



CITY OF DETROIT, MICHIGAN
OMB Circular A-133 Single Audit Report
Year ended June 30, 2012

CITY OF DETROIT, MICHIGAN

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**Independent Auditors' 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***

The Honorable Mayor Dave Bing
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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 28, 2012. Our report was modified to include a reference to other auditors and to emphasize the City has an accumulated unassigned deficit in the General Fund of \$326.6 million as of June 30, 2012, which has resulted from operating deficits over the past several years. We conducted our audit 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. Other auditors audited the financial statements of the General Retirement System, the Policemen and Firemen Retirement System, and all of the discretely presented component units, as described in our report on the City's basic financial statements. The financial statements of the General Retirement System, Policemen and Firemen Retirement System, and certain discretely presented component units identified in footnote I (a) were not audited in accordance with *Government Auditing Standards*. 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.

Internal Control over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.



A deficiency in internal control over financial reporting 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 combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in the City's internal control over financial reporting described in the accompanying schedule of findings and responses as findings 2012-01, 2012-02, and 2012-03 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as findings 2012-04, 2012-05, and 2012-06.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor, City Council, City management, federal awarding and pass-through agencies, and the Treasurer of the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Detroit, Michigan
December 28, 2012



KPMG LLP
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**Independent Auditors' Report on Compliance with
Requirements That Could Have a Direct and Material Effect
On Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

The Honorable Mayor Dave Bing
and
The Honorable Members of the City Council
City of Detroit, Michigan:

Compliance

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) *Circular A-133 Compliance Supplement* that could have a direct or material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's basic financial statements include the operations of the Detroit Brownfield Redevelopment Authority, Detroit Public Library, Detroit Transportation Corporation, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Greater Detroit Resource Recovery Authority, Local Development Finance Authority, Museum of African American History, and Detroit Land Bank Authority as discretely presented component units, which received federal awards that are not included in the schedule of expenditures of federal awards for the year ended June 30, 2012. Our audit, described below, did not include the operations of the Detroit Brownfield Redevelopment Authority, Detroit Public Library, Detroit Transportation Corporation, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Greater Detroit Resource Recovery Authority, Local Development Finance Authority, Museum of African American History, and Detroit Land Bank Authority, because these component units engaged other auditors to perform audits in accordance with OMB Circular A-133.

Except as discussed in the following four paragraphs, 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of the City's compliance with those requirements.



We were unable to obtain sufficient documentation supporting the compliance of the City with the Neighborhood Stabilization Program 2 (CFDA #14.256) regarding the Reporting, and Special Tests & Provisions: Environmental Reviews compliance requirements as discussed in Findings 2012-30, and 2012-31, in the accompanying schedule of findings and questioned costs, nor were we able to satisfy ourselves as to the City's compliance with those requirements by other auditing procedures. In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the City's compliance with the requirements of the Neighborhood Stabilization Program 2 regarding Reporting and Special Tests & Provisions: Environmental Reviews, and because of the effects of the noncompliance described in Table I, the City did not comply, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Neighborhood Stabilization Program 2 for the year ended June 30, 2012.

In addition, we were unable to obtain sufficient documentation supporting the compliance of the City with the Weatherization for Low-Income Persons program (CFDA #81.042) regarding the Activities Allowed or Unallowed and Allowable Costs/Cost Principles, Cash Management, and Eligibility compliance requirements as discussed in Findings 2012-57, 2012-58, and 2012-60, respectively, in the accompanying schedule of findings and questioned costs, nor were we able to satisfy ourselves as to the City's compliance with those requirements by other auditing procedures. In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the City's compliance with the requirements of the Weatherization for Low-Income Persons program regarding Activities Allowed or Unallowed and Allowable Costs/Cost Principles, Cash Management, and Eligibility, and because of the effects of the noncompliance described in Table I, the City did not comply, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Weatherization for Low-Income Persons program for the year ended June 30, 2012. As identified in Table IV, the results of our auditing procedures also disclosed another instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133, and which is described in the accompanying schedule of findings and questioned costs as finding 2012-63.

