants 90 days after completion	Probation
		Medical Billing and Coding	7	4	4	2	50.0%	Not evaluated- Less than 10 participants started	N/A
		Patient Care Specialist	41	21	21	12	57.1%	Corrective Action- Probation 2 quarters in a row with low placement and completion rates	Good Standing
		Patient Care Technician	2	2	2	1	50.0%	Not evaluated- Less than 10 participants started	N/A
		Pharmacy Technician	4	2	2	0	0.0%	Not evaluated- Less than 10 participants started	N/A

**APPENDIX E**  
**Program Metrics and Performance Scorecards *(Unaudited)***

Individual Training Account Type Programs In Audit Sample									
ITA Training Program			Completion Measures		Placement Measures			Program Standing-	
No.	Name Of Training Provider	Category Of Training Provided	No. Persons Started In Training	Actual No. Of Persons That Completed Training	No. Of Persons 90+ Days After Completion	Actual No. Of Persons Placed In Training Related Employment 90+ Days After Completion	Percentage Of Persons Placed In Training Related Employment 90+ Days After Completion	As Of January 2019	As Of September 2019
	<b>Greater Horizon Training Institute</b>	Phlebotomy Technician	6	2	2	1	50.0%	Not evaluated- Less than 10 participants started	Good Standing
10.	<b>Helping Hands Training Program for CENA</b>	Certified Nursing Assistant	5	0	0	0	0.0%	Not evaluated- Less than 10 participants started	Corrective Action
11.	<b>Henry Ford</b>	Breithaupt Automotive Technology	No Performance Scorecard	No Performance Scorecard	No Performance Scorecard	No Performance Scorecard	No Performance Scorecard	N/A	N/A
12.	<b>Irvings Professional</b>	Certified Nursing Assistant	569	509	509	436	85.7%	Good Standing- Completion and Placement rates above 70%	Good Standing
13.	<b>Operation Able of Michigan</b>	Essentials Restaurant Mgmt. & Culinary Arts	19	16	16	13	81.3%	Good Standing- Completion and Placement rates above 70%	N/A
14.	<b>Phlebotomy Express Training</b>	Phlebotomy Technician	159	157	157	87	55.4%	Probation- Placement rate below 70% but above 50%	Good Standing
15.	<b>Suburban Truck Driving</b>	CDL Class A	136	92	92	72	78.3%	Probation- Placement rate below 70% but above 50%	Good Standing

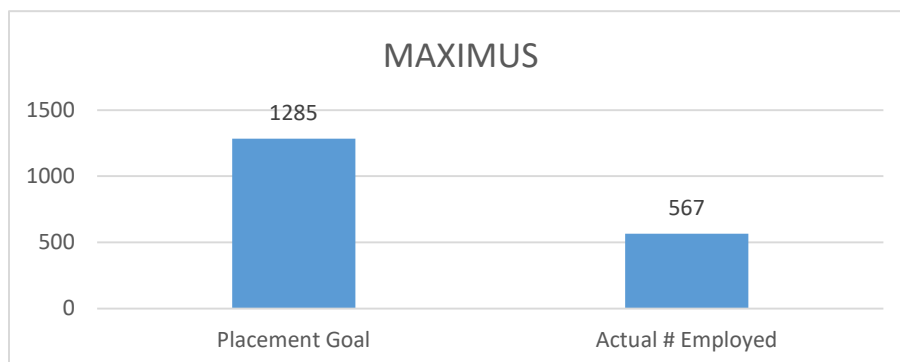


**APPENDIX E**  
**Program Metrics and Performance Scorecards (Unaudited)**

Individual Training Account Type Programs In Audit Sample									
ITA Training Program			Completion Measures		Placement Measures			Program Standing-	
No.	Name Of Training Provider	Category Of Training Provided	No. Persons Started In Training	Actual No. Of Persons That Completed Training	No. Of Persons 90+ Days After Completion	Actual No. Of Persons Placed In Training Related Employment 90+ Days After Completion	Percentage Of Persons Placed In Training Related Employment 90+ Days After Completion	As Of January 2019	As Of September 2019
16.	U.S. Truck Driving Training School	CDL Class A	198	170	170	111	65.3%	Not evaluated- Less than 10 participants started	Good Standing
		CDL Class B	3	3	3	1	33.3%	Not evaluated- Less than 10 participants started	N/A
		CDL Class B &P	1	1	1	1	100.0%	Not evaluated- Less than 10 participants started	No Scorecard
		Earn and Learn Truck Driver	2	2	2	0	0.0%	Not evaluated- Less than 10 participants started	No Scorecard
17.	Vehicles for Change	Automotive Technician Training	No Performance Scorecard	No Performance Scorecard	No Performance Scorecard	No Performance Scorecard	No Performance Scorecard	N/A	Not Evaluated-still within 120 days
18.	Walkers Advanced Technical Training	HVAC	10	0	0	0	0	Not evaluated- Less than 10 participants 90 days after completion	Probation
19.	Wayne County Community College	DDOT Diesel Mechanic	11	11	11	9	81.8%	Good Standing- Completion and Placement rates above 70%	N/A

Program Metrics and Performance Scorecards *(Unaudited)***Sub-Contractors/Sub-Recipients**

The following information relates to the six Sub-contractors/Sub-recipients (Sub-Rec) training providers included in our audit sample, details of the training provided, and their respective performance for programs funded through the Workforce Training Fund:

**1. Maximus**

**Performance Percent Rate = 44.1%**

*Note: Maximus did not have offer a program to be completed as one of their provided services.*

Maximus was contracted to provide centralized job development and job placement services across the Detroit at Work system from October 1, 2018 through June 30, 2019. The total contract amount was \$555,000. Maximus did not offer a program to be completed as one of their provided services.

Their annual goal of 2,500 placements was pro-rated to 1,285 participants to reflect the shorter nine-month contract, start-up time, and mid-year launch of the automated job-matching tool. Maximus's ability to assist customers in obtaining employment was partially contingent on DESC's Career Services contractors preparing candidates for employment, matching job seekers and leads, and encouraging candidates to pursue job opportunities made available by Maximus. The placement goal of 1,285 is the number of customers that should have obtained employment through Maximus's managed leads, and employment recognized with Maximus as the placement source.

According to the contract, DESC was to monitor job matching and placement processes on a bi-weekly basis.

The "Key Performance Indicators"(KPI) focused on the "steady progress" being made toward meeting job placement goals. The KPI's reveal that Maximus was never on track to meeting their goals. As reported, the contractor did not meet their overall goal of placing 1,285 individuals in employment.

Another KPI was reaching a goal of engaging 1900 employers for job development. The resulting KPI does not reveal how many placements obtained full-time, long-term permanent jobs through Maximus's managed leads. Therefore the KPI does not clearly evaluate their performance.

**APPENDIX E**

**Program Metrics and Performance Scorecards (Unaudited)**

Maximus, is a company headquartered out of Virginia, and it is described as an "American outsourcing company that provides business process services to government health and human services agencies." Maximus sent a manager, finance director, human resource specialist, temporary specialist, career coach, for the term of the contract to work in the City of Detroit. Maximus invoiced DESC \$299,098 for salaries and wages including employee fringe benefits.

Other allowable expenses under the contract totaled \$64,880. These expenses included:

- Renting office space for staff (i.e. Facility costs);
- Cellular phones;
- Travel expenses;
- Supplies and materials;
- Equipment leases and software;
- Other services and other indirect costs.

Overall, Maximus invoiced DESC a total of \$363,978 to cover these other expenses and personnel costs.

Maximus was only to be paid \$30,372 from the Workforce Training Fund. It was noted, they stated they would not turn in invoices until there was a signed contract. Documentation provided by DESC revealed that the contract was in negotiation until inception (October 1) to July 2019. It was not formally signed until July 2019 even though the expenses were incurred. In fact, this provider incurred a hold back and 10% penalty for non-compliance as discussed further in "**Finding #2: DESC Did Not Comply With Their Own Policies and Procedures, Some Federal And State Laws, Or Industry Standards Relating To Procurement Practices For Workforce Training Programs**" on page 23 of this report.

**Food Assistance Employment and Training (FAE&T) Plus Initiative**

The FAE&T Plus program is a skills and job-training program for food assistance recipients. Approved employment and training activities are delivered by local service providers using non-federal funding, in this case CRIO Compliance Fee dollars. The State of Michigan then requests funds from the U.S. Department of Agriculture's Food and Nutrition Service to reimburse the service provider up to fifty percent (50%) of the non-federal funds they spent. DESC reimburse their service providers forty percent (40%) of the non-federal funds they spent

According to language in the FAE&T Plus contracts, all federal, state, and DESC mandated performance measurements associated with the funding titles within the contracts are to be met as reported. The USDA Food and Nutrition Service requires states to report annually on FAE&T program

**Program Metrics and Performance Scorecards (Unaudited)**

performance and outcomes; however the USDA has not set outcome standards or goals for national reporting measures on unsubsidized employment, median quarterly earnings, and the number and percentages of participants that complete training, educational work experience and on the job training components.

The Workforce Training Fund compliance fee dollars funded FAE&T Plus programs. Detailed below are the performance results of the five (5) FAE&T Plus Providers included in the audit sample:

**2. Jewish Vocational Services 2018-19 FAE&T Plus Contract and Monitoring Report**



**Performance Percent Rate = 25%**

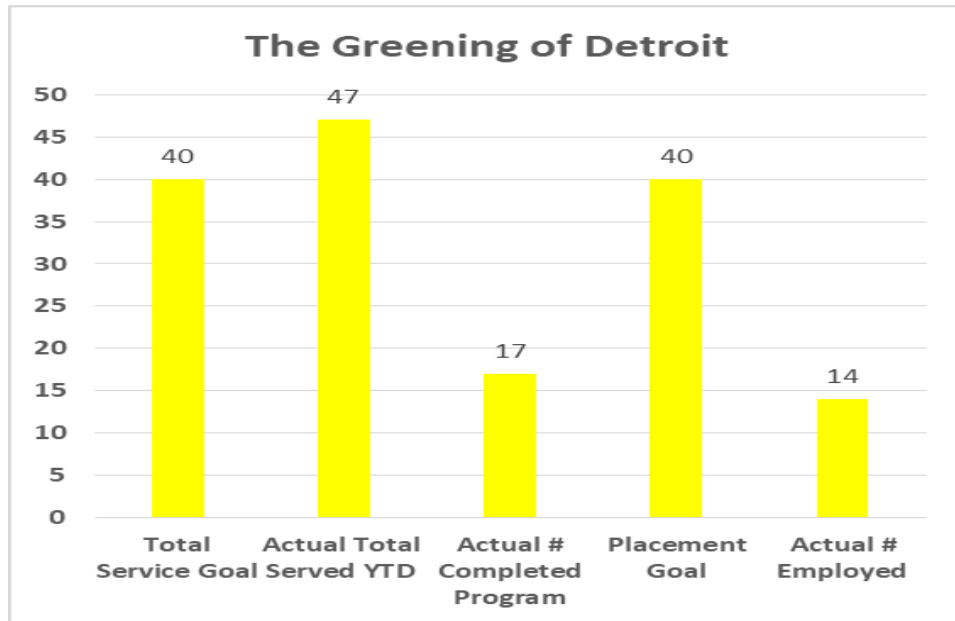
The Jewish Vocational Services (JVS) was to provide eligible FAE&T Plus participants the following services:

- 129 participants job search training, as well as wrap-around services;
- 41 participants pre-employment classes, work experience internships, job search job training classes, computer training;
- 88 participants with work experience internships during the contract period of October 1, 2018 through September 30, 2019;
- 24 graduates in obtaining employment

Job Placement and Retention Services

JVS was to provide case management and career guidance to participants in every component, and as part of that component, assist all training graduates in obtaining employment in training-related positions.

