
City of Detroit, Michigan

**Federal Awards Supplemental Information
June 30, 2021**

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

Independent Auditor's Report

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Detroit, Michigan (the "City") as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 20, 2021, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 20, 2021.

We did not audit the financial statements of the following discretely presented component units: Detroit Brownfield Redevelopment Authority, Detroit Public Library, Detroit Transportation Corporation, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Local Development Finance Authority, Museum of African American History, Detroit Land Bank Authority, Eight Mile/Woodward Corridor Improvement Authority, and Community Education Commission, which collectively represent 77.19 percent, 75.28 percent, and 49.80 percent of the assets, net position, and revenue, respectively, of the discretely presented component units. We also did not audit the following blended component units: Public Lighting Authority, which is a major enterprise fund with assets, net position, and revenue of \$221.4 million, \$39.0 million, and \$23.4 million, respectively, and the Detroit Building Authority and Greater Detroit Resource Recovery Authority, which collectively represent 12.04 percent, 4.59 percent, and 2.65 percent of the assets, net position/fund balance, and revenue, respectively, of the aggregate remaining fund information. The above-mentioned financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the entities above, is based on the report of the other auditors.

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

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

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

Plante & Moran, PLLC

June 28, 2022

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Detroit, Michigan (the "City") as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 20, 2021.

Our report includes a reference to other auditors who audited the financial statements of the following discretely presented component units: Detroit Brownfield Redevelopment Authority, Detroit Public Library, Detroit Transportation Corporation, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Local Development Finance Authority, Museum of African American History, Detroit Land Bank Authority, Eight Mile/Woodward Corridor Improvement Authority, and Community Education Commission, which collectively represent 77.19 percent, 75.28 percent, and 49.80 percent of the assets, net position, and revenue, respectively, of the discretely presented component units. We also did not audit the following blended component units: Public Lighting Authority, which is a major enterprise fund with assets, net position, and revenue of \$221.4 million, \$39.0 million, and \$23.4 million, respectively, and the Detroit Building Authority and Greater Detroit Resource Recovery Authority, which collectively represent 12.04 percent, 4.59 percent, and 2.65 percent of the assets, net position/fund balance, and revenue, respectively, of the aggregate remaining fund information. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Detroit Public Library, Community Education Commission, and the Greater Detroit Resource Recovery Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Findings 2021-001, 2021-002, 2021-003, and 2021-005, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion.

The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as Finding 2021-004.

Management's Responses to the Findings

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

Purpose of This Report

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

Plante & Moran, PLLC

December 20, 2021

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Detroit, Michigan's (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Detroit Brownfield Redevelopment Authority, Detroit Public Library, Detroit Transportation Corporation, Detroit Housing Commission, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Local Development Finance Authority, Museum of African American History, Detroit Land Bank Authority, Eight Mile/Woodward Corridor Improvement Authority, Detroit Employment Solutions Corporation, Community Education Commission, Public Lighting Authority, Detroit Building Authority, Greater Detroit Resource Recovery Authority, Joint Employment and Procurement Advisory Board, which expended federal awards that are not included in the City's schedule of expenditures of federal awards during the year ended June 30, 2021. Our audit, described below, did not include the operations of the above-mentioned entities because these entities received a separate financial statement audit and a separate single audit when required by the Uniform Guidance.

Management's Responsibility

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

Auditor's Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Basis for Qualified Opinion on Special Supplemental Nutrition Program for Women, Infants, and Children (ALN 10.557), CDBG Entitlements Grants Cluster (ALN 14.218), and Housing Opportunities for Persons With Aids (ALN 14.241)

As described in Findings 2021-006, 2021-008, 2021-009, 2021-010, and 2021-011 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the following:

Finding #	ALN	Program (or Cluster) Name	Compliance Requirement
2021-008	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Procurement and Suspension & Debarment
2021-009 and 2021-010	14.218	CDBG Entitlements Grants Cluster	Activities allowed or unallowed
2021-011	14.218	CDBG Entitlements Grants Cluster	Program Income
2021-006	14.241	Housing Opportunities for Persons With Aids	Activities allowed or unallowed

Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Qualified Opinion on Special Supplemental Nutrition Program for Women, Infants, and Children (ALN 10.557), CDBG Entitlements Grants Cluster (ALN 14.218), and Housing Opportunities for Persons With Aids (ALN 14.241)

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Special Supplemental Nutrition Program for Women, Infants, and Children (ALN 10.557), CDBG Entitlements Grants Cluster (ALN 14.218), and Housing Opportunities for Persons With Aids (ALN 14.241) for the year ended June 30, 2021.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Guidance, which are described in the accompanying schedule of findings and questioned costs as Findings 2021-007, 2021-012, and 2021-014. Our opinion on each major federal program is not modified with respect to these matters.

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

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as Findings 2021-006, 2021-007, 2021-008, 2021-009, 2021-010, 2021-011, 2021-012, 2021-013, and 2021-014, that we consider to be material weaknesses.

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

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

Plante & Moran, PLLC

June 28, 2022

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Contract or Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Department of Agriculture				
Passed through Michigan Department of Education -				
Child Nutrition Cluster:				
Summer Food Service Program for Children	10.559	N/A	\$ -	\$ 9,329
COVID-19 Summer Food Service Program for Children	10.559	N/A	-	9,711
Summer Food Service Program for Children	10.559	N/A	-	2,459,839
Total Child Nutrition Cluster			-	2,478,879
Passed through Michigan Department of Health and Human Services:				
Special Supplemental Nutrition Program for Women, Infants, and Children 2020	10.557	192MI003W1003	1,139,507	1,506,633
Special Supplemental Nutrition Program for Women, Infants, and Children Breastfeeding 2020	10.557	192MI003W1003	-	32,053
Special Supplemental Nutrition Program for Women, Infants, and Children Breastfeeding 2021	10.557	202MI003W1003	-	85,116
Special Supplemental Nutrition Program for Women, Infants, and Children 2021	10.557	202MI003W1003	2,021,066	3,266,832
Total Supplemental Nutritional Assistance Program WIC			3,160,573	4,890,634
Total Department of Agriculture			3,160,573	7,369,513
Department of Commerce				
Passed through the Michigan Department of National Resources -				
Coastal Zone Management Administration Awards- FY18 Maheras-Gentry Park	11.419	NA17NOS4190177	-	90,275
Department of Housing and Urban Development				
Direct Programs - CDBG Entitlement Grants Cluster:				
Community Development Block Grant	14.218	B-14-MC-26-0006	1,542,904	2,307,149
Community Development Block Grant	14.218	B-15-MC-26-0006	99,860	713,505
Community Development Block Grant	14.218	B-16-MC-26-0006	1,263,723	1,402,188
Community Development Block Grant	14.218	B-17-MC-26-0006	547,142	1,606,500
Community Development Block Grant	14.218	B-18-MC-26-0006	763,141	2,404,289
Community Development Block Grant	14.218	B-19-MC-26-0006	5,991,263	8,424,461
Community Development Block Grant	14.218	B-20-MC-26-0006	1,126,494	8,799,701
COVID-19 Community Development Block Grant	14.218	B-20-MW-26-0006	1,141,820	2,650,538
Community Development Block Grant-Section 108 loans	14.218	B-19-MC-26-0006	-	4,764,593
Neighborhood Stabilization Program (NSP) 1	14.218	B-08-MN-26-0004	432,766	432,766
Community Development Block Grant - Declared Disaster Recovery	14.218	B-15-MC-26-2006	-	307,213
Total Community Development Block Grant Entitlement Grants Cluster			12,909,113	33,812,903
Direct Programs:				
Emergency Solutions Grant (ESG)	14.231	E-18-MC-260006	149,970	197,467
Emergency Solutions Grant (ESG)	14.231	E-19-MC-260006	1,261,266	1,363,978
Emergency Solutions Grant (ESG)	14.231	E-20-MC-260006	886,282	1,205,494
COVID-19 Emergency Solutions Grant (ESG)	14.231	E-20-MW-26-0006	4,269,410	4,644,754
Total Emergency Solutions Grant (ESG)			6,566,928	7,411,693
Direct Programs:				
Home Investment Partnership (Special Housing)	14.239	M-16-MC-26-0203	-	371,424
Home Investment Partnership (Special Housing)	14.239	M-15-MC-26-0202	-	691,978
Home Investment Partnership (Special Housing)	14.239	M-16-MC-26-0203	-	218,241
Home Investment Partnership (Special Housing)	14.239	M-17-MC-26-0203	-	1,268,376
Home Investment Partnership (Special Housing)	14.239	M-18-MC-26-0203	-	5,740,191
Total Home Investment Partnership			-	8,290,210
Direct Programs:				
Housing Opportunities for Persons With Aids	14.241	MIH19-F001	-	1,886,317
COVID-19 Housing Opportunities for Persons With Aids	14.241	MIH20-F001	-	1,074,897
COVID-19 Housing Opportunities for Persons With Aids	14.241	MIH20-FHW001	-	32,741
Total Housing Opportunities for Persons With Aids			-	2,993,955
Community Development Block Grant - Section 108 Loan Guarantees	14.248	B-18-MC-26-0006	-	6,696,930
Direct Programs:				
Lead Hazard Reduction Demonstration Grant Program	14.905	MILNG0007-19	-	448,620
Lead Hazard Reduction Demonstration Grant Program	14.905	MILHB0682-18	-	623,885
Total Lead Hazard Reduction			-	1,072,505
Total Department of Housing and Urban Development			19,476,041	60,278,196

See notes to schedule of expenditures of federal awards.