In addition, we were unable to obtain sufficient documentation supporting the compliance of the City with the Community Services Block Grant program (CFDA #93.569, 93.710) regarding the Activities Allowed or Unallowed and Allowable Costs/Cost Principles, Cash Management, Eligibility, and Subrecipient Monitoring compliance requirements as discussed in Findings 2012-75 and 2012-76, 2012-77, 2012-78, and 2012-82, respectively, in the accompanying schedule of findings and questioned costs, nor were we able to satisfy ourselves as to the City's compliance with those requirements by other auditing procedures. In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the City's compliance with the requirements of the Community Services Block Grant program regarding Activities Allowed or Unallowed and Allowable Costs/Cost Principles, Cash Management, Eligibility, and Subrecipient Monitoring, and because of the effects of the noncompliance described in Table I, the City did not comply, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Community Services Block Grant program for the year ended June 30, 2012. As identified in Table IV, the results of our auditing procedures also disclosed another instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133, and which is described in the accompanying schedule of findings and questioned costs as finding 2012-79.

In addition, we were unable to obtain sufficient documentation supporting the compliance of the City with the Head Start program (CFDA #93.600, 93.708) regarding the Earmarking, and Subrecipient Monitoring compliance requirements as discussed in Finding 2012-88, and 2012-91 in the accompanying schedule of findings and questioned costs, nor were we able to satisfy ourselves as to the City's compliance with those requirements by other auditing procedures. In our opinion, except for the effects of such noncompliance, if



any, as might have been determined had we been able to examine sufficient evidence regarding the City’s compliance with the requirements of the Head Start program regarding Earmarking and Subrecipient Monitoring, and because of the effects of the noncompliance described in Table I, the City did not comply, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Head Start program for the year ended June 30, 2012.

TABLE I – MATERIAL NONCOMPLIANCE NOTED IN PROGRAMS WITH SCOPE LIMITATIONS

Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Housing and Urban Development	14.256	Neighborhood Stabilization Program 2	Cash Management	2012-26
Housing and Urban Development	14.256	Neighborhood Stabilization Program 2	Earmarking	2012-27
Housing and Urban Development	14.256	Neighborhood Stabilization Program 2	Period of Availability	2012-28
Housing and Urban Development	14.256	Neighborhood Stabilization Program 2	Procurement, Suspension and Debarment	2012-29
Energy	81.042	Weatherization for Low-Income Persons	Davis-Bacon Act	2012-59
Energy	81.042	Weatherization for Low-Income Persons	Procurement, Suspension and Debarment	2012-61
Energy	81.042	Weatherization for Low-Income Persons	Reporting and Period of Availability	2012-62
Health and Human Services	93.569, 93.710	Community Services Block Grant	Reporting	2012-80
Health and Human Services	93.569, 93.710	Community Services Block Grant	Reporting	2012-81
Health and Human Services	93.569, 93.710	Community Services Block Grant	Special Tests & Provisions: Criminal Background Checks	2012-83
Health and Human	93.600, 93.708	Head Start	Activities Allowed or Unallowed and	2012-84



Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Services			Allowable Costs/Cost Principles	
Health and Human Services	93.600, 93.708	Head Start	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-85
Health and Human Services	93.600, 93.708	Head Start	Cash Management	2012-86
Health and Human Services	93.600, 93.708	Head Start	Earmarking	2012-87
Health and Human Services	93.600, 93.708	Head Start	Procurement, Suspension and Debarment	2012-89
Health and Human Services	93.600	Head Start	Reporting	2012-90

As identified in Table II and described in the accompanying schedule of findings and questioned costs, the City did not comply with certain compliance requirements that are applicable to certain of its major federal programs. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to the identified major federal programs.

TABLE II – MATERIAL NONCOMPLIANCE NOTED IN PROGRAMS RESULTING IN ADVERSE OPINION

Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-08
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Procurement, Suspension and Debarment	2012-09
Agriculture	10.557	Special Supplemental	Subrecipient	2012-10



Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
		Nutrition Program for Women, Infants, and Children	Monitoring	
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-11
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-12
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Cash Management	2012-13
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Earmarking	2012-14
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Procurement, Suspension and Debarment	2012-15
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Reporting	2012-17
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Reporting	2012-18
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Subrecipient Monitoring	2012-19
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Procurement, Suspension and Debarment	2012-93



Health and Human Services	93.914	HIV Emergency Relief Project Grants	Reporting	2012-94
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Subrecipient Monitoring	2012-95

In our opinion, because of the effects of the noncompliance described in Table II, the City did not comply in all material respects, with the requirements referred to above that could have a direct and material effect on the following major programs for the year ended June 30, 2012: Special Supplemental Nutrition Program for Women, Infants, and Children; Community Development Block Grants/Entitlement Grants; and HIV Emergency Relief Project Grants.