**3. Greening of Detroit 2018-19 Greening of Detroit FAE&T Plus Contract and Monitoring Report**



**Performance Percent Rate = 35%**

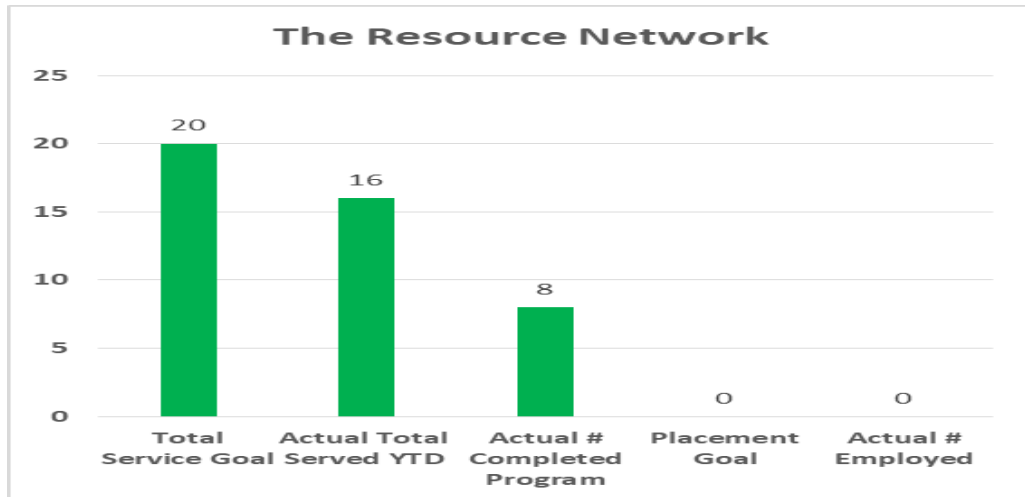
The Greening of Detroit was to provide eligible FAE&T Plus participants the following services:

- 40 participants job search, case management, job search training, as well as wrap-around services;
- 32 of those participants with certified apprentice-based landscape training during the contract period of May 2018 through September 30, 2019.
- 17 graduates, half-placed in jobs with third party employers, and the other half were to seek extended training in the program or higher education opportunities, serve as team leaders for the program or become full time employees of the Detroit Conservation Corps.

Job Placement and Retention Services

Full-time Corps members would build on the apprenticeship hours earned in training, and within six to eight months would be able to acquire landscape journeyman certification.

**4. Resource Network 2018-19 Resource Network FAE&T Plus Contract and Monitoring Report**

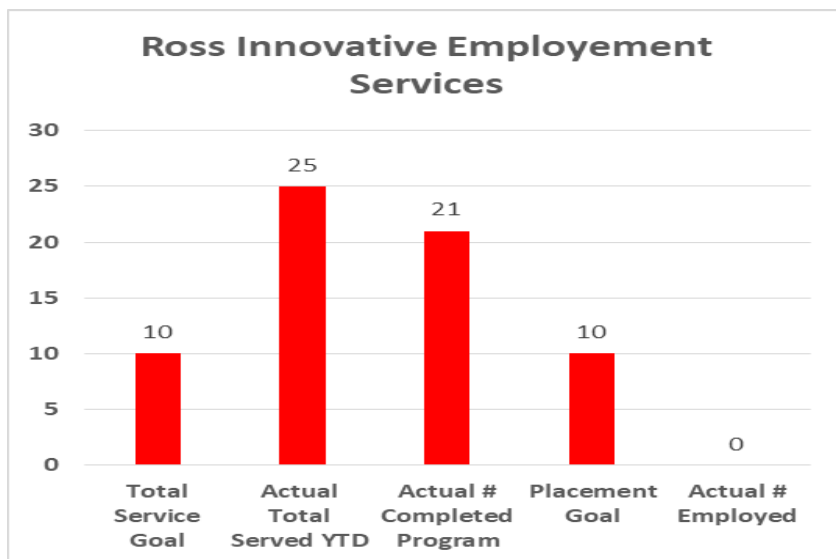


**Performance Percent Rate = 4%**

*Note: The Resource Network did not have any placement goals for employment; therefore zero (0) indicates no goal and zero (0) actual # employed.*

The Resource Network was to provide eligible FAE&T Plus participants the following services:

- 20 participants Individual Training Accounts;
- 16 of those participants with vocational training and employment opportunities during the contract period of May 1, 2018 through September 30, 2019;
- Select potential students from its regular one hundred percent (100%) FAE&T program to participate in the FAE&T Plus program.

Program Metrics and Performance Scorecards *(Unaudited)***5. Ross Innovative Employment Services 2018-19 FAE&T Plus Contract and Monitoring Report**

**Performance Percent Rate = 0%**

Ross Innovative Employment Solutions was to provide participants the following services to FAE&T eligible individuals:

- 10 participants Individual Training Accounts;
- Select potential students from its regular one-hundred percent (100%) FAE&T program to participate in the FAE&T Plus program;
- 8 of those participants vocational training and employment during the contract period of May 1, 2018 through September 30, 2019;
- 21 training graduates in obtaining employment in training related positions.

Job Placement and Retention Services

Ross was to provide case management and career guidance to participants in every component, and as part of that component, assist all training graduates in obtaining employment in training-related positions.

**6. FAET Seattle Jobs Initiative**

The Seattle Jobs Initiative helps government, educational institutions, funders, workforce systems and providers to design, implement and fund more effective programs and services aimed at helping people access training, support and living-wage careers. This is accomplished by providing consulting and technical assistance helping organizations grow and improve their Supplemental Nutrition Assistance Program Employment and Training (SNAP E&T) programs through their partnership with USDA's Food and Nutrition Service.

**APPENDIX E**

**Program Metrics and Performance Scorecards *(Unaudited)***

The specific areas of work that Seattle Jobs Initiative provided FAE&T technical support services to DESC (included but was not limited to) the following:

- Assist DESC to finalize sound FAE&T policies and procedures for Detroit's programs;
- Assist DESC to develop its ability and capacity to efficiently and effectively on-board and train existing and new third-party FAE&T partners
- Assist DESC to provide an FAE&T on-boarding training to existing partners
- Support current and potentially new partners one-on-one as needed;
- Provide one-on-one support to the community college that DESC has engaged with;
- Work with DESC staff and other key stakeholders within the City of Detroit to develop a strong institutional knowledge of the FAE&T program;
- Assist DESC to strengthen its partnerships with third-party partners, the State of Michigan and other key workforce stakeholders needed to sustain and expand the program.

The contractor Seattle Jobs Initiative (SJI) is headquartered in Seattle, Washington.

During the contract period from October 1, 2018 – June 30, 2019, SJI provided the following technical support to DESC:

- Held two (2) technical assistance calls;
- Held one (1) technical assistance site visit during January 2019.

For the remainder of the contract, they were to continue to facilitate bi-weekly phone call meetings to provide technical assistance and help build and maintain the third-party partnership.

DESC's paid expenditures for the month of January 2019 for SJI's three (3) Sr. Consultants, one (1) Project Support Staff personnel, site visit travel costs, and personnel and travel expenses for the contractor totaled \$23,515.76, total contract amount was \$99,480.00, total workforce training fund contribution was \$598.

**7. ACED: Goals & Objectives Report from October 2018 – June 2019, The Grantee is United Way**

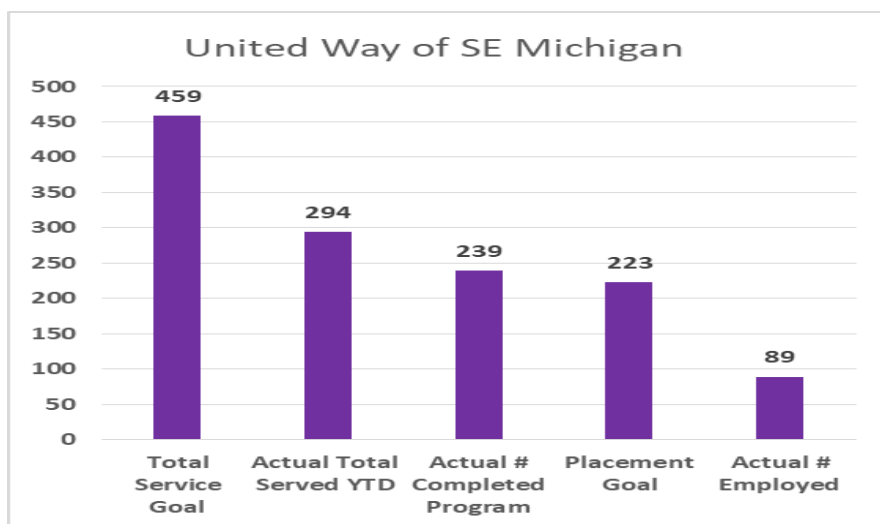
ACED: Detroit

The "Improving the Economic Mobility of Detroiters through Innovative Approaches in Adult Education" Initiative, known publicly as ACED: Detroit (Accelerated Career and Education Development), was designed to challenge



**Program Metrics and Performance Scorecards (Unaudited)**

diverse organizations and partnerships to bring forward great ideas about how to use proven approaches to reach success with Detroiters who need strengthened foundational skills. The Detroit Regional Workforce Fund, a collaborative of funders, and Detroit Employment Solutions Corporation, the City’s manager of public workforce funding, jointly issued the funding for this initiative. Of the ten total sub-grants that were awarded as part of the ACED: Detroit project, five received some portion of their funding from Detroit Employment Solutions Corporation. The five (5) Sub-grantees from the United Way/ ACED: Detroit Initiative that received their portion of funding from DESC’s use of the executive order compliance fees through the Workforce Training Fund, performance results from the proposed date of October 2018 through June 2019 are as follows:



United Way of SE Michigan awarded five sub-grantees whose KPI’s are presented below:

- a. St. Vincent & Sarah Fisher Center was to increase the number of day tutoring and night sessions, incorporating online learning, and offering one-on-one (one on 1) tutoring to students. Also, to provide the foundational and work readiness skills that are necessary to advance one's professional goals to graduates. The results of this program are as follows:

<b>St. Vincent &amp; Sarah Fisher Center</b>	<i>Proposed October 2018</i>	<i>YTD June 2019</i>	<i>Performance % June 2019</i>	<i>Start to October 2020</i>
Total Enrollment	200	98	49%	226
# of individuals who completed the program	200	94	47%	226
# of individuals who earned HS diploma or equivalent:	30	4	13%	25
# of individuals enrolled in workforce training:	0	0	0%	0
# of individuals who completed workforce training:	0	0	0%	0

Program Metrics and Performance Scorecards *(Unaudited)*

<b>St. Vincent &amp; Sarah Fisher Center</b>	<i>Proposed October 2018</i>	<i>YTD June 2019</i>	<i>Performance % June 2019</i>	<i>Start to October 2020</i>
# of individuals who received workforce or post-secondary credentials or certifications:	0	0	0%	0
# of individuals placed into employment	30	35	117%	77

b. Detroit Public School Community District (DPSCD) ran a six-week customer service call center training in partnership with Emerging Industries Technical Institute (EITI). Also, EITI was to provide job placement services for all program graduates. The results of this program are as follows:

<b>DPSCD</b>	<i>Proposed October 2018</i>	<i>YTD June 2019</i>	<i>Performance % June 2019</i>	<i>Start to October 2020</i>
Total Enrollment:	60	17	28%	23
# of individuals who completed the program:	60	11	18%	15
# of individuals who earned HS diploma or equivalent:	60	3	5%	9
# of individuals enrolled in workforce training:	60	17	28%	23
# of individuals who completed workforce training:	60	11	18%	15
# of individuals who received workforce or post-secondary credentials or certifications:	60	0	0%	15
# of individuals placed into employment:	48	6	13%	7

c. Leaps & Bounds ran a six-to eight month program where participants were to earn their Child Development Associate credential. This is the basic childcare credential in which the provider incorporates foundational skills, connects participants to career next steps, maintains employment and employer partnership/ support, and career navigation. The results of this program are as follows:

<b>Leaps &amp; Bounds</b>	<i>Proposed October 2018</i>	<i>YTD June 2019</i>	<i>Performance % June 2019</i>	<i>Start to October 2020</i>
Total Enrollment:	69	49	71%	69
# of individuals who completed the program:	45	23	51%	59
# of individuals who earned HS diploma or equivalent:	0	0	0%	0
# of individuals enrolled in workforce training:	50	43	86%	63

**APPENDIX E**  
**Program Metrics and Performance Scorecards (*Unaudited*)**

<b>Leaps &amp; Bounds</b>	<i>Proposed October 2018</i>	<i>YTD June 2019</i>	<i>Performance % June 2019</i>	<i>Start to October 2020</i>
# of individuals who completed workforce training:	45	23	51%	59
# of individuals who received workforce or post-secondary credentials or certifications:	45	23	51%	59
# of individuals placed into employment:	50	9	18%	49