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2021

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Contract or Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Department of Interior - Historic Preservation				
Passed through the Michigan Department of Natural Resources - African American Civil Rights Preservation Grant	15.904	P18AP00156	\$ -	\$ 35,448
Department of Justice				
Direct Programs:				
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-1675	-	59,438
OWV Fiscal Year 2020 Training and Technical Assistance	16.526	2015-SI-AX-K006	-	18,912
Passed through Michigan Department of Health and Human Services:				
Crime Victim Assist - V.O.C.A. 2019/2020	16.575	2017-VA-GX-0063	-	223,190
Crime Victim Assist - V.O.C.A. 2019/2021	16.575	2018-V2-GX-0067	-	673,337
Total Crime Victim Assistance			-	896,527
Passed through Michigan Department of Health and Human Services:				
Sexual Assault Services Formula Program-STOP Violence Against Women Formula Grant	16.017	2016-WF-AX0023	-	18,441
Sexual Assault Services Formula Program-STOP Violence Against Women Formula Grant	16.017	2016-WF-AX0023	-	57,150
Total STOP Grants			-	75,591
Passed through Black Family Development - Project Safe Neighborhoods	16.609	2018-GP-BX-0036	-	90,502
Direct Programs:				
PSP & Community Policing Grants-2017 COPS Hiring Program	16.710	2017-UL-WX-0023	-	294,977
PSP & Community Policing Grants-2020 COPS Hiring Program	16.710	2017-UL-WX-0023	-	740,051
Total COPS Grants			-	1,035,028
Passed through Michigan Department of State Police:				
Edward Byrne Memorial Justice Assistance Grant Program-FY18 Crime Gun Intelligence Center CGIC	16.738	2018-MU-BX-0886	-	131,262
Edward Byrne Memorial Justice Assistance Grant Program-FY18 Crime Gun Intelligence Center CGIC	16.738	2018-DG-BX-0003	-	195,094
Passed through the County of Wayne, Michigan - 2017 Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-DJ-BX-0955	-	58,405
Total Edward Byrne Memorial Justice Assistance Grant Program (JAG)			-	384,761
Direct Programs - Comprehensive Opioid, Stimulant, and Substance Abuse Program-FY18 Comprehensive Opioid Abuse Site				
	16.838	2018-AR-BX-K110	-	73,308
Total Department of Justice			-	2,634,067
Department of Transportation				
Passed through the Michigan Department of Transportation - COVID-19 Airport Improvement Program: 2020 Airport Cares Act Operational Grant				
	20.106	3-26-SBGP-117-2020	-	2,410
Passed through the Michigan Department of Transportation - Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	20A0(893)	-	116,086
Highway Planning and Construction	20.205	20A0(739)	-	423,513
Highway Planning and Construction	20.205	1900(702)	-	25,217
Highway Planning and Construction	20.205	1682(269)	-	5,538
Highway Planning and Construction	20.205	2019-0153 SPR	-	443,684
Passed through the SEMCOG - SEMCOG United Work Program (UWP) Metropolitan Planning Grant	20.205	SEMCOG CPG16-17006	-	314,880
Total Highway Planning and Construction Cluster			-	1,328,918
Direct Programs - Federal Transit Cluster:				
Federal Transit Capital Investment Grant	20.500	MI-03-0241	-	56,786
Federal Transit Capital Investment Grant	20.500	MI-04-0093	-	2,750,449
Total Federal Transit Capital Investment Grants			-	2,807,235
Direct Programs - Federal Transit Formula Grants:				
Federal Transit Formula Grants	20.507	MI-2020-002	-	566,149
Federal Transit Formula Grants	20.507	MI-90-X605-00	-	6,070
Federal Transit Formula Grants	20.507	MI-90-X605-00	-	7,956
Federal Transit Formula Grants	20.507	MI-90-X605-00	-	1,073,577
Federal Transit Formula Grants	20.507	MI-2016-006	-	2,804,571
COVID-19 5307-Urbanized Area Formula Grants (Cares Act)	20.507	MI-2020-022	-	44,299,014
Federal Transit Formula Grants	20.507	MI-2018-014	-	632,182
Total Federal Transit Formula Grants			-	49,389,519
Total Federal Transit Cluster			-	52,196,754

See notes to schedule of expenditures of federal awards.

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2021

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Contract or Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Transit Services Program Cluster - Direct Programs:				
Job Access and Reverse Commute Grant	20.516	MI-37-X041-02	\$ -	\$ 84,192
Job Access and Reverse Commute Grant	20.516	MI-37-X041-02	-	9,271
Job Access and Reverse Commute Grant	20.516	MI-37-X041-02	-	186,046
New Freedom Program Grant	20.521	MI-57-X015-02	-	227,610
New Freedom Program Grant	20.521	MI-57-X015-02	-	107,340
Total Transit Services Programs Cluster			-	614,459
Highway Safety Cluster - Passed through Michigan Department of State Police - Strategic Traffic Enforcement:				
Strategic Traffic Enforcement Program 2018-2011	20.600	PT-21-31	-	64,603
State and Community Highway Safety-Detroit Safe Routes Ambassador Program	20.616	PS-20-02	-	54,343
State and Community Highway Safety-FY19 Detroit Pedestrian/Bike Overtime Enf Grant	20.616	PS-21-12	-	3,425
Total Highway Safety Cluster			-	122,371
National Highway Traffic Safety Administration (NHTSA) - Discretionary Safety Grants and Cooperative Agreements				
	20.614	DD-21-03	-	7,548
Total Department of Transportation			-	54,272,460
Department of the Treasury				
Direct Programs - COVID-19 Coronavirus Relief Fund				
	21.019	N/A	-	6,924,643
Passed through the Michigan Department of Treasury:				
COVID-19 Coronavirus Relief Fund: First Responders Hazard Pay Program	21.019	N/A	-	2,634,958
COVID-19 Coronavirus Relief Fund: First Responders Hazard Pay Program	21.019	N/A	-	1,022,725
Total COVID-19 Coronavirus Relief Fund: First Responders Hazard Pay Program			-	3,657,683
COVID-19 Coronavirus Relief Fund: Coronavirus Relief Local Government Grant	21.019	N/A	-	37,378,779
Passed through the Michigan Department of Health and Human Services:				
COVID-19 Coronavirus Relief Fund: CRF Detroit Testing	21.019	SLT0040	-	11,153,870
COVID-19 Coronavirus Relief Fund: CRF Detroit Testing	21.019	SLT0040	-	11,614
COVID-19 Coronavirus Relief Fund: CRF Detroit Testing	21.019	SLT0040	-	16,629
COVID-19 Coronavirus Relief Fund: CRF Detroit Testing	21.019	SLT0040	-	43,700
COVID-19 Coronavirus Relief Fund: CRF Detroit Testing	21.019	SLT0040	-	1,265,292
COVID-19 Coronavirus Relief Fund: CRF Detroit Testing	21.019	SLT0040	-	18,592
COVID-19 Coronavirus Relief Fund: CRF Detroit Testing	21.019	SLT0040	-	3,257,286
Total COVID-19 Coronavirus Relief Fund: CRF Detroit Testing			-	15,766,983
COVID-19 Coronavirus Relief: CRF Flu Vaccines Immunization Grant	21.019	SLT0040	-	294,561
COVID-19 Coronavirus Relief: Fund Testing	21.019	SLT0040	-	119,109
COVID-19 Coronavirus Relief Fund: Contract Tracing	21.019	SLT0040	-	270,368
COVID-19 Coronavirus Relief Fund: CRF Racial Disparities	21.019	N/A	-	599,464
COVID-19 Coronavirus Relief Fund: CRF Racial Disparities	21.019	N/A	-	198,068
Total Department of the Treasury			-	65,209,658
Environmental Protection Agency				
Passed through Michigan Department of Environmental Quality:				
Drinking Water State Revolving Cluster - Capitalization Grants for Drinking Water State Revolving Funds	66.468	7447-01	-	2,813,497
Drinking Water State Revolving Cluster - Capitalization Grants for Drinking Water State Revolving Funds	66.468	7460-01	-	6,757,649
Total Capitalization Grants for Drinking Water-State Revolving Fund			-	9,571,146
Direct Programs:				
Brownfields Assessment and Cleanup Cooperative Agreements -				
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements - Brownfield Cleanup Revolving Loan Fund-Brownfield Cleanup Revolving Loan Fund	66.818	BF-00E02493	-	883,943
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements - FY19 Brownfield Redevelopment Program Assessment Grant	66.818	BF-00E01519	-	2,629
Total Brownfields Assessment and Cleanup Cooperative Agreements			-	886,572
Total Environmental Protection Agency			-	10,457,718
Department Health and Human Services				
Passed through the Michigan Department of Health and Human Services:				
National Bioterrorism Hospital Preparedness Program-Cities Readiness Initiatives 9/2020	93.889	U3REP190584	-	44,561
National Bioterrorism Hospital Preparedness Program-Bioterrorism Emerg Prep 9/2020	93.889	U3REP190584	-	59,263
Total National Bioterrorism Hospital Preparedness Program			-	103,824
Passed through the Michigan Department of Health and Human Services:				
Public Health Emergency Preparedness 9/2021	93.069	U3REP190584	-	107,753
Public Health Emergency Preparedness 9/21	93.069	NU90TP922062	-	135,326
Total Public Health Emergency Preparedness			-	243,079