As identified in Table III and described in the accompanying schedule of findings and questioned costs, the City did not comply with certain compliance requirements that are applicable to certain of its major federal programs. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to the identified major federal programs.

TABLE III – MATERIAL NONCOMPLIANCE NOTED IN PROGRAMS RESULTING IN QUALIFIED OPINION

Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-20
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-21
Housing and Urban Development	14.262	Homelessness Prevention and Rapid-Rehousing Program	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-32
Housing and Urban Development	14.262	Homelessness Prevention and Rapid-Rehousing Program	Cash Management	2012-33
Housing and Urban Development	14.262	Homelessness Prevention and Rapid-Rehousing	Cash Management	2012-34



		Program		
Housing and Urban Development	14.262	Homelessness Prevention and Rapid-Rehousing Program	Cash Management	2012-35
Housing and Urban Development	14.262	Homelessness Prevention and Rapid-Rehousing Program	Reporting	2012-36
Justice	16.710	Community Policing Grant	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-37
Justice	16.710	Community Policing Grant	Equipment and Real Property Management	2012-38
Justice	16.710	Community Policing Grant	Procurement, Suspension and Debarment	2012-39
Justice	16.738, 16.803	Edward Byrne Memorial Justice Assistance Grant	Equipment and Real Property Management	2012-40
Justice	16.738, 16.803	Edward Byrne Memorial Justice Assistance Grant	Procurement, Suspension and Debarment	2012-41
Justice	16.738, 16.803	Edward Byrne Memorial Justice Assistance Grant	Subrecipient Monitoring	2012-42
Labor	17.245	Trade Adjustment Assistance	Cash Management	2012-44
Labor	17.245	Trade Adjustment Assistance	Special Tests & Provisions: Cycle Monitoring	2012-46
Labor	17.258, 17.259, 17.260, 17.278	Workforce Investment Act	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-47
Labor	17.258, 17.259, 17.260, 17.278	Workforce Investment Act	Cash Management	2012-50
Labor	17.258, 17.259,	Workforce	Procurement, Suspension and	2012-51



	17.260, 17.278	Investment Act	Debarment	
Labor	17.258, 17.259, 17.260, 17.278	Workforce Investment Act	Special Tests & Provisions: Cycle Monitoring	2012-53
Transportation	20.500, 20.507	Federal Transit Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-54
Transportation	20.500, 20.507	Federal Transit Cluster	Davis-Bacon Act	2012-55
Transportation	20.500, 20.507	Federal Transit Cluster	Procurement, Suspension and Debarment	2012-56
Energy	81.128	Energy Efficiency and Conservation Block Grant	Reporting	2012-64
Energy	81.128	Energy Efficiency and Conservation Block Grant	Reporting	2012-65
Energy	81.128	Energy Efficiency and Conservation Block Grant	Reporting	2012-66
Health and Human Services	93.558	Temporary Assistance for Needy Families	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-67
Health and Human Services	93.558	Temporary Assistance for Needy Families	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-69
Health and Human Services	93.558	Temporary Assistance for Needy Families	Cash Management	2012-70
Health and Human Services	93.558	Temporary Assistance for Needy Families	Procurement, Suspension and Debarment	2012-71
Health and Human Services	93.558	Temporary Assistance for Needy Families	Subrecipient Monitoring	2012-73



Health and Human Services	93.558	Temporary Assistance for Needy Families	Special Tests & Provisions: Cycle Monitoring	2012-74
Health and Human Services	93.959	Prevention and Treatment of Substance Abuse	Reporting	2012-97

In our opinion, except for the noncompliance described in Table III, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the following major programs for the year ended June 30, 2012: Home Investment Partnerships Program; Homelessness Prevention and Rapid Re-housing Program; Community Policing Grant; Edward Byrne Memorial Justice Assistance Grant; Trade Adjustment Assistance program; Workforce Investment Act program; Federal Transit Cluster; Energy Efficiency and Conservation Block Grant; Temporary Assistance for Needy Families program; and Prevention and Treatment of Substance Abuse program.

As identified in Table IV, the results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133, and which are described in the accompanying schedule of findings and questioned costs.