- d. The grant provided to Matrix Human Services to increase capacity for their ongoing work with Detroit adults, ages 18 – 75, who have not finished high school or received an equivalent certification, and allow for the purchase of additional Ed2Go COHS student licenses. This grant was to allow for the creation of a new staff position. The results of this program are as follows:

<b>Matrix Human Services</b>	<i>Proposed October 2018</i>	<i>YTD June 2019</i>	<i>Performance % June 2019</i>	<i>Start to October 2020</i>
Total Enrollment:	50	50	100%	50
# of individuals who completed the program:	50	50	100%	50
# of individuals who earned HS diploma or equivalent:	40	0	0%	22
# of individuals enrolled in workforce training:	20	9	45%	25
# of individuals who completed workforce training:	16	4	25%	4
# of individuals who received workforce or post-secondary credentials or certifications:	16	0	0%	4
# of individuals placed into employment:	40	5	13%	21

**APPENDIX E**  
**Program Metrics and Performance Scorecards (Unaudited)**

- e. Mini-grant funding to support the vocational information technology instructor, along with the Microsoft imagine academy curriculum. The onboarding of the IT curriculum acted as a contextualized learning experience that will be integrated into the high school diploma and GED curriculums. The results of this program are as follows:

<b>Service Employment and Redevelopment (SER) Metro</b>	<b>Proposed October 2018</b>	<b>YTD June 2019</b>	<b>Performance % June 2019</b>	<b>Start to October 2020</b>
Total Enrollment:	80	80	100%	130
# of individuals who completed the program:	50	61	122%	86
# of individuals who earned HS diploma or equivalent:	25	13	52%	16
# of individuals enrolled in workforce training:	50	80	160%	130
# of individuals who completed workforce training:	50	61	122%	86
# of individuals who received workforce or post-secondary credentials or certifications:	50	61	122%	86
# of individuals placed into employment:	55	34	52%	60

DESC stated that the purpose of the funds provided to the United Way was for training programs that built the skills of Detroiters who lacked the foundational skills needed to be successful in work. They also noted that:

- Program goals were exceeded by 30 placements, as 276 participants in the United Way Initiative obtained employment;
- The average wage was \$13.05, \$1.05 dollars more than the proposed goal wage;
- A total of 85% of participants earned workforce or postsecondary credentials.

However, we found that the DESC stated performance results were overstated. Only 89 participants obtained employment, and only 49% (not 85%) of those seeking to earn workforce or postsecondary credentials completed their goals.

DESC nor United Way of SE Michigan provided details of the proposed goal for wages versus the actual wages paid. DESC did note that the final reporting for the United Way programs included the outcomes for all ten sub-grantees, versus just the five sub-recipients who received a portion of funding from DESC.

Also, the United Way/ACED: Detroit Initiative for many sub-grantees did not end June, 2019, therefore the performance goals provided did not

## Program Metrics and Performance Scorecards *(Unaudited)*

reflect the outcomes over the entire life of the programs, but for the time period of October 2018 through June 2019.

*Note: DESC provided program results detailed above that reflect the outcomes from the start of the programs through October 2020.*

### **Skills Trade Training Fund Programs**

Skills Trade Training Fund (STTF) Programs involve competitive awards that are given to employers to assist in training, developing, and retaining current and newly hired employees. All training must:

1. Fulfill a demonstrated need for a specific talent required by the employer;
2. Be short-term;
3. Lead to a credential for a skill that is transferable and recognized by industry;
4. Have at least one of the following method of program delivery:
  - A. Classroom or customized training;
  - B. New employee on the job training;
  - C. Training for new U.S. Department of Labor Registered Apprenticeship.

The three (3) STTF Training Providers included in our audit sample, Randolph Detroit Public Schools Community District (DPSCD), Randolph Career and Technical Center (CTC), and the Industry Led Training Transfer funded through the Workforce Training Fund performance results revealed the following:

1. Randolph DPSCD and Randolph CTC participants did not receive any skills trade training. The four individuals that “participated” in the program were DPSCD administrative staff who were present at the Randolph facility for certain agreed upon overlapping times of the Adult Education program and the DPSCD programs.
2. The Industry Led Training for Grow Detroit Young Talent (GDYT) Program is an adjustment/transfer into the Workforce Training Fund. However, the Industry-led-Training for the Grow Detroit Young Talent (GDYT) was designed for Detroit youth ages 16-24 who have a strong desire to pursue careers in high-demand, fast growing industries, including healthcare, information technology, manufacturing, construction, etc. The six week, 120-hour training affords youth an opportunity to obtain either an industry recognized credential, or hours that can be accredited toward an industry recognized credential, or unsubsidized employment in the respective sector.

**APPENDIX E**  
**Program Metrics and Performance Scorecards *(Unaudited)***

DESC provided the Industry Led-Training Transfer GDYT performance results as follows:

<b>Training Providers</b>	<b>Type of Training</b>	<b>Number of Participants</b>	<b>Type of Certificate/ Credential Earned</b>
Industry Led Training-Grow Detroit Young Talent (GDYT) Training Program			
Making it Happen	Music Technology & Production Training	45	Pro-Tool
Be-Moor	Introduction to Radio Broadcasting	30	Radio Broadcasting
Black Bottom	Google Academy & Urban Development	30	Training Experience Only
Cadillac Asphalt	Hot Mix Asphalt	7	Not an ILT in 2018 – Was a Non-Financial Worksite- No funding expended
Service, Employment, and Redevelopment (SER) - Metro Detroit	Construction Programming	27	Basic Construction Training
Team 84	Computer Programming and Health & Nutrition	22	Training Experience Only
JOURNi	Information Technology/Coding	20	Google Analytics and AdWords
Emerging Industries	Administrative Support and Marketing, Computer Data Entry, and Attendance Assistance	41	Microsoft Office/Call Center
Junior Achievement	Entrepreneurship	32	Entrepreneurship
Matrix-Parsons	Child Development Associates	21	CDA Credential
Grand Circus	Introduction to Web Development	20	Experience Only

## Performance Summary of DESC Training Programs Contract Compliance

Overview Of The Audit Sample

We reviewed a representative sample of DESC's training programs funded by compliance fee dollars through the workforce training funds. Our sample represented over 43% of the total dollars used for program training expenses. We did not audit administrative and other costs that were an allowed usage of compliance fee dollars.

<b>Audit Sample of Compliance Fee Dollars December 1, 2016 – June 30, 2019</b>	
<b>Usage</b>	<b>Dollars</b>
Total Program Training Expenses	\$3,992,585
Audit Sample of Compliance Fee Dollars	\$1,735,764
<b>Percentage of Audit Size Based on Dollars</b>	<b>43.5%</b>

Stratification of Training Programs in Audit Sample

Compliance Fee dollars/Workforce Training Fund expenses are classified by three types of programs:

- A. Individual Training Accounts (ITA's);
- B. Subcontractors/Sub-recipient contractors (Sub-Rec's);
- C. Skills Trade Training Funds (STTF's);

Our audit sample included a total of 31 contracts supported by 87 invoices:

<b>Stratification of Audit Sample by Program Type</b>				
<b>Type of Program</b>	<b>ITA</b>	<b>SUB-REC</b>	<b>STTF</b>	<b>Total</b>
Contracts	21	7	3	31
Invoices	74	7	6	87

The table below is an overview of the results of our testing summarized by the three types of programs:

<b>DESC Training Programs Overview Of Contract Compliance Testing</b>							
<b>Type of Program</b>		<b>Number of Contracts</b>	<b>Percentage of Non-Compliance Per Criteria</b>				
				<b>Number of Criteria</b>	<b>0% - 25%</b>	<b>&gt;25% - 50%</b>	<b>&gt;50% - 75%</b>
A.	ITA Contracts	21	20	11	2	-	7
B.	Sub-Rec Contracts	7	52	23	7	6	16
C.	STTF Contracts	3	54	11	2	-	41
<b>Total</b>		<b>31</b>	<b>126</b>	<b>45</b>	<b>11</b>	<b>6</b>	<b>64</b>

*Note: The Percentage of Noncompliance represents the percentage of contracts that were audited that did not meet the procurement requirement for each individual criterion. Contracts can "fail" the criteria if the required documentation or information was not provided and/or found within DESC records.*

Performance Summary of DESC Training Programs Contract Compliance

**A. Conditions Relating To Individual Training Accounts (ITA) Contracts:**

The following are the results of contract compliance testing of 21 ITA contracts:

Conditions <b>21 Individual Training Accounts Contracts</b>		Total Compliant	Total Non-Compliant	Total N/A	Total % Non-Compliance
<b>Criteria Relating to DESC Policy No. CA 2015-011, DESC Policy No. 2014-003 and Individual Training Accounts &amp; Training Agreement, DESC Funding Opportunity Dept. Announcement for Sector Partnership Training</b>					
1.	Did not have evidence that the training provider is listed on the MiTC (CECR) Training Provider list.	15	5	1	25.0%
2.	Did not have evidence that the training provider was vetted by DESC	0	20	1	100.0%
3.	Did not have evidence that the training provider was listed on DESC's vetted list of eligible training providers list.	0	20	1	100.0%
4.	Did not have evidence that the training provider was listed on Detroit at Works list of eligible training providers.	15	5	1	25.0%
5.	Did not have evidence of the training providers invite to become part of DESC's eligible training providers list.	0	20	1	100.0%
6.	Did not have evidence that DESC maintained records to detail the history of additional requirements to training providers to be added to DESC's Preferred list of eligible training providers.	0	20	1	100.0%
7.	Did not have evidence of a cost/price analysis conducted.	15	5	1	25.0%
8.	Did not have evidence that the training provider processed or monitored funding.	19	2	0	9.5%
	Did not have evidence that the reporting guidelines included the following:				
9.	a) Report student attendance, completion, and placement information;	18	3	0	14.3%
10.	b) Develop and maintain a comprehensive ITA report;	19	1	1	5.0%
11.	c) Reconcile reports and correct any discrepancies related to program activity;	21	0	21	0.0%
12.	d) Record data into OSMIS within 48 hours;	0	20	1	100.0%
13.	e) DESC communicate with training providers regarding customer status related to Enrollment, Authorization, and;	21	0	0	0.0%
14.	f) Conduct follow-up with training providers to obtain credentials and/or job placement information as necessary.	19	2	0	9.5%



**APPENDIX F**

**Performance Summary of DESC Training Programs Contract Compliance**

<b>Conditions</b> <b>21 Individual Training Accounts Contracts</b>		<b>Total Compliant</b>	<b>Total Non-Compliant</b>	<b>Total N/A</b>	<b>Total % Non-Compliance</b>
<b>Criteria Relating to DESC Policy No. CA 2015-011, DESC Policy No. 2014-003 and Individual Training Accounts &amp; Training Agreement, DESC Funding Opportunity Dept. Announcement for Sector Partnership Training</b>					
15.	Did not have evidence that the training provider made available any and all records (OJT monthly progress reports), provide weekly reporting of attendance, submission of participation sign-in sheets upon request, and proof of each certification attained and issued to each program participant.	20	1	0	4.8%
16.	Did not have evidence that the payment did not exceed the amount stated in the training providers' agreement.	19	1	1	5.0%
<b>Criteria Relating to DESC Funding Opportunity Department Announcement for Sector Partnership Training, DESC Policy No. CA 2018-017 WIOA-PATH On the Job Training, ITA Master Training Agreements, and Training Provider Invoices</b>					
17.	Procurements were not subject to full and open competition.	0	21	0	100.0%
18.	Revealed a lack of evidence for OJT training providing OJT training monitoring with reports included, the Pre-Award review, and the yearly programmatic review. Invoices provided does not clearly document the number of hours worked each day by the participant.	0	1	20	100.0%
19.	Revealed a lack of identifying the training programs associated with the different curriculum plans and pricing agreements, one curriculum plan and pricing agreement not authorized by DESC.	20	1	0	4.8%
20.	Revealed an underpayment to the provider.	20	1	0	4.8%

**B. Conditions Relating to Sub-Contractors/Sub-Recipients (Sub-Rec) Contracts**

The following are the results of contract compliance testing of seven Sub-Rec contracts:

<b>Conditions</b> <b>7 Sub-Recipient Contracts</b>		<b>Total Compliant</b>	<b>Total Non-Compliance</b>	<b>Total N/A</b>	<b>Total % Non-Compliance</b>
<b>Criteria Relating to DESC Procurement Policy No. FIN 2016-008 and Uniform Guidance Administrative Requirements</b>					
1.	Did not have evidence of the Micro-Purchase Method of Procurement being used appropriately.	0	0	7	0.0%
2.	Did not use the Small Purchase Method of Procurement appropriately.	0	0	7	0.0%
3.	Did not use the Competitive Proposal Method of Procurement appropriately.	5	1	1	16.7%

**APPENDIX F**

**Performance Summary of DESC Training Programs Contract Compliance**

<b>Conditions</b> <b>7 Sub-Recipient Contracts</b>		<b>Total Compliant</b>	<b>Total Non-Compliance</b>	<b>Total N/A</b>	<b>Total % Non-Compliance</b>
<b>Criteria Relating to DESC Procurement Policy No. FIN 2016-008 and Uniform Guidance Administrative Requirements</b>					
	Did not have evidence of the Competitive Proposal containing the following:				
4.	a) An independent estimate of the cost/price for the services;	5	1	1	16.7%
5.	b) Publicized Request for Proposal;	5	1	1	16.7%
6.	c) A written record for conducting technical evaluations and the selection of awardees for proposals and quotes;	5	1	1	16.7%
7.	d) Did not make awards to bidders whose proposal/quotes are most advantages to the program.	5	1	1	16.7%
8.	Did not have evidence of the Noncompetitive Proposal applying to one of the following conditions: <b>1) the item is only available from only one source</b> ; 2) a public emergency for the requirement will not permit a delay resulting from a competitive solicitation; 3) Workforce Development Agency authorizes the specific non-competitive procurement in response to a written request.	0	1	6	100.0%
9.	Did not have evidence that DESC maintained oversight with the usage of its own documented Procurement process and procedures to ensure that the contractor/training provider performed in accordance with the terms, conditions, and specifications of their agreement/contract.	1	6	0	85.7%
10.	Did not have evidence that DESC maintained records to detail the history of procurement.	6	1	0	14.3%
11.	Did not have evidence of a solicitation that displayed a clear and accurate description of the technical requirements for the service to be procured.	5	1	1	16.7%
12.	Did not have evidence of affirmative steps taken.	5	1	1	16.7%
	Did not have evidence that the affirmative steps taken included the following:				
13.	a) Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation;	0	6	1	100.0%
14.	b) Establishing delivery schedules, where the requirement permits, which encourages their participation;	5	1	1	16.7%
15.	c) Using services as assistance, of such organizations as the Small Business Administration and the Minority Business Development Agency; and	0	6	1	100.0%

**APPENDIX F**

**Performance Summary of DESC Training Programs Contract Compliance**

<b>Conditions</b> <b>7 Sub-Recipient Contracts</b>		<b>Total Compliant</b>	<b>Total Non-Compliance</b>	<b>Total N/A</b>	<b>Total % Non-Compliance</b>
<b>Criteria Relating to DESC Procurement Policy No. FIN 2016-008 and Uniform Guidance Administrative Requirements</b>					
16.	d) Requiring the prime contractor to take affirmative action steps.	0	6	1	100.0%
17.	Did not have evidence of a cost/price analysis conducted.	5	2	0	28.6%
18.	Did not have evidence of contractor/training provider not being debarred or suspended.	6	1	0	14.3%
19.	Did not have evidence that the Director of Finance determined the appropriate funding source.	1	6	0	85.7%
20.	Did not have evidence that the funding amount was budgeted.	6	1	0	14.3%
21.	Did not have evidence that the procurement specialist determined the value of the procurement.	3	4	0	57.1%
22.	Did not have evidence that the Procurement Specialist determined the procurement method.	2	5	0	71.4%
<b>Criteria Relating to Sub-Recipient Contracts, DESC On-Site Monitoring and Desktop Review Policy No. 2018-004, DESC Award Letter</b>					
23.	Did not have evidence of award letter that outlined the award amount and the general terms and conditions of the contractual relationship.	1	6	0	85.7%
24.	Did not have evidence of a signed and dated agreement authorized by both parties.	6	1	0	14.3%
25.	Did not have evidence of an agreement that outlined the Budget, Budget Narrative, and Staff List.	6	1	0	14.3%
26.	Did not have evidence of an agreement that outlined the Equal Opportunity Department Policy Statement.	6	1	0	14.3%
27.	Did not have evidence of an agreement outlined the Compliant/Grievance Procedures, Zero Tolerance for Sexual or Other Forms of Harassment Acknowledgement Forms.	6	1	0	14.3%
	Did not have evidence of the training provider/contractor developing and maintaining relationships with employers by using the following strategies:				
28.	a) Conducting proactive outreach to employers;	1	4	2	80.0%
29.	b) Discover and record employer need;	2	3	2	60.0%
30.	c) Actively recruit for job openings;	1	4	2	80.0%
31.	d) Develop and maintain relationships with employers by establishing and maintaining a feedback loop to determine ways to improve.	2	4	2	80.0%

**APPENDIX F**

**Performance Summary of DESC Training Programs Contract Compliance**

<b>Conditions</b> <b>7 Sub-Recipient Contracts</b>		<b>Total Compliant</b>	<b>Total Non-Compliance</b>	<b>Total N/A</b>	<b>Total % Non-Compliance</b>
<b>Criteria Relating to Sub-Recipient Contracts, DESC On-Site Monitoring and Desktop Review Policy No. 2018-004, DESC Award Letter</b>					
32.	Did not have evidence that the training provider identified immediate employment opportunities by documenting open and forthcoming positions, accompanying wages, required skills and working conditions associated with positions.	1	4	2	80.0%
33.	Did not have evidence that the training provider directly placed a sufficient percentage of their goal of job seekers, into full-time (30+ hours a week), permanent jobs.	1	4	2	80.0%
34.	Did not have evidence that the training provider tracked and coached job search activities in OSMS/G-Stars.	3	2	2	40.0%
35.	Did not have evidence that DESC reviewed and provide feedback on the training providers' detailed work plan on a regular basis to ensure adequate progress was made toward the ultimate goal of placing specified residents into jobs.	0	5	2	100.0%
36.	Did not have evidence that the training provider accurately allocate its' expenses to proper funding sources.	5	1	1	16.7%
37.	Did not have evidence of an On-Site Monitoring visit (at least once per contract, 3-6 times per year if the contractor is new, there are previous findings, or the award is greater than \$1M).	4	1	2	20.0%
	Did not have evidence of the following guides being completed (one guide to be completed for each monitoring visit, rotated in a manner to ensure all guides are completed annually):				
38.	a) Allowable Cost	4	1	2	20.0%
39.	b) Audit Review	2	3	2	60.0%
40.	c) Budgeting Systems and Internal Controls	4	1	2	20.0%
41.	d) Financial reporting	3	2	2	40.0%
42.	e) Procurement & Contract Administration	3	2	2	40.0%
43.	f) Cash Management	2	3	2	60.0%
44.	g) Complaints & Grievances	2	3	2	60.0%
45.	h) Equipment Management and Contractor vs. Sub-recipient	2	3	2	42.9%

**APPENDIX F**

**Performance Summary of DESC Training Programs Contract Compliance**

<b>Conditions</b> <b>7 Sub-Recipient Contracts</b>		<b>Total Compliant</b>	<b>Total Non-Compliance</b>	<b>Total N/A</b>	<b>Total % Non-Compliance</b>
<b>Criteria Relating to Sub-Recipient Contracts, DESC On-Site Monitoring and Desktop Review Policy No. 2018-004, DESC Award Letter</b>					
46.	Findings on the On-Site Monitoring and Desktop Review reports that the contractor was deemed non-compliant and was subject to being placed on probation wherein there was a 10% hold back on each month's invoice until issue is resolved.	5	1	1	16.7%
47.	Did not have evidence of Monthly Desktop Fiscal Review conducted on invoice.	5	2	0	28.6%
48.	Did not have evidence of Rate and timing of expenditures being tracked and reviewed.	5	2	0	28.6%
<b>Criteria Relating to DESC Board Procurement Approval Process, Food Assistance Employment and Training Plus with matching funding Request for Proposal, DESC Procurement Policy No. FIN 2016-008 and Uniform Guidance Administrative Requirements</b>					
49.	Did not have evidence that the DESC Board approved the Professional Service Contract.	0	4	3	100.0%
50.	Did not have evidence of following any procurement policy and procedure.	6	1	0	14.3%

**C. Conditions Relating To Skills Trade Training Fund (STTF) Contracts**

The following are the results of contract compliance testing of three STTF's:

<b>Conditions</b> <b>3 Skills Trade Training Fund Contracts</b>		<b>Total Compliant</b>	<b>Total Non-Compliance</b>	<b>Total N/A</b>	<b>Total % Non-Compliance</b>
<b>Criteria Relating to DESC Procurement Policy No. FIN 2016-008 and Uniform Guidance Administrative Requirements</b>					
1.	Did not have evidence of the Micro-Purchase Method of Procurement being used appropriately.	0	0	3	0.0%
2.	Did not use the Small Purchase Method of Procurement appropriately	0	2	1	100.0%
3.	Did not use the Competitive Proposal Method of Procurement appropriately.	0	1	2	100.0%
Did not have evidence of the Competitive Proposal containing the following:					
4.	e) An independent estimate of the cost/price for the services;	0	1	2	100.0%
5.	f) Publicized Request for Proposal;	0	1	2	100.0%
6.	g) A written record for conducting technical evaluations and the selection of awardees for proposals and quotes;	1	0	2	0.0%

**APPENDIX F**

**Performance Summary of DESC Training Programs Contract Compliance**

<b>Conditions</b> <b>3 Skills Trade Training Fund Contracts</b>		<b>Total Compliant</b>	<b>Total Non-Compliance</b>	<b>Total N/A</b>	<b>Total % Non-Compliance</b>
<b>Criteria Relating to DESC Procurement Policy No. FIN 2016-008 and Uniform Guidance Administrative Requirements</b>					
7.	h) Did not make awards to bidders whose proposal/quotes are most advantages to the program.	0	1	2	100.0%
8.	Did not have evidence of the Noncompetitive Proposal applying to one of the following conditions: <b>1) the item is only available from only one source</b> ; 2) a public emergency for the requirement will not permit a delay resulting from a competitive solicitation; 3) Workforce Development Agency authorizes the specific non-competitive procurement in response to a written request.	0	0	3	100.0%
9.	Did not have evidence that DESC maintained oversight with the usage of its own documented Procurement process and procedures to ensure that the contractor/training provider performed in accordance with the terms, conditions, and specifications of their agreement/contract.	0	3	0	100.0%
10.	Did not have evidence that DESC maintained records to detail the history of procurement.	0	3	0	100.0%
11.	Did not have evidence of a solicitation that displayed a clear and accurate description of the technical requirements for the service to be procured.	0	3	0	100.0%
12.	Did not have evidence of affirmative steps taken.	0	1	2	100.0%
	Did not have evidence that the affirmative steps taken included the following:				
13.	e) Qualified small and minority businesses and women's business enterprises on solicitation lists;	0	1	2	100.0%
14.	f) Assuring that small and minority businesses and women's business enterprises are solicited whenever there are potential sources;	0	1	2	100.0%
15.	g) Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation;	0	1	2	100.0%
16.	h) Establishing delivery schedules, where the requirement permits, which encourages their participation;	0	1	2	100.0%
17.	i) Using services as assistance, of such organizations as the Small Business Administration and the Minority Business Development Agency; and	0	1	2	100.0%
18.	j) Requiring the prime contractor to take affirmative action steps.	0	1	2	100.0%
19.	Did not have evidence of a cost/price analysis conducted.	0	1	2	100.0%
20.	Did not have evidence of contractor/training provider not being debarred or suspended.	0	1	2	100.0%