See notes to schedule of expenditures of federal awards.

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2021

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Contract or Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Passed through the Michigan Department of Health and Human Services Family Planning	93.217	FPHPA006464	\$ -	\$ 159,793
Direct Programs - Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79SP080337-01	-	350,171
Passed through the Michigan Department of Health and Human Services: Immunization Cooperative Agreements - COVID-19 Immunizations CoAg and Vaccines for Children Program-Influenza Vaccination Supplemental	93.268	NH23IP922635	-	1,381,961
COVID-19 Immunizations CoAg and Vaccines for Children Program: Immunizations CoAg and Vaccines for Children Program-IAP Pilot 2021	93.268	NH23IP922635	-	118,414
Immunizations CoAg and Vaccines for Children Program-IAP Pilot 2020	93.268	NH23IP922635	-	30,976
Immunizations CoAg and Vaccines for Children Program-IAP 2021	93.268	NH23IP922635	-	47,680
Immunizations CoAg and Vaccines for Children Program-IAP-Vaccination Shipped (in-Kind) 2021	93.268	NH23IP922635	-	169,788
Immunizations CoAg and Vaccines for Children Program-IAP 2020	93.268	N/A	-	397,947
	93.268	NH23IP922635	-	81,268
Total Immunization Cooperative Agreements			-	2,228,034
Passed through the Michigan Department of Health and Human Services: Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) - Epidemiology and Laboratory Capacity West Nile Virus 9/2020	93.323	NU50CK000510	-	8,722
Epidemiology and Laboratory Capacity West Nile Virus 9/2021	93.323	NU50CK000510	-	771
COVID-19 Epidemiology and Laboratory Capacity - Contact Tracing Testing Coordination	93.323	NU50CK000510	-	1,800,149
COVID-19 Epidemiology and Laboratory Capacity - Contact Tracing Testing Coordination	93.323	NU50CK000510	-	30,000
Total Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)			-	1,839,642
Passed through the Michigan Department of Health and Human Services - Injury Prevention and Control Research and State and Community Based Programs - COVID-19 Overdose Prevention Safer Systems of Cares Grant	93.136	NU17CE925006	-	62,272
Direct Programs: (STLT) Health Department Response to Public Health or Healthcare Crises Opioid Misuse Prevention Community Grant/Project B	93.391	NU1ROT000016-01-02	-	7,739
(STLT) Health Department Response to Public Health or Healthcare Crises Opioid Misuse Prevention Community Grant/Project A	93.391	NU1ROT000016-01-01	-	78,000
Total Health Department Response to Public Health or Healthcare Crises Opioid Misuse Prevention Community Grant			-	85,739
Passed through the Michigan Department of Health and Human Services: Children's Health Insurance Program (CHIP) 2020	93.767	E20202331	-	268,578
Children's Health Insurance Program (CHIP) 2021	93.767	E20211483	-	464,979
Total State Children's Health Insurance Program			-	733,557
Passed through the Michigan Department of Health and Human Services - Medicaid Cluster: Medical Assistance Program-CSHCS Outreach & Advocacy 9/2021	93.778	2105MI5ADM	-	168,712
Medical Assistance Program-CSHCS Outreach & Advocacy 9/2020	93.778	2005MI5ADM	-	29,504
Medical Assistance Program-Lead Intervention/EBL 9/2020	93.778	2105MI5MAP	-	52,017
Total Medicaid Cluster			-	250,233
Direct Programs: HIV Emergency Relief Project Grants 2/2020	93.914	H89HA00021-27-00	-	20
HIV Emergency Relief Project Grants 2/2021	93.914	H89HA00021-27-00	-	7,264,986
HIV Emergency Relief Project Grants 2/2022	93.914	H89HA00021-27-00	-	2,561,641
COVID-19 HIV Emergency Relief Project Grants 2/2022	93.914	H9AHA36940-01-00	-	440,135
Total HIV Emergency Supplemental Relief			-	10,266,782
Direct Programs: AIDS Education and Training Centers - HIV Emergency Relief Project Grants - FY19 National Training & Technical Assistance Grant	93.145	U69HA33217-02-00	-	78,627
Ending the HIV Epidemic (EHE)-FY2020-Ryan White HIV/AIDS Program A and B	93.145	UT8HA33931-02-00	-	320,561
Passed through the Michigan Department of Health and Human Services: Maternal and Child Health Services (MCHS) Block Grant to the States-Local Maternal & Child Hlth 9/2021	93.994	B04MC33846	-	1,071,482
Maternal and Child Health Services (MCHS) Block Grant to the States-Fetal Infant Mortality Review 9/2021	93.994	B04MC33846	-	1,916
Maternal and Child Health Services (MCHS) Block Grant to the States-Local Maternal & Child Hlth 9/2020	93.994	B04MC33846	-	472,750
Maternal and Child Health Services (MCHS) Block Grant to the States Lead Poison Prevention (MDCH) 9/2021	93.994	B04MC33846	-	72,718
Maternal and Child Health Services (MCHS) Block Grant to the States Lead Poison Prevention (MDCH) 9/2020	93.994	B04MC33846	-	137,910
Total Maternal and Child Health Services Block Grant			-	1,756,776
Total Department of Health and Human Services			-	18,479,090

See notes to schedule of expenditures of federal awards.

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2021

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Contract or Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Department of Homeland Security				
Direct Programs - 2018 Port Security Grant Program (PSGP)	97.056	EMW-2018-PU-00308	\$ -	\$ 440,000
Passed through Michigan State Police - 2019 Emergency Management Performance Grants (EMPG)	97.042	EMC-2019-EP-00001-S01	-	39,839
Direct Programs - 2018 Assistance to Firefighter Grant - Fire Prevention and Safety	97.044	EMW-2018-FP-00588	-	49,950
Direct Programs - FY2016 Hazard Mitigation Grant	97.039	FEMA-4195-DR-MI	-	3,148
Passed through Michigan State Police - Emergency Management Homeland Security Division - COVID-19 Disaster Grants - Public Assistance	97.036	PA-05-MI-4494_PW-00153(90)	-	18,607,213
Passed through the Michigan Department of Health and Human Services - COVID-19 Disaster Grants - Public Assistance	97.036	NU50CK000510	-	<u>8,657,942</u>
Total Disaster Grants - Public Assistance			-	27,265,155
Passed through Macomb County, Michigan:				
2018 Homeland Security Grant Program: UASI	97.067	EMW-2018-SS-00010-S01	-	351,392
2018 Homeland Security Grant Program	97.067	EMW-2018-SS-00010-S01	-	147,863
2019 Homeland Security Grant Program	97.067	EMW-2018-SS-00010-S01	-	1,417
2017 Homeland Security Grant Program: UASI	97.067	EMW-2017-SS-00013-S01	-	<u>269,923</u>
Total Homeland Security Grant Program			-	<u>770,595</u>
Total Department of Homeland Security			-	<u>28,568,687</u>
Total federal awards			<u>\$ 22,636,614</u>	<u>\$ 247,395,112</u>

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Detroit, Michigan (the "City") under programs of the federal government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

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

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the same basis of accounting as the basic financial statements with the exception of the expenditures related to ALN 66.468, Capitalization Grants for Drinking Water State Revolving Funds (DWSRF) program. The DWSRF expenditures are reported on cash basis in accordance with the subrecipient reporting guidelines outlined in the 2021 OMB Compliance Supplement for ALN 66.468.

Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement, except for expenditures related to ALN 21.019, Coronavirus Relief Fund (CRF). CRF does not apply the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, but rather applies the U.S. Department of the Treasury's guidance.

Pass-through entity identifying numbers are presented where available.

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

Note 3 - Outstanding Loan Balances

The U.S. Department of Housing and Urban Development has insured certain mortgage loan borrowings (ALN 14.248) made by the City of Detroit, Michigan through the Planning and Development Department in connection with certain development projects. There are no continuing compliance requirements associated with these loans other than the scheduled repayments, which are excluded from the Schedule. These loans had outstanding principal due of \$39.9 million at June 30, 2021. The City included \$6,696,930 of new borrowings on the Schedule.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Note 4 - Highway and Construction Program

The City participates in various road, street, and bridge construction and repair projects. The projects are funded through an award granted to the State of Michigan Department of Transportation (the "State"), which administers the grant for the City. The City identified the projects needed in the locality, and the State performed the procurement, payment, and cash management functions on behalf of the City. The projects are managed directly by the State, and the expenditures related these projects have been excluded from the Schedule. The total award of these projects is approximately \$40.8 million for the year ended June 30, 2021.

Schedule of Findings and Questioned Costs

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? X Yes None reported

Federal Awards

Internal control over major programs:

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

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

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster	Opinion
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Qualified
14.218	CDBG Entitlement Grants Cluster	Qualified
14.231	Emergency Solutions Grant	Unmodified
14.239	Home Investment Partnerships	Unmodified
14.241	Housing Opportunities for Persons With Aids	Qualified
14.248	Community Development Block Grant - Section 108 Loan Guarantees	Unmodified
20.500/20.507	Federal Transit Cluster	Unmodified
21.019	Coronavirus Relief Fund	Unmodified
66.468	Drinking Water State Revolving Cluster - Capitalization Grants for Drinking Water State Revolving Funds	Unmodified
97.036	Disaster Grants - Public Assistance	Unmodified

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

Auditee qualified as low-risk auditee? Yes X No

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

Section II - Financial Statement Audit Findings

Reference Number	Finding
2021-001	<p data-bbox="362 531 954 556">Finding Type - Material weakness (repeat finding)</p> <p data-bbox="362 581 1479 699">Criteria - The City should have a process in place to ensure proper financial reporting, which includes proper recording of all journal entries, general ledger balances, and footnote disclosures, in accordance with generally accepted accounting principles (GAAP) prior to the commencement of the audit.</p> <p data-bbox="362 724 1479 810">Condition - The general ledger and underlying financial records were not reconciled and closed in a timely manner. There were numerous adjustments identified during the audit process.</p> <p data-bbox="362 835 477 861">Context -</p> <p data-bbox="362 886 412 911">City</p> <p data-bbox="362 936 1479 1352">Material adjusting journal entries were proposed by the auditors and posted by the City in order to ensure the financial statements were not misstated. Adjusting journal entries identified during the audit of the City resulted in an approximately \$114.9 million increase to net position, impacting several opinion units, including entries related to the following: adjustments to both income tax payable and receivable balances, reducing revenue and recording of unearned revenue related to the MIDC Fund, reversal of a prior year manual accrual, reclassification of a negative accrual to prepaid rent, increasing the general claims reserve liability and related expense, reducing the interest subsidy revenue accrual, reclassify revenue and expenses related to MDOT projects, adjustment to record accounts receivable related to internet gaming wagering tax and the related deferred inflow/revenue, adjustment to properly state deferred inflows and revenue related to grant revenue, adjustment of interfund receivables and payables, adjustment of revenue and expenditures related to reimbursements received from the City's pension system, and adjustment to deferred inflows and revenue related to the municipal service fee.</p> <p data-bbox="362 1377 1479 1495">In addition, the Detroit Department of Transportation had adjustments to increase revenue, increase the amounts due from the State of Michigan, and reduce other amounts due to the State of Michigan. The Detroit Water and Sewerage Department had certain revenue activity and related allowance that were not properly recorded.</p> <p data-bbox="362 1520 1479 1789">In addition to the adjusting entries made as a result of the audit, certain auditor-identified entries related to the City were not recorded due to immateriality, including entries related to the following: a reduction related to receivables due from other governments that lacked supporting documentation, recording of unearned revenue related to the COBO Hall lease, and adjustment to properly state deferred inflows and revenue related to grant revenue. The effect of certain adjustments could not be quantified, such as those related to the liability for compensated absences for governmental activities and business-type funds, reclassification of reimbursing transfers from other financing sources to revenue/expense, and an adjustment to decrease the allowance for the HOME loans receivable.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2021-001 (Continued)	<p>The Detroit Department of Transportation passed on recording a potential ARO obligation. The Detroit Water and Sewerage Department passed on an adjustment to reduce the allowance for doubtful accounts for certain categories with a reserve greater than 100 percent.</p> <p>Deficiencies noted that were not related to adjusting entries were as follows: certain liability accounts, such as refundable deposit balances, undistributed tax accounts and liabilities to other governments that have balances dating back many years and do not have adequate subledgers or support for amounts owed; a significant allowance for doubtful accounts related to very old balances; lack of procedures and controls related to implementation of GASB 84, <i>Fiduciary Activities</i>; certain revenue being recorded on the cash vs. modified accrual basis; and a lack of segregation of duties related to payment processing.</p> <p>Component Units</p> <p>During the Detroit Building Authority fiscal year ended June 30, 2021 audit, adjusting entries were identified in order to properly state balances within the general ledger.</p> <p>Cause - Processes were not in place to ensure that year-end closing entries and significant transactions were properly recorded in the general ledger prior to the commencement of the audit.</p> <p>Effect - If the auditor-identified entries identified above had not been recorded, the financial statements would have been materially misstated.</p> <p>Recommendation - The City, as well as its component units, should continue to work with all departments to ensure a process is implemented to accurately reconcile and record all journal entries, including year-end entries and entries related to complex transactions, prior to the start of the audit. A system will need to be developed to close the financial records in a timely manner, which will include forming reliable estimates for certain accruals, since management may not be able to rely on actual subsequent receipts and disbursements in all instances (i.e., lookback adjustments). An independent review of reconciliations and trial balances prior to the start of the audit would assist in identifying and correcting potential errors.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2021-001 (Continued)	<p data-bbox="360 533 1167 558">Views of Responsible Officials and Planned Corrective Actions -</p> <p data-bbox="360 585 1482 764">In fiscal year 2021, the City continued the Audit Finding Corrective Action Plan (AFCAP) project to review and address policies and procedures that led to audit findings and provide training to staff to prevent future audit findings. While the City completed addressing several of the fiscal year 2020 audit findings, some remain in process through the project plan. The City will add the fiscal year 2021 audit findings to this project to ensure policies, procedures, and training are in place in fiscal year 2022.</p> <p data-bbox="360 789 1482 905">As part of this process, the City will continue to root cause journal entries made following the close of the fiscal year and develop processes and reports to prevent or address these earlier. The OCFO staff will systematically review ledger balances to ensure that adjustments are made timely and accurately in accordance with the City's accounting policies and procedures.</p> <p data-bbox="360 930 1146 955">Through the AFCAP project, the City will also perform the following:</p> <ul data-bbox="360 980 1482 1167" style="list-style-type: none"><li data-bbox="360 980 1482 1033">- Implement a policy to ensure the refundable deposits process is documented and in place to be accurately reconciled and reviewed.<li data-bbox="360 1058 1482 1110">- Conduct training for the DDOT general and grant staff to ensure proper accounting and classification of MDOT and unearned revenue.<li data-bbox="360 1136 1390 1167">- Implement a special revenue policy to ensure accurate and timely revenue recognition.