TABLE IV – OTHER REPORTABLE INSTANCES OF NONCOMPLIANCE

Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Reporting	2012-16
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Cash Management	2012-22
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Cash Management and Special Tests & Provisions: Drawdown of Funds	2012-23
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Reporting	2012-24
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Reporting	2012-25
Labor	17.245	Trade Adjustment Assistance	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-43



Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Labor	17.245	Trade Adjustment Assistance	Eligibility	2012-45
Labor	17.258, 17.259, 17.260, 17.278	Workforce Investment Act	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Availability	2012-48
Labor	17.258, 17.259, 17.260, 17.278	Workforce Investment Act	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-49
Labor	17.258, 17.259, 17.260, 17.278	Workforce Investment Act	Reporting	2012-52
Energy	81.042	Weatherization for Low-Income Persons	Reporting	2012-63
Health and Human Services	93.558	Temporary Assistance for Needy Families	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-68
Health and Human Services	93.558	Temporary Assistance for Needy Families	Reporting	2012-72
Health and Human Services	93.569, 93.710	Community Services Block Grant	Procurement, Suspension and Debarment	2012-79
Health and Human Services	93.959	Prevention and Treatment of Substance Abuse	Procurement, Suspension and Debarment	2012-96
Health and Human Services	93.959	Prevention and Treatment of Substance Abuse	Subrecipient Monitoring	2012-98

Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal



programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-07, 2012-92, the items in Table I, the items in Table II, and the items in Table III to be material weaknesses.

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

Schedule of Expenditures of Federal Awards

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 as of and for the year ended June 30, 2012, and have issued our report thereon dated December 28, 2012, which included a reference to the reports of other auditors. Our report on the basic financial statements was modified to recognize that we did not audit the financial statements of the Detroit Brownfield Redevelopment Authority, Detroit Public Library, Detroit Transportation Corporation, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Greater Detroit Resource Recovery Authority, Local Development Finance Authority, Museum of African American History, and Detroit Land Bank Authority which represent 100% of the assets and expenses of the aggregate discretely presented component units. We also did not audit the financial statements of the General Retirement System and the Policemen and Firemen Retirement System and the Detroit Building Authority, which represent 96% and 46% of the assets and expenses/expenditures/deductions, respectively, of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon were furnished to us, and our opinions, insofar as they relate to the amounts included in the aggregate discretely presented component units and the aggregate remaining fund information, are based on the reports of the other auditors. Our report included an explanatory paragraph stating that the City has an accumulated unassigned deficit in the General Fund of \$326.6 million as of June 30, 2012, which has resulted from operating deficits over the last several years. Our audit was



performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 28, 2012. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the financial statements themselves, and other additional audit procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses, and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Mayor, City Council, city management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Detroit, Michigan
March 28, 2013 (except as to the paragraph
relating to the schedule of expenditures of federal
awards, which is as of December 28, 2012)