**APPENDIX F**

**Performance Summary of DESC Training Programs Contract Compliance**

<b>Conditions</b> <b>3 Skills Trade Training Fund Contracts</b>		<b>Total Compliant</b>	<b>Total Non-Compliance</b>	<b>Total N/A</b>	<b>Total % Non-Compliance</b>
<b>Criteria Relating to DESC Procurement Policy No. FIN 2016-008 and Uniform Guidance Administrative Requirements</b>					
21.	Did not have evidence that the Director of Finance determined the appropriate funding source.	0	3	0	100.0%
22.	Did not have evidence that the funding amount was budgeted.	0	3	0	100.0%
23.	Did not have evidence that the procurement specialist determined the value of the procurement.	0	3	0	100.0%
24.	Did not have evidence that the Procurement Specialist determined the procurement method.	0	3	0	100.0%
25.	Did not have evidence of award letter that outlined the award amount and the general terms and conditions of the contractual relationship.	0	3	0	100.0%
26.	Did not have evidence of a signed and dated agreement authorized by both parties.	3	0	0	0.0%
27.	Did not have evidence of an agreement that outlined the Budget, Budget Narrative, Staff List.	0	3	0	100.0%
28.	Did not have evidence of an agreement that outlined the Equal Opportunity Department Policy Statement.	0	3	0	100.0%
29.	Did not have evidence of an agreement outlined the Compliant/Grievance Procedures, Zero Tolerance for Sexual or Other Forms of Harassment Acknowledgement Forms.	0	3	0	100.0%
	Did not have evidence of the training provider/contractor developing and maintaining relationships with employers by using the following strategies:				
30.	e) Conducting proactive outreach to employers;	0	0	3	0.0%
31.	f) Discover and record employer need;	0	0	3	0.0%
32.	g) Actively recruit for job openings;	0	0	3	0.0%
33.	h) Develop and maintain relationships with employers by establishing and maintaining a feedback loop to determine ways to improve.	0	0	3	0.0%
34.	Did not have evidence that the training provider identified immediate employment opportunities by documenting positions, accompanying wages, required skills and working conditions associated with positions.	0	0	3	0.0%

**APPENDIX F**

**Performance Summary of DESC Training Programs Contract Compliance**

<b>Conditions</b> <b>3 Skills Trade Training Fund Contracts</b>		<b>Total Compliant</b>	<b>Total Non-Compliance</b>	<b>Total N/A</b>	<b>Total % Non-Compliance</b>
<b>Criteria Relating to DESC Procurement Policy No. FIN 2016-008 and Uniform Guidance Administrative Requirements</b>					
35.	Did not have evidence that the training provider tracked and coached job search activities in OSMIS/G-Stars.	0	0	3	0.0%
36.	Did not have evidence that DESC reviewed and provide feedback on the training providers' detailed work plan on a regular basis to ensure adequate progress was made toward the ultimate goal of placing specified residents into jobs.	0	0	3	0.0%
37.	Did not have evidence that the training provider accurately allocate its' expenses to proper funding sources.	0	3	0	100.0%
<b>Criteria Relating to Michigan Department of Labor and Economic Opportunity and West Michigan Works for standards of the Skills Trade Training Fund</b>					
38.	Did not have evidence of a competitive award letter.	0	3	0	100.0%
	Did not have evidence that the eligible trainees (employees current or new) met all of the following criteria				
39.	a) Permanent, full-time employee of the employer when the approved training began;	0	3	0	100.0%
40.	b) Works primarily in Michigan;	0	3	0	100.0%
41.	c) 18 years of age or older	0	3	0	100.0%
42.	d) Citizen or legally authorized to work in the U.S.	0	3	0	100.0%
43.	Did not have evidence that the training provider adhered to fulfilling a demonstrated talent need experience by the employer.	0	3	0	100.0%
44.	Did not have evidence that the training provided lead to a skill that is transferable and recognized by industry.	0	3	0	100.0%
45.	Did not have evidence that the Allowable training and targeted funding amounts met the criteria of Customized Classroom Training: up to \$1500 per individual (plus \$500 for New hire Veterans).	0	3	0	100.0%
46.	Did not have evidence that training led to full-time or continued employment.	0	3	0	100.0%
47.	Did not have evidence of a training plan defined by the employer.	0	3	0	100.0%
48.	Did not have evidence that the employer recruited for job openings.	0	3	0	100.0%
49.	Did not have evidence that the funds were used appropriately.	0	3	0	100.0%



**APPENDIX F**

**Performance Summary of DESC Training Programs Contract Compliance**

<b>Conditions</b> <b>3 Skills Trade Training Fund Contracts</b>		<b>Total Compliant</b>	<b>Total Non-Compliance</b>	<b>Total N/A</b>	<b>Total % Non-Compliance</b>
<b>Criteria Relating to Michigan Department of Labor and Economic Opportunity and West Michigan Works for standards of the Skills Trade Training Fund</b>					
50.	Did not have evidence of form DD-214 was submitted with reimbursement requests.	0	0	3	0.0%
51.	Did not have evidence of documented standard policy and procedure to follow for the usage of the Skills Trade Training Fund	0	3	0	100.0%
52.	Did not have evidence of STTF being recorded in the correct account.	0	3	0	100.0%
53.	Did not have evidence of following any procurement policy.	2	1	0	33.3%
54.	Did not have evidence of a Master Training Agreements.	2	1	0	33.3%

**ATTACHMENT A**  
**Detroit Economic Solutions Corporation Response**



115 ERSKINE, 2<sup>ND</sup> FLOOR  
DETROIT, MICHIGAN 48201  
PHONE (313) 876-0674  
FAX (313) 664-5505  
TTY NUMBER: 711

May 20, 2021

*Via Electronic Mail*

Mark Lockridge, Auditor General  
Office of the Auditor General  
2 Woodward Ave, #208  
Detroit, Michigan 48226

Re: Detroit Employment Solutions Corporation's Response to Audit of the Civil Rights, Inclusion, and Opportunity Department Second Interim Report on Compliance Fee Dollars

Dear Mr. Lockridge:

Please allow this correspondence and supporting documentation to serve as the Detroit Employment Solutions Corporation's ("DESC") response to the Office of the Auditor General's Audit of the Civil Rights, Inclusion, and Opportunity Department Second Interim Report on Compliance Fee Dollars (the "Audit"). Although the Audit included some useful feedback and recommendations that DESC will implement moving forward, it also included statements that we believe directly contradict written guidance in the Workforce Training Fund agreement (the "Agreement") and/or do not accurately reflect DESC's operations, policies, and practices.

As is discussed in DESC's responses to the findings, the Audit does not take into account the broad array of services and programs that are required to prepare Detroiters for jobs in construction, skilled trades and other high demand industries related to new development in the City. For instance, the Audit asserts that training in information technology and foundational skills (i.e., literacy, math, computer and general workplace skills) are unrelated to the workforce needs of employers in the construction industry. Employers across all industries demand workers who have the communication, critical thinking and conflict resolution skills required for success in employment. Further, the majority of skilled trades apprenticeship programs require academic proficiency levels that exceed the baseline skills and experience of the average Detroit resident. As directed by City Council, DESC utilized Compliance Fee funds to support programs that build these fundamental skills that are required prior to entering the skilled trades.

The Audit also relies on a narrow interpretation of DESC and the City of Detroit's Agreement that would limit the coordinated use of Compliance Fee funds and negatively impact DESC's ability to fully spend federal and state funds before they expire. This would be contrary to the language and intent of the Workforce Training Fund Agreement. Further, Exhibit C of the Agreement expressly states that DESC should utilize Compliance Fee funds *"to increase the pool of qualified Detroit applicants for jobs resulting from economic development activity in the City"* and goes on to specify that the Mayor's



Equal opportunity employer/program. Supported by the State of Michigan, Department of Labor and Economic Opportunity. A Michigan Works! Agency and proud partner of the American Job Center network. Auxiliary aids and services available upon request to individuals with disabilities. 1-800-285-WORK. TTY: 711.

**ATTACHMENT A**  
**Detroit Economic Solutions Corporation Response**

Workforce Development Board and DESC are responsible for identifying target sectors for training. The Agreement seems to explicitly call for training across multiple in-demand, high-growth sectors/industries including but not limited to construction and the skilled trades.

Additionally, while testing DESC's compliance, the Audit relies on inapplicable policies and procedures in several instances. This includes a number of findings about the procurement of training providers that were actually correctly procured by the State of Michigan following funding guidelines established by the US Department of Labor and Michigan Department of Labor & Economic Opportunity. Moreover, several of the Audit's findings are based on the City of Detroit's practices and policies, and although these may be good practices for the City and its operations, DESC is not required to follow them. We are unclear on why there are findings in OAG's report that are not related to DESC's policies.

Notwithstanding the above, DESC will be implementing many of the valuable recommendations identified by the OAG, including a full internal review of DESC's policies and procedures to ensure that they are up to date and aligned with current best practices. Once again, thank you for your time, efforts, and this opportunity to respond to the Audit. It is DESC's sincere hope that this process will assist in its efforts to continue to serve the residents of the City of Detroit by providing quality job and training opportunities.

If you have any questions or concerns, please do not hesitate to contact my office.

Sincerely,



Terri Weems,  
President  
Detroit Employment Solutions Corporation

Cc:

Kimberly Rustem, Director, Civil Rights, Inclusion, and Opportunity Department.  
Jay Rising, Acting Chief Financial Officer, Office of the Chief Financial Officer  
Nicole Sherard-Freeman, Group Executive, Jobs, Economy & Detroit At Work

OFFICE OF THE AUDITOR GENERAL  
 AUDIT OF CIVIL RIGHTS, INCLUSION, AND OPPORTUNITY DEPARTMENT SECOND INTERIM REPORT ON COMPLIANCE FEE DOLLARS

DETROIT EMPLOYMENT SOLUTIONS CORPORATION

Implementation Tracking of Departmental Responses

FIND-ING #	AUDIT FINDING	RECOMMENDATIONS		RESPONSIBLE DEPARTMENT	DEPARTMENT RESPONSE(S)	ESTIMATED/ PLANNED IMPLEMENTATION DATE	CONTACT PERSON	CONTACT PERSON NUMBER
		REF.	SPECIFIC RECOMMENDATION					
1.	<b>DESC Used The Workforce Training Fund For Various Training Programs And Services, But Not Exclusively For The Specific Program Goal Of Preparing Detroit Residents For Employment In The Skilled Construction Trades</b>	A.	Collaborate with CRIO to develop and coordinate workforce training programs sourced from the Workforce Training Fund dollars to be specifically targeted to meet the needs of construction contractors who are subject to E0-2016-1	<b>Strategic Operations &amp; Employer Engagement</b>	<p>We agree that it will be beneficial to coordinate more closely with CRIO in the development and delivery of construction training programs.</p> <p>DESC/Detroit at Work currently coordinates with CRIO to identify current and expected workforce needs of contractors subject to EO-2016-1. CRIO’s industry expertise have helped guide how we have spent federal, state, private and Compliance Fee funds. In fact, CRIO’s construction liaison has previously reviewed the curricula and credentials used by our providers and is now a regularly-engaged member with Detroit at Work’s Employer Engagement team thanks to a shared agreement with CRIO leadership. Further, one or more Employer Engagement team members attend OCPs contractor convenings to learn about their talent needs, and shortly afterwards follows up offline to craft creative talent strategies with those contractors as needs arise.</p> <p>We adhere to all written guidelines and budget priorities established for Compliance Fee dollars. We currently provide training for laborers, demolition, pre-apprenticeship carpentry and electrical, HVAC, and contextualized basic skills. It is important to note that many of the contractors require workers to have more than one year of experience – to be experienced apprentices or journeymen. The average math and reading scores of new Detroit at Work customers are below levels required for most skilled trades apprenticeship programs.</p>	<p>Already underway.</p> <p>We will meet with CRIO to discuss the 2021 budget resolutions recently adopted by City Council. The budget includes specific earmarks for the use of Compliance Fee dollars. We will coordinate with CRIO to ensure we invest in training programs that prepare for Detroiters for jobs with construction contractors subject to EO-2016-1, which may include a basic training program that leads to a pre-apprenticeship.</p>	Michelle Rafferty Dana Williams	(313) 788-7202 (313) 788-7228

OFFICE OF THE AUDITOR GENERAL  
 AUDIT OF CIVIL RIGHTS, INCLUSION, AND OPPORTUNITY DEPARTMENT SECOND INTERIM REPORT ON COMPLIANCE FEE DOLLARS