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2021-002	<p data-bbox="362 533 954 558">Finding Type - Material weakness (repeat finding)</p> <p data-bbox="362 583 1479 699">Criteria - There should be a procedure in place to reconcile bank activity on a timely basis and ensure reconciling items are properly supported at the Detroit Water and Sewerage Department (DWSD) and Detroit Public Library (DPL). In addition, procedures should be in place to ensure there is a verification process for electronic transfers at DPL.</p> <p data-bbox="362 724 1479 810">Condition - DWSD and DPL processes did not result in timely reconciliation of bank accounts at year end, and certain reconciling items lacked proper support. In addition, the procedures at DPL did not include verification of electronic transfers during the year.</p> <p data-bbox="362 835 477 861">Context -</p> <p data-bbox="362 886 516 911">City Agency</p> <p data-bbox="362 936 1479 1052">Detroit Water and Sewerage Department: During the fiscal year ended June 30, 2021 audit, a significant delay in timing of bank reconciliations was identified. The bank account in the Water Fund was not fully reconciled to the general ledger at year end and through the report date of the department's financial statements, resulting in a passed adjustment.</p> <p data-bbox="362 1077 573 1102">Component Unit</p> <p data-bbox="362 1127 1479 1243">Detroit Public Library: There were no callback procedures in place in regard to verifying electronic transfers during the year. This resulted in multiple fraudulent transfers that were completed. Further, during the fiscal year ended June 30, 2021 audit, a significant delay in timing of bank reconciliations was identified.</p> <p data-bbox="362 1268 1479 1354">Cause - DWSD and DPL did not have procedures in place to ensure timely review and resolution of reconciling items identified in the bank reconciliations. In addition, DPL did not have callback procedures in place to verify electronic transfers during the year.</p> <p data-bbox="362 1379 1479 1495">Effect - Without timely preparation and review of bank reconciliations, including follow-up and resolution of significant reconciling items, DWSD and DPL could fail to timely identify errors and malfeasance related to cash transactions. In addition, without callback procedures in place for wire transfers at DPL, the potential for fraudulent wires exists.</p> <p data-bbox="362 1520 1479 1606">Recommendation - We recommend DWSD and DPL develop a process to ensure timely review and resolution of reconciling items related to bank accounts. We recommend DPL develop a process to ensure there is a dual authentication for wire transfer transactions.</p> <p data-bbox="362 1631 1479 1871">Views of Responsible Officials and Planned Corrective Actions - DWSD identified the concern while closing out year end and preparing for the annual audit. General ledger entries representing internal transfers between city accounts and/or between water and sewer accounts and posted to DWSD cash accounts were not properly reconciled to the corresponding bank transfers in a timely manner. The resulted in unrecorded interfund receivables and payables. The entire bank reconciliation process is currently under internal review and will be changed to prevent similar occurrences in the future. The responsible employees are no longer employed at DWSD.</p> <p data-bbox="362 1896 1479 1976">The OCFO will work with DPL to ensure bank reconciliations are timely and properly supported. In addition, the City will work with DPL to ensure a verification process for electronic transfers is implemented.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2021-003	<p>Finding Type - Material weakness (repeat finding)</p> <p>Criteria - Detroit Transportation Corporation (DTC), a component unit of the City, should have a documented process to ensure timely and accurate accumulation, review, and submission of census data to its respective actuaries in order to obtain the information required to comply with GASB Statement Nos. 67 and 68.</p> <p>Condition - During our audit of census information for the pension liability, the following discrepancies were noted:</p> <ul style="list-style-type: none">- An accurate census that reconciles to the actuary's data was not available for our review.- For one out of five samples, incorrect average compensation was used for the calculation of the benefit payment amount. <p>Context - During the audit of DTC, there were discrepancies noted in the data related to the following: inaccurate termination dates and incomplete compensation calculations for vested services used for the calculation of benefit payments.</p> <p>Cause - DTC should have a process in place to ensure that the census information is complete and accurate, as well as the related reconciliations.</p> <p>Effect - Without procedures to ensure timely accumulation of complete and accurate census data, DTC's net pension liability could be materially misstated.</p> <p>Recommendation - We strongly recommend that the HR department update the census in a timely manner and send the updated information to the plan actuary periodically so that an accurate census is available with the actuaries for calculation of contributions to the plan. We also recommend that the HR department review the benefit payment calculations to verify that all information used is as per the plan document.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The OCFO will continue to work with DTC to ensure it develops and implements procedures to validate pension data on a continuous basis. Additionally, DTC's HR department will work closely with the plan actuary to confirm that the census data is correct.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2021-004	<p>Finding Type - Material noncompliance (repeat finding)</p> <p>Criteria - There should be a process in place to ensure that the City and its component units comply with laws and regulations.</p> <ul style="list-style-type: none">- Per Public Act 2 of 1968, Section 141.438 (3), "Except as other wise provided in Section 19, an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body."- The City must comply with the distributions of taxes as stated in MCL 211.43 (Section 43(3) of the General Property Tax Act, 1893 PA 206, as amended). Section 211.43 (3) (a) of the tax act states that property taxes must be remitted within 10 business days after the 1st and 15th day of each month. <p>Condition - There were instances identified where the City was not in compliance with laws and regulations as follows:</p> <ul style="list-style-type: none">- There were expenditures incurred against appropriations in excess of the amount appropriated by the City Council.- The City did not remit property taxes to other taxing authorities on the schedule required by the State. <p>Context -</p> <ul style="list-style-type: none">- For certain appropriations, the City's actual expenditures exceeded its corresponding appropriation, as presented in the notes to the basic financial statements.- The City did not comply with the distributions of taxes as stated in MCL 211.43 (Section 43(3) of the General Property Tax Act, 1893 PA 206, as amended). <p>Cause - There is not a process in place to fully monitor compliance with laws and regulations throughout the year.</p> <p>Effect - The City was not in compliance with the laws and regulations identified above.</p> <p>Recommendation - We recommend the City implement a process that identifies specific individuals for identifying and monitoring applicable compliance requirements throughout the year.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2021-004 (Continued)	<p>Views of Responsible Officials and Planned Corrective Actions - During fiscal year 2021, the OCFO undertook a substantial effort to review and correct line-item appropriation deficits in the General Fund and other funds, including a year-end budget amendment approved by City Council on June 29, 2021. While they must still be addressed through corrective action, the instances detailed in this finding represent technical rather than substantive noncompliance. Specific examples include: (1) The OCFO recorded adjustments to its due to/due from balances across various funds after year end in excess of budgeted adjustment amounts. The OCFO will implement a cutoff date for such adjustments to ensure all adjustments are budgeted. (2) The OCFO recorded grant and other special revenue fund activities in excess of appropriations. These are instances where the amended budget appropriations must be reconciled with actual grant and fund balances to represent the true available balances. (3) The City does not budget for its blended component units, so the reported Detroit Building Authority and Greater Detroit Resource Recovery Authority activities show as appropriation deficits in the Capital Projects Fund and Solid Waste Management Fund, respectively. Some of these activities are double counted with expenditures of the City proper. The OCFO will identify a solution to either bring these activities on budget or present them on a net rather than gross basis. In November 2021, the office of budget established a budgetary accounting and position control team to focus specifically on correcting these issues, in partnership with the office of departmental financial services, during fiscal year 2022.</p> <p>In addition, OCFO will implement procedures to ensure compliance with the 10-business-day rule for all future tax distributions.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2021-005	<p>Finding Type - Material weakness</p> <p>Criteria - The City should have processes in place to ensure all activity related to capital assets is properly recorded and reflected in the financial statements and disclosures.</p> <p>Condition - The City does not have a process in place to ensure all assets owned by the City are recognized in the City's capital asset systems and schedules, as well as identifying all disposals to properly remove the capital asset from the capital asset systems and schedules. This also includes capital contributions. The City also does not have a process to ensure all capital assets are properly classified. Further, the Greater Detroit Resource and Recovery Authority (DURRA) does not have a process to ensure impairments of capital assets are properly identified and recorded. Detroit Building Authority (DA) did not have a process in place to ensure all assets are properly recorded.</p> <p>Context - The City did not have processes in place to ensure that capital assets were properly accounted for and reported in the financial statements. The following issues were identified during the city audit: a land parcel was not previously recorded, the land balance does not reflect a reduction for all parcels transferred or sold and an adjustment was needed to increase land for parcels owned but not recorded, adjustments for capital contributions were needed to properly state capital assets and the related capital contribution revenue, and there were reclassifications necessary to properly classify capital assets. DA did not record land related to a parcel owned by DA. DURRA did not record an impairment related to an incinerator that was no longer in use. These adjustments collectively were material to the financial statements.</p> <p>Cause - The City did not have procedures in place to ensure an effective internal review process of the capital asset activity occurred.</p> <p>Effect - As a result of the lack of appropriate controls and procedures over capital assets, adjustments were necessary to properly state year-end balances.</p> <p>Recommendation - The City should develop overall monitoring procedures to ensure that all capital asset activity is identified and reconciled to the general ledger system timely and accurately.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Through the AFCAP project, the City will continue to review and update capital asset policies and procedures to ensure that all asset activity is identified and reconciled to the general ledger system timely and accurately. This update will include the OCFO working with the departments to ensure that all purchases of land and buildings are properly recorded in the capital assets module and general ledger.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

Section III - Federal Program Audit Findings

Reference Number	Finding
2021-006	<p>Assistance Listing Number (ALN), Federal Agency, and Program Name - ALN 14.241, Department of Housing and Urban Development (HUD), Housing Opportunities for Persons with Aids (HOPWA) and COVID-19 HOPWA</p> <p>Federal Award Identification Number and Year - MIH19 F001, MIH20 F001, and MIH20 FHW001</p> <p>Pass-through Entity - N/A</p> <p>Finding Type - Material weakness and material noncompliance with laws and regulations</p> <p>Repeat Finding - No</p> <p>Criteria - Per 24 CFR 574.625, in addition to the conflict of interest requirements in 2 CFR 200.318, no person who is an employee, agent, consultant, officer, or elected or appointed official of the grantee or project sponsor and who exercises or has exercised any functions or responsibilities with respect to assisted activities, or who is in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from the activity, or have an interest in any contract, subcontract, or agreement with respect thereto, or the proceeds thereunder, either for himself or herself or for those with whom he or she has family or business ties, during his or her tenure or for one year thereafter.</p> <p>24 CFR 574.605 states that the provisions of 2 CFR Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards</i> (UG), apply. In accordance with 2 CFR 200.318, general procurement standards state that the non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward.</p> <p>Condition - In July 2021, the Department of Housing and Urban Development's Detroit Field Office monitored the HOPWA program administered by the City of Detroit, Michigan. As a result of the monitoring, HUD identified the following items:</p> <ul style="list-style-type: none"> • The chief public health officer sits on the board of directors of an entity that the City has contracted to provide administrative and fiduciary services for the HOPWA program. The entity was identified as a sole source provider for the services. • It was determined that procurement records (including RFPs, cost analyses, contracts, bid tabulations, etc.) for federally funded goods and services were either missing, incomplete, inconsistent, or inadequate. <p>Questioned Costs - \$712,939</p> <p>Identification of How Questioned Costs Were Computed - The questioned costs represent amounts paid to the contractor during fiscal year 2021.</p> <p>Context - In fiscal year 2021, the City incurred approximately \$3.0 million of HOPWA expenditures. A contractor was paid \$712,939 of this amount; however, HUD's monitoring revealed that procurement requirements were not followed.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2021-006 (Continued)	<p>Cause and Effect - The City’s controls were not adequate to address UG requirements, including conflict of interest. The potential effect is that the City may be required to repay the amount paid to the contractor during the life of the contract.</p> <p>Recommendation - The City should review its policies and procedures concerning sole source vendor selection to ensure documentation is consistent with the UG. Further, the City should establish policies and procedures to identify potential conflicts in order to take the necessary action(s) required by the UG.</p> <p>Views of Responsible Officials and Corrective Action Plan - The City has established a conflict of interest policy to help ensure consistency with the UG, which states that the City, its contractors, and subrecipients shall avoid conflicts of interest, in fact and any perception, and shall notify, in writing, HRD’s director and assigned program staff and the Department of Housing and Urban Development - Detroit Office of the occurrence or existence of potential conflicts, whether perceived or actual.</p> <p>The City has requested an exception from HUD regarding the existence of a possible conflict of interest under federal laws: the chief public health officer sits on the board of directors of an entity that the City has contracted to provide administrative and fiduciary services. The City requested an exemption under 2 CFR 200.218 and 24 CFR 574.625, which would allow the entity to continue to provide fiduciary services.</p> <p>The City's offices of the chief financial officer (CFO) and housing and revitalization department (HRD) have partnered to roll out new and updated policies and procedures to address the HUD finding. This includes a continuous improvement management plan for employee rollout, implementation, training, and progress reporting.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2021-007	<p data-bbox="362 533 1479 617">Assistance Listing Number, Federal Agency, and Program Name - ALN 14.241, Department of Housing and Urban Development, Housing Opportunities for Persons With Aids and COVID-19 HOPWA</p> <p data-bbox="362 642 1479 699">Federal Award Identification Number and Year - MIH19-F001, MIH20-F001, and MIH20-FHW001</p> <p data-bbox="362 724 683 749">Pass-through Entity - N/A</p> <p data-bbox="362 774 1409 800">Finding Type - Material weakness and material noncompliance with laws and regulations</p> <p data-bbox="362 825 883 850">Repeat Finding - Yes - 2020-008, 2019-010</p> <p data-bbox="362 875 1479 1081">Criteria - Per 24 CFR 574.310, except for persons in short-term supportive housing, each person receiving rental assistance under the HOPWA program must pay as rent the higher of: (1) 30 percent of the family's monthly adjusted gross income; (2) 10 percent of the family's monthly gross income; or (3) the portion of the payments that is designated if the family is receiving payments for welfare assistance from a public agency and a part of the payments, adjusted in accordance with the family's actual housing costs, that is specifically designated by the agency to meet the family's housing costs.</p> <p data-bbox="362 1106 1479 1163">Condition - During eligibility testing, Plante & Moran, PLLC (PM) noted two instances where the calculation of rental assistance was not performed.</p> <p data-bbox="362 1188 695 1213">Questioned Costs - \$2,189</p> <p data-bbox="362 1239 1479 1320">Identification of How Questioned Costs Were Computed - Questioned costs represent actual rental assistance provided to a participant during fiscal year 2021 that was unsupported by a calculation of rental assistance.</p> <p data-bbox="362 1346 1479 1402">Context - Out of 60 samples selected for testing, PM noted 2 instances of missing rent subsidy calculations.</p> <p data-bbox="362 1428 1479 1509">Cause and Effect - Without a calculation of rental assistance based on the requirements of 24 CFR 574.310, the City is unable to ascertain whether the appropriate amount of assistance is provided.</p> <p data-bbox="362 1535 1479 1617">Recommendation - We recommend that the City implement a detailed review process of the participants' rent assessment prior to finalizing the benefits and communicating the same to the participant.</p> <p data-bbox="362 1642 1479 1854">Views of Responsible Officials and Planned Corrective Actions - The City's HOPWA program has a dedicated quality coordinator position in place. The coordinator will continue to work closely with HOPWA and city staff, conduct regular file audits, and develop and implement strategies to help eliminate the rise of noncompliance. The coordinator will continue to work with HOPWA to conduct detailed reviews of participants' rent assessments prior to finalizing the benefits and communicating the same to the participant. The \$2,189 was refunded to HUD to resolve the questioned cost finding.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2021-008	<p>Assistance Listing Number, Federal Agency, and Program Name - ALN 10.557, Department of Agriculture, Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)</p> <p>Federal Award Identification Number and Year - 192MI003W1003 and 202MI003W1003</p> <p>Pass-through Entity - Michigan Department of Health and Human Services</p> <p>Finding Type - Material weakness and material noncompliance with laws and regulations</p> <p>Repeat Finding - No</p> <p>Criteria - Per 2 CFR 200.318 (c) (1), the non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award, and administration of contracts. No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of the non-Federal entity may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. However, non-Federal entities may set standards for situations in which the financial interest is not substantial, or the gift is an unsolicited item of nominal value. The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the non-Federal entity.</p> <p>Per 2 CFR 200.318(a), the non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity's documented procurement procedures must conform to the procurement standards identified in sections 317 through 327.</p> <p>Condition - In July 2021, the Department of Housing and Urban Development's Detroit Field Office monitored the HOPWA program administered by the City of Detroit, Michigan. As a result of the monitoring, HUD identified the following items, which would extend to the WIC program since these conditions also apply to WIC:</p> <ul style="list-style-type: none"> • The chief public health officer sits on the board of directors of an entity that the City has contracted to provide administrative and fiduciary services for the WIC program. The entity was identified as a sole source provider for the services. • It was determined that procurement records (including RFPs, cost analyses, contracts, bid tabulations, etc.) for federally funded goods and services were either missing, incomplete, inconsistent, or inadequate. <p>Questioned Costs - \$1,542,357</p> <p>Identification of How Questioned Costs Were Computed - The questioned costs represent amounts paid to the contractor during fiscal year 2021.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2021-008 (Continued)	<p>Context - In fiscal year 2021, the City incurred approximately \$4.9 million of WIC expenditures. A contractor was paid \$1,542,357 of this amount; however, HUD monitoring revealed that procurement requirements were not followed.</p> <p>Cause and Effect - Controls in place did not enforce that applicable regulations related to conflict of interest and procurement were complied with, resulting in disallowed costs.</p> <p>Recommendation - The City should implement policies and procedures to comply with the procurement standards, which include the conflict of interest regulations. Additionally, the City should review its policies and procedures concerning sole source vendor selection to ensure documentation is consistent with the UG. Further, the City should establish policies and procedures to identify potential conflicts in order to take the necessary action(s) required by the UG.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City will review its policies and procedures and update as needed to comply with conflict of interest regulations and sole source vendor selection. The City will also review the WIC program guidelines and request an exception to avoid the possible conflict of interest from WIC, if it exists, under federal laws where in the chief public health officer sits on the board of directors of an entity that the City has contracted to provide administrative and fiduciary services.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2021-009	<p>Assistance Listing Number, Federal Agency, and Program Name - ALN 14.218, Department of Housing and Urban Development, Community Development Block Grants Cluster, COVID-19 Community Development Block Grants Program - CV (CDBG-CV)</p> <p>Federal Award Identification Number and Year - B20MW260006</p> <p>Pass-through Entity - N/A</p> <p>Finding Type - Material weakness and material noncompliance with laws and regulations</p> <p>Repeat Finding - No</p> <p>Criteria - As part of the CARES Act and per FR-6218-N-01 (CDBG-CV Federal Register Notice)</p> <ul style="list-style-type: none"> - There must be adequate procedures in place to prevent any duplication of benefits as required by Section 312 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act), as amended by Section 1210 of the Disaster Recovery Reform Act of 2018 (division D of Public Law 115–254; 42 U.S.C. 5121 et seq.). Duplication of benefits requirements apply to all CDBG-CV allocations as well as to FY2019 and FY2020 formula CDBG allocations used to prevent, prepare for, and respond to coronavirus. - Section III.B.5. (a) states that the grantee is required to use all CDBG-CV funds for CDBG-eligible activities that are carried out to prevent, prepare for, and respond to coronavirus. CDBG-CV grants cannot be used for any other purpose. Grantees are required to document how the CDBG-CV activities tie back to the prevention, preparation, and response to coronavirus. - In Section III.B.5. (f) Eligible Activities as described in the FR-6218-N-01 (CDBG-CV federal Register Notice), HUD cautions grantees that the recordkeeping requirements of this notice require clear documentation that all uses of funds satisfy the statutory purposes of the CARES Act. The regulations under 2 CFR 200.302(b) (5) require that records must contain information pertaining to the federal award ... and be supported by source documentation. Accounting records must be supported by source documentation such as cancelled checks, paid bills, payrolls, contract and subawards. In addition, both 2 CFR 200.403(g), which states that costs must be adequately documented, and 2 CFR 200.404 Reasonable Costs (a-e) apply. - Per 24 CFR 570.502 (a), grantees and subrecipients shall comply with 2 CFR Part 200. All funds must satisfy a CDBG-eligible activity regulation and cost principles under 2 CFR Part 200.