DETROIT EMPLOYMENT SOLUTIONS CORPORATION

Implementation Tracking of Departmental Responses

		B.	Use Workforce Training Funds sourced from Compliance Fee dollars to provide foundational skills, wrap-around, job placement support services to job seekers (only) in the construction and construction-related industries	<p>We do not agree with this recommendation. The Workforce Training Fund policies do not exclude training in other industries, rather it expressly states:</p> <ul style="list-style-type: none"> <li>• “The purpose of the Program is to support initiatives undertaken by DESC to provide training, support and placement for Detroiters seeking jobs in the skilled construction trades <u>and/or the permanent jobs resulting from new development.</u>” (emphasis added)</li> <li>• “Use Workforce Training Program funds to develop, administer, market and implement training or education programs and to provide support services to Detroit residents seeking employment.”</li> <li>• Additional guidance is articulated in Exhibit C to the Agreement – see below for specific language.</li> </ul> <p>DESC and Detroit at Work leverage expert workforce knowledge in administering programming and blending and braiding to maximize funding sources. By restricting funds, not only would this reduce our ability to strategically blend and braid, but we would not be able to support job seekers who are preparing for work in new development which is expressly stated in the EO.</p> <p>We have always adhered to the requirements of city council which includes the earmarking of funds for a specific purpose where council deems appropriate. This includes an appropriation in this year’s budget of \$240,000 for investment into basic skills training to prepare Detroit residents for the basic skills test required for entry into the unions skilled trades apprenticeship programs, \$60,000 for investment into transportation, child care costs, outreach to increase the number of women in the skilled trades, and other initiatives to support barrier removal and gender diversification within the skilled trades, and \$700,000 for direct investments into programs that guarantee a pathway to employment specifically within the skilled trades through, (1) guaranteed job placement in Detroit following program completion, and (2) guaranteed job placement in Detroit tracking and monitoring following program completion.</p>	NA	Michelle Rafferty	(313)-788-7202
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				<p>The Workforce Training Fund Agreement also references and incorporates Exhibit C, "Workforce Training Fund Policies and Procedures" which explicitly indicates that the Fund should be used for training in multiple sectors that are aligned with Detroit's economic development activity, which we interpreted to include a wide variety of new jobs that were connected to the businesses occupying newly constructed buildings and business relocation and/or growth in Detroit. There are several sections in Exhibit C that we believe support this interpretation:</p> <ul style="list-style-type: none"> <li>○ <b>Administration:</b> <i>In collaboration with the City of Detroit's Workforce Development Board, CRIO is authorized to allocate resources on an annual basis from the Fund to ensure that Detroit businesses have employees with the talent they need to compete and grow, and that individuals have the skills they need for in-demand jobs.</i></li> <li>○ <b>Fund Structure:</b> <i>The Workforce Training Fund will receive purpose driven deposits, pre-payments and funds from financial penalties that are specifically designated to increase the pool of qualified Detroit applicants for jobs resulting from economic development activity in the City.</i></li> <li>○ <b>Use of Funds:</b> <i>Allowable uses of funds include, but are not limited to, the cost to develop, administer, market and implement training or education programs and to provide support services to Detroit applicants seeking employment.</i></li> <li>○ <b>Allowable Training Programs:</b> <i>Training programs funded by the Workforce Training Fund must fill a demonstrated talent need as determined by the Workforce Development Board.</i></li> <li>○ <b>Workforce Training Fund Policy Direction:</b> <i>On the demand side, the Workforce Development Board should use available labor market information to identify the key sectors with likely unmet demands for skilled or semiskilled labor that are not likely to be filled by employers on their own. On the supply side, it would identify the various sources of education and training for these jobs and potential funding sources available.</i></li> </ul>			
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		C.	Ensure that Detroiters seeking jobs in the skilled construction trades and/or permanent jobs resulting from new developments have adequate programs available to them and educated on how to obtain the targeted training.	<b>Strategic Operations</b>	<p>We are unclear if this recommendation is related to a specific issue that OAG identified during their review. We already have a comprehensive strategy to support Detroiters in this area.</p> <p>DESC/Detroit at Work launched a widespread marketing campaign in 2017 that increased annual training enrollments by over 400%. We offer a variety of training programs and employment opportunities in construction and the skilled trades, for both adults and youth. We have promoted opportunities in construction and skilled trades through a wide range of media and marketing outlets, including social media, videos aired on public TV and on the internet, success stories, paid advertisements on billboards and buses, radio spots, etc. We also promote opportunities on the Detroit at Work website and through virtual and in-person sessions with Career Center staff.</p>	N/A	<b>Robin Johnston</b>	(313) 664-5587

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		D.	Collaborate with CRIO to establish Citywide goals and performance expectations relating to programs in the Workforce Training Fund.	<b>Strategic Operations</b>	We have already established goals for all of our training programs: 80% of individuals successfully complete the program and 80% of completers obtain training-related employment. We also set an overall target each year for the number to be trained and we establish targets for each industry, including construction and skilled trades. This applies to programs funded by all sources. We can also establish specific goals for the Compliance Fee funds in partnership with CRIO if that is of benefit to the parties of the Workforce Training Fund agreement.	With input from CRIO, establish PY 21 (7/1/21 – 6/30/22) goals by the end of Q1 of PY21	<b>Michelle Rafferty</b>	(313) 788-7202



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		E.	Develop reporting that identifies the results of workforce training programs sourced from Compliance Fee dollars so that correlations can be made about the effectiveness of the executive order. The reporting should include key performance indicators, metrics, and other program results so that the City and contributing contractors, and other stakeholders can easily see that the Compliance Fee dollars are being used for their intended purposes as stated in the Workforce Training Fund Agreement	<b>Strategic Operations</b>	<p>DESC strategically uses state and federal grants for more direct support for programs and services supported by Compliance Fees. If DESC had not used this practice, other grant funds would have expired and would not have been able to be used for Detroiters.</p> <p>As outlined in the Agreement and as presented to City Council during past hearings and meetings, DESC braids Workforce Training Funds with substantial public and private funding to support occupational training in construction, skilled trades and other fields related to permanent jobs resulting for new development. This allows us to serve far more individuals than what would be possible with the Workforce Training Funds alone. We've used the Workforce Training Funds to support costs that improve the overall efficacy of all construction programs, even when other sources are used for tuition. For example, we've used the Funds to support marketing efforts to recruit more Detroiters into our programs, staff who are in charge of developing, overseeing and monitoring training programs, and staff who engage employers and support job placement efforts across the system, and to support the Randolph construction program. That is why we always report out on the total number of individuals prepared by DESC for jobs in construction and skilled trades. This provides a more accurate picture of the impact of the Workforce Training Funds as we've outlined in previous memos.</p>	N/A	<b>Michelle Rafferty</b>	(313) 788-7202

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		F.	Provide reporting to CRIO consistently on a quarterly basis as required by the Workforce Training Fund Agreement.	Strategic Operations	<p>The report indicates that DESC did not provide CRIO with “its own” reporting. DESC has provided a quarterly report every quarter since the fall of 2017. The report seems to question whether DESC and Detroit at Work are different entities and whether DESC should get credit if Detroit at Work submitted the report. We are the same team.</p> <p>We have provided all reporting requested by CRIO and City council. DESC started producing quarterly reports soon after signing the Workforce Training Fund agreement, beginning with the October – December 2017 quarter. The report was comprehensive in nature given our interpretation of the Fund supporting multiple in-demand sectors and the way we braid Compliance Fees with other funds to support most programs. The reports have always included information on construction and construction-related training.</p> <p>In 2019, CRIO requested that we begin producing a quarterly report that focused explicitly on construction training and employment outcomes. In our first report we summarized construction outcomes for the period July 1, 2018 through June 30, 2019. Each quarter we have updated the report and provided it to CRIO.</p>	N/A	Michelle Rafferty	(313) 788-7202

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2.	DESC did not always comply with their own policies and procedures, some federal and state laws, or industry standards relating to procurement practices for workforce training fund programs. Current practices do not ensure full and open competition for training providers' services.	A.	Develop and ensure that plans, policies, procedures, rules, and standards result in uniform actions across programs and program types.	Strategic Operations Executive Admin	<p>Because DESC/Detroit at Work manages a wide variety of funding streams that come from public and private funders, with their own guidelines, rules and expectations for use of funds, we cannot adopt plans, policies, procedures, rules, etc. that result in uniform actions. We must adapt to the funding rules and priorities of our various grantors. Further, depending on the type of product or service being procured and the expected amount of the expenditures, the procurement process may vary. For example, small purchases require quotes, and some products may be considered sole source.</p> <p>Also, as provided for in WIOA, the state procures occupational training through the establishment of an eligible training provider list. All local workforce agencies like DESC are permitted to fund any training program on the list. Training programs are selected by individual customers which ensures a full and open competition for services.</p> <p>Local workforce agencies also have the authority to establish additional criteria (over and above what the state requires) to select training providers. DESC established a new process and criteria for its training providers in January 2019. Starting in 2019, DESC began using a published competitive procurement process to select providers for its local eligible training provider list and for direct training contracts.</p> <p>While we do not believe that procurement policies should be uniform across programs for the reasons outlines above, we do acknowledge that we have several outdated policies and will work to rescind policies that are no longer applicable.</p>	While we will not be able to comply with uniform actions across all programs, we will establish a revised procurement policy that better distinguishes between policy for federal, state, local and private funds and rescinds all other outdated policies. By September 2021	Jessica Carr- Sokolowski Sheila Johnson	(313) 664-5560

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		B.	Require all contracts and agreements to go through a competitive procurement process similar to the guidelines established in the federal "Uniform Guidance Requirements."	<b>Strategic Operations Executive Admin</b>	Because DESC/Detroit at Work managed a wide variety of funding streams that come from public and private funders, with their own guidelines, rules and expectations for use of funds, we cannot adopt plans, policies, procedures, rules, etc. that result in uninformed actions. We must adapt to the funding rules and priorities of our various grantors. See 2A above	N/A	<b>Jessica Carr- Sokolowski Sheila Johnson</b>	(313) 664-5560

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		<p>C.</p> <p>Conduct a thorough review of all program requirements to ensure that they can be monitored effectively and efficiently:</p> <ul style="list-style-type: none"> <li>.1. Review the applicable executive order(s), the workforce training fund agreement in effect, and monitor all program activity to ensure compliance.</li> <li>.2. Conduct debriefings, establish, and maintain feedback loops with training providers to ensure providers understand goals and objectives needed for full compliance.</li> </ul>	<p><b>Strategic Operations Executive Admin</b></p>	<p>DESC closely reviewed the executive order and Workforce Training Fund agreement before utilizing the funds and incurring expenditures. We believe the Agreement explicitly stated that funds were to be used to support employer needs across a range of in-demand industries in Detroit. We respectfully request that the parties to the Workforce Training Fund agreement clarify areas of the agreement and its attached exhibits that may not accurately describe the intended restrictions and guidelines for use of the funds. We have and will comply fully with guidance established by the parties to the Workforce Training fund agreement.</p> <p>DESC regularly meets with its network of approved training providers on a quarterly basis to discuss goals, objectives, performance requirements and other feedback. These quarterly meetings have been essential in providing important updates and information to training providers to ensure they are fully aware of required performance measurements and compliance. Additionally, DESC produces bi-annual scorecards to each training provider that provides an overview of their current performance standing with DESC and whether performance is being met.</p> <p>DESC recognizes that its continued growth in funding streams and number of providers requires continuous process improvement. As such, DESC is in the process of procuring external assurance services beginning 7/1/2021 to track, monitor and report on fiscal and programmatic metrics outlined by DESC. The outsourcing of sample selections, testing and day-to-day monitoring will allow DESC staff to be more readily available to ensure providers understand compliance goals and objectives.</p>	<p>N/A: Training provider quarterly meetings and bi-annual performance scorecards are already in place. DESC will continue to explore opportunities to meet with training providers and keep them informed of their performance and status with DESC.</p>	<p><b>Jessica Carr-Sokolowski</b> <b>David Jackson</b></p>	<p>(313) 664-5560</p>
		<p>D.</p> <p>Ensure that there is congruence between</p>		<p>See 2A</p>	<p>See 2A</p>	<p><b>Sheila Johnson</b> <b>David Jackson</b></p>	<p>(313) 664-5560</p>

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			contract requirements (i.e. – RFP’s), policies, and By-laws as it relates to approvals by the Board.					
		E.	Ensure that contracts, agreements, and invoices reflect the correct and actual program type (or classification) so that program requirements are applied appropriately.	<b>Strategic Operations Executive Admin</b>	<p>Beginning in 2019, DESC began using a comprehensive data management system that can connect training activities to funding and to DESC’s financial accounting system. This integration allows DESC to keep detailed records of training expenses and the supporting invoice documents associated with those expenses.</p> <p>The acronym STTF was used to describe Skilled Trades Training related to GDYT and CTE programs, this GL code was not mislabeled and was understood by DESC staff that it did not reflect funds received from the State of Michigan from the Skilled Trades Training Fund. All funds received related to the Skilled Trades Training Fund revenue are tracked by cost center and not general ledger code. The cost center category which is part of DESC’s 6 string accounting flex field is used to identify individual programs, grants, in the financial system.</p> <p>Additionally, DESC is working with an external IT company to develop and build an electronic Grants Management system. The electronic system will automate some functions such as the assignment of program type. This means that once implemented, all contracts, agreements and invoices will have an assigned program type that will tie into our accounting record system based on DESC policies and guidelines.</p>	<p>Already underway.</p> <p>Launchpad electronic grants management currently being utilized for specific providers. Full system implementation expected 10/1/2021.</p>	<p><b>Jessica Carr-Sokolowski</b></p> <p><b>Alessia Baker-Giles</b></p>	(313) 664-5560

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		F.	Ensure that all records are properly and adequately maintained and are not subject to changes in staffing or termination of employees.	<b>Strategic Operations Exec Admin</b>	<p>We believe that this comment is in response to 1 record DESC was unable to locate due to employee transition. DESC has developed a shared and accessible site across departments to manage contracts and related documents. This shared site will help to ensure that all documents are housed in a central location and can be accessed on demand.</p> <p>DESC is working with an external IT company to develop and build an electronic Grants, Procurement and Contracts Management system. The electronic system will automate internal controls, such as, document back-up and record storage. This means that once implemented, all records will be maintained within an electronic system and stored on a cloud-based data management site.</p>	<p>Already underway.</p> <p>Launchpad electronic grants management currently being utilized for specific providers. Full system implementation expected 10/1/2021.</p>	<p><b>Jessica Carr-Sokolowski</b></p> <p><b>Sheila Johnson</b></p>	(313) 664-5560

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<p>3.</p>	<p><b>Compliance Fee Dollars Were Used To Pay Invoices But The City Was Not Always Listed As The Funding Source</b></p>	<p>A.</p>	<p>Implement control systems to ensure that supporting documentation and general ledger entries properly reflect actual funding sources. The general ledger and the financial system should be able to track payments by the:</p> <ol style="list-style-type: none"> <li>1. Contract and program;</li> <li>2. Contractor or training provider;</li> <li>3. Budgeted/approved funding source(s) for the amount of the contract;</li> <li>4. Actual amount of the invoice and the related funding source(s);</li> <li>5. Total cumulative amounts paid to date by:                             <ul style="list-style-type: none"> <li><input type="checkbox"/> Training program type;</li> <li><input type="checkbox"/> Contract;</li> <li><input type="checkbox"/> Training provider;</li> <li><input type="checkbox"/> Actual amounts aggregated by</li> </ul> </li> </ol>	<p><b>Finance Exec Admin</b></p>	<p>Executive Order/ Compliance Fee funding may not always be listed as the funding source initially due to delayed transfers of funding from the City of Detroit in 2018. To ensure timely implementation of programming eligible for Compliance Fee expenditures (once DESC was assured that funds would be forthcoming the funds were expended, and once the funds were received from the city) DESC transferred amounts previously recorded to other funds. Contrary to the Interim Report, this is <u>not</u> a violation of any requirements of the State of Michigan. The funding amount was spent on eligible expenditures and is recorded appropriately.</p> <p>OAG based its findings on the City of Detroit’s practices and policies. While we recognize that these may be good practice, and look to learn from them, these are not required policies and are not currently applicable to DESC.</p> <p>At the time a resident is approved to attend training, DESC indicates the planned funding source after confirming their eligibility. Each year, DESC must manage a wide variety of funding streams and it is always our objective to fully spend all federal and state dollars allocated to Detroit. At times this requires us to make adjustments and transfer training expenses between eligible funding streams. All supporting documentation to support payments made is maintained. Backup documentation to support the ITA related adjustments referenced in the documentation were supplied to the auditor and can be traced in DESC’s general ledger. The individual transactions are detailed in the general ledger of the original funding stream with the reclass appearing in the EO ledger as a single entry. Upon further review it was discovered the documentation loaded to the Dropbox did not include Vendor ID in error. The financial system has the capability to track expenditures by all of the criteria stated in the OAG recommendation.</p>	<p>DESC is implementing Launchpad to manage grants, procurement and contracts and will link this system to its accounting system by December 31, 2021</p>	<p><b>Alessia Baker-Giles</b></p>	<p>(313) 664-5560</p>
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			funding sources.		Prior to the start of the audit DESC procured a system to manage programmatic and financial data which resulted in the implementation of Launchpad, a Salesforce database system that will serve as the repository for all program related data. This includes procurement, invoices, contracts, budgets, and payments. Data will be collected in Launchpad and all financial data will be imported directly into DESC's financial system. DESC's current financial system, Abila (MIP) can currently track payments by the contractor, program, and training provider. Contracts along with their budgets and approved funding sources will be entered into Launchpad and imported directly into Abila.			

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4	DESC does not have its own internal finance directives or accounting standard operating procedures that derive from "Generally Accepted Accounting Principles" to govern its day-to-day financial operations. As a result, there are internal control weaknesses over adjusting journal entries recorded against workforce training funds general ledger accounts.	A.	We recommend that DESC create its own set of internal accounting policies, policies, and standard operating procedures that align with "Generally Accepted Accounting Procedures," to govern specific types of financial activities	Finance	<p>DESC accounting policies exist and are evaluated as part of its annual independent audit.</p> <p>DESC's accounting systems are secure and record all persons making and approving journal entries electronically. Prior to 2017, adjusting journal entries were prepared and approved by the same person. These were limited only to transfers from one grant to another and were due to limited number of staff available. The system now prevents preparation and approval by the same individual.</p> <p>DESC is in the process of updating its set of Standard Operating Procedures from its 2015 version.</p>	DESC will create an updated set of Standard Operating Procedures related to its Finance functions. Projected date of completion August 31, 2021.	Alessia Baker-Giles	313 664-5560

**ATTACHMENT B**

**Auditor General's Disagreement With The Audited Entity's Response**

The Office of the Auditor General (OAG) has reviewed the response from the Detroit Employment Solutions Corporation (DESC) regarding the Audit Of The Civil Rights, Inclusion, And Opportunity Department Second Interim Report On Compliance Fee Dollars - Detroit Employment Solutions Corporation (May 2021).

DESC submitted as its response a cover letter titled "Detroit Employment Solutions Corporation's Response to Audit of the Civil Rights, Inclusion, and Opportunity Department Second Interim Report on Compliance Fee Dollars," and the "Implementation Tracking of Departmental Responses" dated May 20, 2021 (see **Attachment A** of this report.)

The Generally Accepted Government Auditing Standards (GAGAS) 2018 Revision, compiled by the Comptroller General of the United States Government Accountability Office provides OAG with the basis for the rebuttal. Chapter 9: Reporting Standards for Performance Audits gives the following requirements relating to obtaining the views of responsible officials:

**Requirements: Obtaining the Views of Responsible Officials**

**9.50** When the audited entity's comments are inconsistent or in conflict with the findings, conclusions, or recommendations in the draft report, the auditors should evaluate the validity of the audited entity's comments. If the auditors disagree with the comments, they should explain in the report their reasons for disagreement. Conversely, the auditors should modify their report as necessary if they find the comments valid and supported by sufficient, appropriate evidence.


During the course of this audit and prior to the publication of this report, we met with DESC on several occasions. We modified the report to reflect our agreements with DESC's comments, when supported by additional sufficient and appropriate evidence.

In accordance with the Standards, OAG offers the following rebuttals to statements made in the cover letter and in the "Implementation Tracking of Departmental Responses."

**DESC Cover Letter - Page 1, Paragraph 2:**

- A. **DESC Statement:** As is discussed in DESC's responses to the findings, the Audit does not take into account the broad array of services and programs that are required to prepare Detroiters for jobs in construction, skilled trades, and other high demand industries related to new development in the City.

**Auditor General's Disagreement With The Audited Entity's Response**


 **OAG Rebuttal:** GAGAS Chapter 9: Reporting Standards for Performance Audits gives us the requirements for Reporting Findings, Conclusions, and Recommendations:

**9.18** In the audit report, auditors should present sufficient, appropriate evidence to support the findings and conclusions in relation to the audit objectives. Auditors should provide recommendations for corrective action if findings are significant within the context of the audit objectives.


**9.19** Auditors should report conclusions based on the audit objectives and the audit findings.

As noted in the Audit Scope and explained throughout the audit, this is a limited scope audit requested by City Council to (in part) specify when Compliance fee dollars were transferred to DESC, and how DESC utilized those dollars. We have reported the results of auditing a sample of the DESC's receipt and use of Compliance Fee dollars. All of the programs and services resulting from the use of the Compliance Fee dollars in the sample are based on documentation provided to us by DESC. We are unclear as to why DESC believes that we did not take into account and report all of the programs and services included in the audit sample.

B. **DESC Statement:** For instance, the Audit asserts that training in information technology and foundational skills (i.e., literacy, math, computer, and general workplace skills) are unrelated to the workforce needs of employers in the construction industry.

 **OAG Rebuttal:** The audit does not assert that training in technology and foundational skills (i.e., literacy, math, computer, and general workplace skills) are unrelated to the workforce needs of employers in the construction industry. We do agree that training in these "other" programs may have led to some permanent jobs, but the specific jobs in the "other" industries (such as jobs resulting from certification in the hospitality or medical industries) could not be directly attributed to the new construction developments. In particular, we could not associate these types of training with the types of construction from the pool of contractors who were assessed and paid compliance fees under EO2016-1 during the audit period.

C. **DESC Statement:** As directed by City Council, DESC utilized Compliance Fee funds to support programs that build these fundamental skills that are required prior to entering the skilled trades.

 **OAG Rebuttal:** We do agree that the Agreement allows for providing support services to job seekers. However, nowhere in the Agreement does it provide for training other than in skilled construction and/or construction related trades.

**Auditor General's Disagreement With The Audited Entity's Response**

Although DESC indicated that City Council directed them to use Compliance Fee dollars in a much broader way than in the Agreement, we asked for, but was not provided with any resolutions or other written documentation from City Council. During our discussions of this matter, we verbally recommended to DESC that, going forward, they retain sufficient documentation of any directives of this nature from City Council and/or the Administration.

**DESC Cover Letter - Page 1&2, Paragraph 3:**

D. **DESC Statement:** The Audit also relies on a narrow interpretation of DESC and the City of Detroit's Agreement that would limit the coordinated use of Compliance Fee funds and negatively impact DESC's ability to fully spend federal and state funds before they expire.

✚ **OAG Rebuttal:** As shown on page 11 of this report, total dollars transferred to DESC (during the audit period) make up only 6.8% of DESC total budgeted revenues. More so, Compliance Fee dollars during this same period made up an even smaller percentage – only 2.8% of their budgeted revenues. We would encourage DESC to leverage other funds with the Compliance Fee dollars to enhance programming aimed more specifically at construction and construction-related skilled trades.

E. **DESC Statement:** Further, Exhibit C of the Agreement expressly states that DESC should utilize Compliance Fee funds "to increase the pool of qualified Detroit applicants for jobs resulting from economic development activity in the City" and goes on to specify that the Mayor's Workforce Development Board and DESC are responsible for identifying target sectors for training. The Agreement seems to explicitly call for training across multiple in-demand, high-growth sectors/industries including but not limited to construction and the skilled trades.

✚ **OAG Rebuttal:** Looking further into the Workforce Training Fund Agreement and Exhibit C "The Workforce Training Fund Policies and Procedures," we again conclude that the Agreement formulated by the City of Detroit's Corporation Counsel is **specific** in describing the purpose of the Workforce Training Fund being used for skilled construction trades and/or jobs resulting from new development. The following language is taken directly from the Agreement, Section 3, Establishment of Workforce Training Fund Program:

The purpose of the Program is to support initiatives undertaken by DESC to provide training, support, and placement for Detroiters seeking jobs **in the skilled construction trades and/or the permanent jobs resulting from new development.**

**ATTACHMENT B**

**Auditor General's Disagreement With The Audited Entity's Response**

DESC argues that subsequent language in the "Workforce Training Fund Policies and Procedures" (Exhibit C of the Agreement) allows them use Compliance Fee dollars broadly to deliver a variety of programs and services to job seekers in a variety of programs. We note that the Workforce Training Fund Policies and Procedures were created by CRIO, and they do not include or recite the specific **purpose** of the Workforce Training Fund or make specific reference to programming aimed at "skill construction trades."