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2021-009 (Continued)	<p>Condition - In July 2021, the Department of Housing and Urban Development's (HUD) Detroit Field Office monitored the Community Development Block Grant program administered by the City of Detroit, Michigan. As a result of the monitoring, HUD identified the following items:</p> <p>For two specific activities (#8828 and #8829) funded with CDBG-CV funds, HUD noted the following:</p> <ul style="list-style-type: none">- There was insufficient documentation to support that the CARES Act Duplication of Benefit (DOB) requirements were met.- There was insufficient documentation to show how the activities tied back to preventing, preparing for, and responding to COVID-19.- There was insufficient documentation to support how the activities met the CDBG-CV eligibility requirements. <p>Questioned Costs - \$442,785</p> <p>Identification of How Questioned Costs Were Computed - The questioned costs represent the total amount of costs identified by HUD and incurred under the two activities, #8828 and #8829.</p> <p>Context - In fiscal year 2021, the City incurred approximately \$2.6 million of CDBG-CV expenditures, and two specific vouchers totaling \$442,785 did not comply with certain regulations applicable to CDBG-CV funding.</p> <p>Cause and Effect - The City's controls were not adequate to ensure that the terms and conditions of the CDBG-CV awards were met and evidenced with appropriate documentation. As a result, \$442,785 may be recouped by the funder.</p> <p>Recommendation - The City should implement a process to determine applicable regulations and ensure that all costs are treated consistently to meet the requirements outlined within the regulations.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City has updated and implemented its duplication of benefits policy and processes and provided them to HUD to help ensure timely submission of requested supporting documentation. In addition, the City provided a response to HUD and submitted the additional support, which includes the DOB affidavits and certifications for the two specific activities (#8828 and #8829) to show there was no duplication of benefits.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2021-010	<p>Assistance Listing Number, Federal Agency, and Program Name - ALN 14.218, Department of Housing and Urban Development, Community Development Block Grants Cluster, Community Development Block Grants Program (CDBG)</p> <p>Federal Award Identification Number and Year - B-18-MC-26-0006 and B-19-MC-26-0006</p> <p>Pass-through Entity - N/A</p> <p>Finding Type - Material weakness and material noncompliance with laws and regulations</p> <p>Repeat Finding - No</p> <p>Criteria - CDBG regulation 24 CFR 570.502(a) states that the requirements of 2 CFR Part 200 apply to the recipient and subrecipients. In turn, regulations under 2 CFR 200.302(b)(3) require records be maintained to adequately identify the source and application of federal funds.</p> <p>Condition - In July 2021, the Department of Housing and Urban Development's (HUD) Detroit Field Office monitored the Community Development Block Grant program administered by the City of Detroit, Michigan. As a result of the monitoring, HUD questioned whether CDBG expenditures incurred by the City's subrecipient were allowable, including whether indirect and direct costs were allocated appropriately.</p> <p>Questioned Costs - \$419,589</p> <p>Identification of How Questioned Costs Were Computed - The questioned costs represent the total amount of costs identified by HUD and incurred IDIS activity #8764.</p> <p>Context - In fiscal year 2021, the City incurred approximately \$33 million of CDBG expenditures, of which \$12.4 million was passed through to various subrecipients. HUD identified disallowed expenditures incurred by one subrecipient.</p> <p>Cause and Effect - There were insufficient internal controls to ensure the indirect and direct costs for both grant programs were appropriately allocated and the regulations for each grant program were met and documented. The City's financial review procedures did not include record keeping for aligning the dollar amount in the cost support to the amount of the accounting transaction. Additionally, the City's procedures did not include identifying the subrecipients' basis for allocating costs between activities. The lack of adequate controls and review resulted in disallowed costs.</p> <p>Recommendation - The City should implement a process to review costs submitted by subrecipients for allowability under the grant, including methodologies for determining allowability and allocation of costs between activities.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City has documented and implemented a subrecipient policy that includes a process to review allowability and allocation of costs. In addition, the City provided additional documentation to HUD for the questioned cost to further demonstrate that the cost was not in fact a disallowed cost.</p> <p>The City's offices of the chief financial officer and housing and revitalization department have partnered to roll out new and updated policies and procedures to address the HUD finding. This includes a continuous improvement management plan for employee rollout, implementation, training, and progress reporting.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2021-011	<p>Assistance Listing Number, Federal Agency, and Program Name ALN 14.218, Department of Housing and Urban Development (HUD), CDBG-Entitlement Grants Cluster, Community Development Block Grants/Entitlement Grants (CDBG)</p> <p>Federal Award Identification Number and Year - B-18-MC-26-0006 and B-19-MC-26-0006</p> <p>Pass-through Entity - N/A</p> <p>Finding Type - Material weakness and material noncompliance with laws and regulations</p> <p>Repeat Finding - No</p> <p>Criteria - Per 24 CFR 570.504 (a), the receipt and expenditure of program income shall be recorded as part of the financial transactions of the grant program, and, per 24 CFR 570.504 (b), program income received before grant closeout may be retained by the recipient if the income is treated as additional CDBG funds subject to all applicable requirements governing the use of CDBG funds. Furthermore, when the recipient chooses to retain program income or a subrecipient is allowed, by the pass-through entity, to retain program income, it should be disbursed for eligible activities before additional cash withdrawals are made from the U.S. Treasury (24 CFR 570.504(b)(ii)).</p> <p>Condition - The City did not report program income earned from the 0% Loan Program administered through a subrecipient of the City and did not reflect the program income and expenditures of program income within the City's general ledger.</p> <p>In July 2021, the Department of Housing and Urban Development's Detroit Field Office monitored the CDBG program administered by the City of Detroit, Michigan. As a result of the monitoring, HUD also identified this matter.</p> <p>Questioned Costs - \$1,060,837</p> <p>Identification of How Questioned Costs Were Computed - The questioned costs represent the total amount of program income reported to HUD via the City's corrective action plan.</p> <p>Context - The City administers CDBG eligible programs directly and through subrecipients. The City earns program income through the repayment of Section 108 loans by developers and the 0% Loan Program, which is administered by a subrecipient. The City did not report program income earned from the 0% Loan Program administered through a subrecipient of the City and did not reflect the program income and expenditures of program income within the City's general ledger.</p> <p>Cause and Effect - Controls in place did not enforce the proper recording and reporting of program income and expenditures of program income within the City's general ledger and to HUD.</p> <p>Recommendation - The City should implement a process to track program income and report it timely to HUD, as well as reflect program income and related expenditures within the City's general ledger.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2021-011 (Continued)	<p>Views of Responsible Officials and Planned Corrective Actions - The City has documented and implemented its policy and procedure for program income to help ensure all program income is tracked and recorded timely and accurately.</p> <p>The finding has been closed by HUD by acceptance of the policy and recording of the program income in question.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2021-012	<p>Assistance Listing Number, Federal Agency, and Program Name - ALN 14.231, Department of Housing and Urban Development, Emergency Solutions Grant (ESG)</p> <p>Federal Award Identification Number and Year - E-18-MC-26-0006 and E-19-MC-26-0006</p> <p>Pass-through Entity - N/A</p> <p>Finding Type - Material weakness and material noncompliance with laws and regulations</p> <p>Repeat Finding - No</p> <p>Criteria - ESG regulations 24 CFR 576.407(c) and 24 CFR 576.500(u) state that the requirements of 2 CFR Part 200 apply to the recipient and subrecipients, and supporting documentation must be maintained for all costs charged to the ESG grant. Under 2 CFR 200.302(b)(3), records must be maintained to adequately identify the source and application of the funds.