In reference to Exhibit C, DESC stated that the:

"Workforce Training Fund Policies and Procedures" which explicitly indicates that the Fund should be used for training in multiple sectors that are aligned with Detroit's economic development activity, which we interpreted to include a wide variety of new jobs that were connected to the businesses occupying newly constructed buildings and business relocation and/or growth in Detroit.

DESC stated that this and other selected language is the reason and authorization for them to use the Workforce Training Fund, specifically Compliance Fee dollars, for other industries and/or other purposes other than preparing Detroiters for jobs specifically in construction and the skilled related construction trades.

Our conclusion is that the specific purpose contract clause as established by Corporation Counsel takes precedence over conflicting or unclear language in supporting schedules or exhibits. According to the "Federal Acquisition Regulatory 52.215-8 Order of Precedence-Uniform Contract Format":

Any inconsistency in the contract shall be resolved by giving precedence in the following order:

- 1st. The Schedule (excluding the specifications);
- 2nd. Presentations and other instructions;
- 3rd. Contract clauses;
- 4th. Other documents, exhibits, and attachments;
- 5th. The specifications.

Although Exhibit C is legally binding within the Agreement, under this guidance when there are conflict of terms, the contract clauses always have higher hierarchy than the contract exhibits.

Therefore, whereas there is an "apparent" conflict between the Agreement and Exhibit C (i.e. The Workforce Training Fund

**Auditor General's Disagreement With The Audited Entity's Response**

Policies and Procedures,) DESC should follow the **contract clause** to use the Funds for the intended purposes as defined in the Agreement. The Recitals of the Agreement strictly stated that:

- It is the **POLICY** of the City to encourage and maximize the utilization of Detroit Residents on publicly-funded construction projects;
- The City **DESIRES** to use financial penalties received into the City Workforce Training Fund for purposes of programming designed to increase the pool of qualified Detroit applicants for jobs in the skilled construction trades and jobs resulting from new development in the City;
- The City desires to have DESC administer and operate programs for the FOREGOING purposes.


We also want to point out that Exhibit C is a “DRAFT guideline” and it cannot replace the legal validity or the specificity of purpose in the clauses in the Agreement.

To reiterate and as stated in the Executive Summary on page 2 of this report:

The Workforce Training Fund Agreement is specific in its purpose to build a pipeline of Detroit residents for employment in construction and construction related industries. We do agree that the Agreement allows for providing support services to job seekers. However, nowhere in the Agreement does it provide for training other than in skilled construction and/or construction related trades.

**DESC Cover Letter - Page 2, Paragraph 4:**

F. **DESC Statement:** Additionally, while testing DESC’s compliance, the Audit relies on inapplicable policies and procedures in several instances. This includes a number of findings about the procurement of training providers that were actually correctly procured by the State of Michigan following funding guidelines established by the US Department of Labor and Michigan Department of Labor & Economic Opportunity.

 **OAG Rebuttal:** We strongly disagree with DESC’s statement that the “Audit relies on inapplicable policies and procedures in several instances.” As stated on page 23 of this report “selected contracts were reviewed against a “checklist” of contract requirements compiled from a detailed and extensive review of the:

- Workforce Training Fund Agreement;
- DESC’s policies and procedures;

**ATTACHMENT B**

**Auditor General's Disagreement With The Audited Entity's Response**

- Federal, state, local, and other requirements related to the workforce training fund programs;
- Criteria directly from the scope of services;
- Other requirements in the providers' agreements and/or contracts.

We recognized and understand that the various criteria could not be applied uniformly to the selected contracts, since criteria was specific to the contract, program type, program category and the program provider. Throughout the audit, we met with DESC management and staff to understand the correct application of criteria and when needed, revised our results and findings. We appreciate DESC helping us to understand the complexities of the many and varied criteria that they must follow.

Notwithstanding, we were careful to document when and what criteria is applied to each contract. This is reflected in the detailed presentation of the results of the compliance testing in **Appendix F** beginning on page 76 of this report. The following excerpt from Appendix F Section B: Conditions Relating to Sub-Contractors/Sub-Recipients (Sub-Rec) Contracts illustrates our audit methodology and reporting of results. While DESC's procurement policy has three types of procurement (Micro or Small Purchase Method or the Competitive Proposal Method), and only the Competitive Proposal Method applies to Sub-Rec contracts. Our Audit revealed that five of the seven contracts were in compliance with the procurement method, one was non-compliant, and, this method did not apply to one of the contracts.


<b>Conditions</b> <b>7 Sub-Recipient Contracts</b>		<b>Total Compliant</b>	<b>Total Non-Compliance</b>	<b>Total N/A</b>	<b>Total % Non-Compliance</b>
<b>Criteria Relating to DESC Procurement Policy No. FIN 2016-008 and Uniform Guidance Administrative Requirements</b>					
1.	Did not have evidence of the Micro-Purchase Method of Procurement being used appropriately.	0	0	7	0.0%
2.	Did not use the Small Purchase Method of Procurement appropriately.	0	0	7	0.0%
3.	Did not use the Competitive Proposal Method of Procurement appropriately.	5	1	1	16.7%



**Auditor General's Disagreement With The Audited Entity's Response**

DESC's statement "that some training and training providers were actually correctly procured by the State of Michigan following funding guidelines established by the US Department of Labor and Michigan Department of Labor & Economic Opportunity" maybe a true statement. We did not audit the State of Michigan's procurement activities. Our audit focused on DESC's procurement activities based on the applicable criteria. For example our review of the 21 Individual Training Account (ITA) agreements revealed that all of the providers were not listed on the State's preferred training list - Michigan Training Connect. According to DESC, prior to Jan 2019, they had their own "Preferred Training Providers List" where some of ITA training providers were vetted by DESC. However, since some of the providers in our sample were listed on Michigan's Training Connect, and some of them were not vetted by DESC, we could not determine, resolve, nor conclude that there was full and open competition during the audit period.

- G. **DESC Statement:** Moreover, several of the Audit's findings are based on the City of Detroit's practices and policies, and although these may be good practices for the City and its operations, DESC is not required to follow them. We are unclear on why there are findings in OAG's report that are not related to DESC's policies.

 **OAG Rebuttal:** According to the "Application Guidance on Findings in GAGAS, Chapter 8: Fieldwork Standards for Performance Audits.", Criteria is used to develop findings and it:

May include the laws, regulations, contracts, grant agreements, standards, measures, expected performance, **defined business practices**, and benchmarks against which performance is compared or evaluated. Criteria identify the required or desired state or expectation with respect to the program or operation. The term program includes processes, projects, studies, policies, operations, activities, entities, and functions. Criteria provide a context for evaluating evidence and understanding the findings, conclusions, and recommendations in the report.

Since DESC does not have its own internal accounting policy, cash disbursement policy, or an invoicing policy that governs their day-to-day standard operating procedures, we used some of the City of Detroit's Office of the Chief Financial Officers Directives and/or Standard Operating Procedures as "criteria" (e.g. – defined business practices) to form the basis for our recommendations.

**ATTACHMENT B**

**Auditor General's Disagreement With The Audited Entity's Response**  
**DESC Implementation Tracking Department Responses**

**Finding #1, Recommendation B**

Use Workforce Training Funds sourced from Compliance Fee dollars to provide foundational skills, wrap-around, and job placement support services to job seekers (only) in the construction and construction-related industries.

- **DESC Response:** We do not agree with this recommendation. The Workforce Training Fund policies do not exclude training in other industries.
- ✚ **OAG Rebuttal:** Again, as we have previously stated and outlined throughout the report and in this rebuttal, we do agree that the Agreement allows for providing support services to job seekers. However, nowhere in the Agreement does it provide for training other than in skilled construction and/or construction related trades.

**Finding #1, Recommendation C**

Ensure that Detroiters seeking jobs in the skilled construction trades and/or permanent jobs resulting from new developments have adequate programs available to them and educated them on how to obtain the targeted training.

- **DESC Response (In Part):** We are unclear if this recommendation is related to a specific issue that OAG identified during their review. We already have a comprehensive strategy to support Detroiters in this area
- ✚ **OAG Rebuttal:** DESC did not provide us with their comprehensive strategy to support Detroiters in skilled construction trades nor any evidence of advertisements, marketing, etc. promoting opportunities in skilled construction trades. Discussions (only) focused on placing efforts on providing Detroiters with education and “up-skilling” relating to providing foundational skills and wrap-around services so they would be ready for construction jobs. DESC indicated that the series of training would happen overtime. As stated in the report, we recommend that more effort be made to match training programs funded through the Workforce Training Agreement and (whose source of funds are EO-2016-1 Compliance Fee Dollars,) with the collective training needs of the contractors who are assessed and pay these particular fees.

**Finding #1, Recommendation E**

Develop reporting that identifies the results of workforce training programs sourced from Compliance Fee dollars so that correlations can be made about the effectiveness of the executive order. The reporting should include key performance indicators, metrics, and other program results so that the City and contributing contractors and other stakeholders can easily see that the Compliance Fee dollars are being used for their intended purposes as stated in the Workforce Training Fund Agreement.

**Auditor General's Disagreement With The Audited Entity's Response**

- **DESC Response (in Part):** DESC strategically uses state and federal grants for more direct support for programs and services supported by Compliance Fees. If DESC had not used this practice, other grant funds would have expired and would not have been able to be used for Detroiters. As outlined in the Agreement and as presented to City Council during past hearings and meetings, DESC braids Workforce Training Funds with substantial public and private funding to support occupational training in construction, skilled trades and other fields related to permanent jobs resulting for new development. That is why we always report out on the total number of individuals prepared by DESC for jobs in construction and skilled trades. This provides a more accurate picture of the impact of the Workforce Training Funds as we've outlined in previous memos.
  - ✚ **OAG Rebuttal:** The reporting requirement within the Workforce Training Fund Agreement specifically states DESC provide CRIO with performance reports on a quarterly basis. Currently, reports are compiled and published by Detroit at Work and are a combination of workforce activities from other workforce agencies including DESC. The reporting provided to CRIO is not transparent in revealing the Workforce Training Fund programs performance results. Nor does it include performance indicators, metrics, and other program results that the City and others can easily see that the Compliance Fees are being used for their specific purpose as described in the Workforce Training Fund Agreement. We feel that targeted reporting can be achieved as DESC works with CRIO to establish specific goals for the programs that are funded by Compliance Fee dollars.

**Finding #2, Recommendation B**

Require all contracts and agreements to go through a competitive procurement process similar to the guidelines established in the federal "Uniform Guidance Requirements."

- **DESC Response (In Part):** Because DESC/Detroit at Work managed a wide variety of funding streams that come from public and private funders, with their own guidelines, rules and expectations for use of funds, we cannot adopt plans, policies, procedures, rules, etc. that result in uninformed actions. We must adapt to the funding rules and priorities of our various grantors.
  - ✚ **OAG Rebuttal:** Based on our review, we found that the federal, state, and local laws require all procurements to provide for full and open competition. More importantly, as Compliance Fee dollars are sourced from the City of Detroit and are public funds, we strongly recommend that full and open competition be the basis for use of the funds.

**Auditor General's Disagreement With The Audited Entity's Response****Finding #2, Recommendation C (In Part)**

Conduct a thorough review of all program requirements to ensure that they can be monitored effectively and efficiently.

- **DESC Response (In Part):** DESC regularly meets with its network of approved training providers on a quarterly basis to discuss goals, objectives, performance requirements and other feedback. These quarterly meetings have been essential in providing important updates and information to training providers to ensure they are fully aware of required performance measurements and compliance. Additionally, DESC produces bi-annual scorecards to each training provider that provides an overview of their current performance standing with DESC and whether performance is being met.
  - ✚ **OAG Rebuttal:** Based on our review, we found that DESC does not regularly meet with training providers, and on-site monitoring and desktop reviews often times are not completed during the course of the contracts. According to DESC, performance results are provided to training providers via electronic mail and that oftentimes contractors push off monitoring. Additionally, DESC did not provide us with any evidence of quarterly meetings or debriefings held with the training providers as we requested.