</p> <p>Condition - In July 2021, the Department of Housing and Urban Development's Detroit Field Office monitored the Community Development Block Grant program administered by the City of Detroit, Michigan. As a result of the monitoring, HUD questioned whether ESG expenditures incurred by the City's subrecipient were allowable, including whether indirect and direct costs were allocated appropriately.</p> <p>Questioned Costs - \$366,011</p> <p>Identification of How Questioned Costs Were Computed - The questioned costs represent the total amount of costs identified by HUD and incurred IDIS activity #8777.</p> <p>Context - In fiscal year 2021, the City incurred approximately \$7.4 million of ESG expenditures, of which \$4.2 million was passed through to various subrecipients. HUD identified disallowed expenditures incurred by one subrecipient.</p> <p>Cause and Effect - There were insufficient internal controls to ensure the indirect and direct costs for both grant programs were appropriately allocated and the regulations for each grant program were met and documented. The City's financial review procedures did not include record keeping for aligning the dollar amount in the cost support to the amount of the accounting transaction. Additionally, the City's procedures did not include identifying the subrecipients' basis for allocating costs between activities. The lack of adequate controls and review resulted in disallowed costs.</p> <p>Recommendation - The City should implement process to review costs submitted by subrecipients for allowability under the grant, including methodologies for determining allowability and allocation of costs between activities.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City has documented and is implementing a subrecipient policy that includes a process to review allowability and allocation of costs. This will help ensure submitted cost are allowable under the grant. In addition, the City provided additional documentation to HUD to demonstrate the questioned cost was not in fact a disallowed cost.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2021-013	<p>Assistance Listing Number, Federal Agency, and Program Name - ALN 14.218, Department of Housing and Urban Development, CDBG-Entitlement Grants Cluster, Community Development Block Grants/Entitlement Grants (CDBG),</p> <p>14.248, HUD, Community Development Block Grants Section 108 Loan Guarantees (Section 108),</p> <p>21.019, Department of the Treasury, COVID-19 Coronavirus Relief Fund (CRF),</p> <p>93.323, Department of Health and Human Services, COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC),</p> <p>97.036, Department of Homeland Security, COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters) (FEMA)</p> <p>Federal Award Identification Number and Year - B-20-MC-26-0006, B-18-MC-26-0006, NU50CK000510</p> <p>Pass-through Entity - N/A for ALN 14.218, 14.248, and 21.019, which were direct funded</p> <p>ALN 93.323 and ALN 97.036 are passed through the Michigan Department of Health and Human Services and Michigan State Police.</p> <p>Finding Type - Material weakness</p> <p>Repeat Finding - No</p> <p>Criteria - Per 2 CFR 200.510(b) - The auditee must also prepare a schedule of expenditures of federal awards for the period covered by the auditee's financial statements, which must include the total federal awards expended as determined in accordance with § 200.502. While not required, the auditee may choose to provide information requested by federal awarding agencies and pass-through entities to make the schedule easier to use.</p> <p>Condition - The schedule of expenditures of federal awards (SEFA) was not complete and accurate.</p> <p>Questioned Costs - None</p> <p>Identification of How Questioned Costs Were Computed - N/A</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2021-013 (Continued)	<p>Context - In fiscal year 2021, the City expended approximately \$247 million of federal funding. The funding was received by various departments within the City from several federal and nonfederal entities. The City accumulates the financial data and other required information to complete the SEFA. The SEFA included the following inaccuracies:</p> <ul style="list-style-type: none"> • \$6,696,930 spent under ALN 14.248, Section 108 was improperly reported under ALN 14.218, CDBG. • \$3,657,683 spent under ALN 21.019 (CRF) was improperly excluded from the SEFA due to an initial conclusion of state funding. • \$8,657,942 spent under ALN 97.036 (FEMA) was improperly reported under ALN 93.323, ELC. • \$39,825 spent under ALN 97.036 (FEMA) was overstated for costs incurred outside the fiscal period under audit. <p>Cause and Effect - Controls in place did not ensure the SEFA was complete and accurate. The resulting errors had the following impact:</p> <ul style="list-style-type: none"> • \$6,696,930 spent under ALN 14.248, Section 108 was reported under ALN 14.218, CDBG; as a result, Section 108 was understated and CDBG was overstated by the above amount, impacting major program determination. • \$3,657,683 spent under ALN 21.019 (CRF) was excluded from the total CRF expenditures reported on the SEFA, resulting in the initial CRF population being incorrect. • \$8,657,942 spent under ALN 97.036 (FEMA) was reported under ALN 93.323, ELC; as a result, ELC was overstated and FEMA was understated by the above amount, impacting major program determination. <p>The above errors were corrected by management and properly reported on the SEFA for the year ended June 30, 2021.</p> <ul style="list-style-type: none"> • \$39,825 spent under ALN 97.036 (FEMA) was overstated for costs incurred outside the fiscal period under audit. This error, though not corrected by management, has an immaterial affect on the SEFA for the year ended June 30, 2021. <p>Recommendation - The City should implement process to ensure that the SEFA is complete and accurate.</p> <p>Views of Responsible Officials and Planned Corrective Actions - As part of the city Audit Finding Corrective Action Plan (AFCAP), the City will develop a process to review Assistance Listing Numbers to ensure all expenditures are properly reported. In addition, the process will be performed timely in advance of the final SEFA submission and will include management review and checklists to help ensure completeness, validity, and accuracy in advance of the SEFA reporting.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2021-014	<p>Assistance Listing Number (ALN), Federal Agency, and Program Name – ALN 14.218, Community Development Block Grants Cluster, COVID-19 Community Development Block Grants Program – CV (CDBG-CV)</p> <p>Federal Award Identification Number and Year – B20MW260006, Program Year 2020</p> <p>Pass-through Entity - N/A</p> <p>Finding Type – Material noncompliance and material weakness</p> <p>Repeat Finding - No</p> <p>Criteria - The Federal Funding Accountability and Transparency Act (FFATA), as amended by 6202 of Public La 110-252, requires a prime grant awardee to report its subgrants using the FFATA Subaward reporting System (FSRS) tool. The prime recipient will have until the end of the month plus one additional month after an award or sub-award is obligated to fulfill the reporting requirement.</p> <p>Condition – The City did not file the FFATA report for CDBG-CV in a timely manner.</p> <p>Questioned Costs – None</p> <p>Identification of How Questioned Costs Were Computed – N/A</p> <p>Context – The City obligated the subawards on May 13, 2021 and the report was due no later than June 30, 2021. The report was filed in July of 2021.</p>

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

Transactions Tested	Subaward Reported	Not Reported	Report Timely	Not Timely	Subaward Amount Incorrect	Subaward Missing Elements	Key
10	0		10		0	0	
Dollar Amount of Tested Transactions	Subaward Reported	Not Reported	Report Timely	Not Timely	Subaward Amount Incorrect	Subaward Missing Elements	Key
\$10,545,837.50	\$0		\$10,545,837.50		\$0	\$0	

Cause and Effect - The City’s processes did not properly identify the FFATA filing requirements resulting in a delay in filing the report.

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2021

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2021-014 (Continued)	<p>Recommendation - The City should implement controls to ensure that required reports are filed in a timely manner.</p> <p>Views of Responsible Officials and Corrective Action Plan - The City will review its current processes and implement additional controls to ensure the requirements for the FFATA filing is done timely and there are no delays in the reporting.</p>