CITY OF DETROIT, MICHIGAN
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Grant title	Catalog of Federal Domestic Assistance	Grant number	2012 Expenditures
Department of Agriculture:			
Via Michigan Department of Community Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	IW100342	\$ 5,470,450
Special Supplemental Nutrition Program for Women, Infants, and Children Breastfeeding	10.557	W500342	158,190
Total Supplemental Nutritional Assistance Program WIC			<u>5,628,640</u>
Via Michigan Department of Education:			
Child and Adult Care Food Program – After School Meals	10.558	82SF02000	7,070
Via Michigan Department of Human Services:			
Head Start UCACF	10.558	99-000-0038	278,815
Head Start UCACF	10.558	99-000-0038	131,474
Total Child and Care Food Program			<u>417,359</u>
Via Michigan Department of Education:			
Summer Food Service Program for Children	10.559	82SF02000	731,068
Via Workforce Development Agency - State of Michigan:			
Supplemental Nutritional Assistance Program:			
Food Assistance	10.561	2M1420122	431,068
Food Assistance	10.561	2M1420122	282,439
Food Assistance – Supportive Services	10.561	2M1400100	16,004
Total Supplemental Nutritional Assistance Program			<u>729,511</u>
Total Department of Agriculture			<u>7,506,578</u>
Department of Defense Federal Voting Assistance:			
Direct Awards:			
Electronic Absentee Systems for Elections (EASE Grant)	12.217	H98210-12-0017	189,614
Electronic Absentee Systems for Elections (EASE Grant)	12.217	H98210-12-0018	66,930
Total EASE			<u>256,545</u>
Total Department of Defense			<u>256,545</u>
Department of Housing and Urban Development:			
Direct Awards:			
Entitlement Grant - NSP Demolition	14.218	B-08-MN-26-0004	9,493,050
Community Development Block Grant	14.218	B11-MC-26-0006	49,552,045
Total CDBG			<u>59,045,095</u>
Emergency Shelter Grant	14.231	E-11-MC-26-0006	2,031,866
Home Investment Partnership (Special Housing)	14.239	M-11-MC-26-0202	5,601,974
Housing Opportunities for Persons with Aids - HOPWA Aids Housing	14.241	MIH11F001	2,007,619
CDBG Section 108 Loan Guarantees	14.248	N/A	1,919,568
CDBG ARRA - Recovery Act Funded	14.253	B-09-MY-26-0006	4,768,016
NSP2	14.256	N/A	3,386,546
ARRA Homeless Prev & Rapid Re-Housing - HPRP Admin	14.262	S-09-MY-26-0006	4,984,527
Lead Hazard Reduction Demo - HUD Lead Hazard II	14.905	MILHD0196-09	1,128,763
Total Department of Housing and Urban Development			<u>84,873,974</u>
Department of History, Arts and Libraries:			
Direct Awards:			
Historic Preservation Fund Grants - Survey & Thematic National Register	15.904	CG10-405	4,000
Historic Preservation Fund Grants - Survey & Thematic National Register - National Park Serv SHPO	15.904	CG08-395	18,884
Total Department of History, Arts and Libraries:			<u>22,884</u>
Department of Justice:			
Direct Awards:			
Federal Forfeiture	16.000	N/A	279,223
DTD Promising New Programs - We're Here and We Care Program	16.541	2009-JL-FX-0149	142,208
DTD Promising New Programs - Business to Youth Mentoring	16.541	2008-JL-FX-0194	—
Total DTD Promising New Programs			<u>142,208</u>
Via Michigan Department of Community Health:			
Crime Victim Assist - Rape Counseling Center Prog 2011	16.575	20083-14V09	180,285
Crime Victim Assist - Rape Counseling Center Prog 2012	16.575	20083-15V10	676,582
Total Crime Victim Assistance			<u>856,867</u>
Direct Awards:			
Missing Persons Program	16.580	2008-DD-BX-0240	114,565
DOJ Parolees VE Project-Det MI Prog for Parolees Tech, Parole Violators	16.580	2008-DD-BX-0659	93,646
DOJ Parolees-Det MI Prog for Parolees Tech, Parole Violators	16.580	2010-DD-BX-0692	52,032
Jail Based-Reentry Project	16.580	2010-CZ-BX-0009	355,725
Total Edward Byrne Memorial SLLADG			<u>615,968</u>
Encourage To Arrest	16.590	2008-WE-AX-0030	361,476
Cops Hiring 2011 Police	16.710	2011-UL-WX-0018	511,746
ARRA DOJ Cops Hiring 2009 Police	16.710	2009-RJ-WX-0053	3,684,324
Community Policing Grant - DOJ COPS	16.710	2010-CK-WX-0506	26,797
Community Policing Grant - DOJ COPS	16.710	2009-CK-WX0549	75,018
Community Policing Grant - DOJ COPS	16.710	2009-CK-WX0557	81,424
Total Community Policing Grants			<u>4,379,309</u>

CITY OF DETROIT, MICHIGAN
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Grant title	Catalog of Federal Domestic Assistance	Grant number	2012 Expenditures
Via Michigan State Police:			
Enforcing Underage Drinking Laws Program-Safe Communities	16.727	JJ-11-02	38,042
Enforcing Underage Drinking Laws Program-Safe Communities	16.727	JJ-12-01	53,938
Total Occupant Protection Incentive Grants			91,980
Via Michigan Department of Community Health:			
Edward Byrne Memorial - Justice Assistance Grant (JAG) 2009	16.738	2006-DJ-BX-0109	148,225
Edward Byrne Memorial - Justice Assistance Grant (JAG) 2011	16.738	2009-DJ-BX-0788	706,002
JAG Stimulus 2009-ARRA BJA Vehicle Enhancements	16.738	2009-SB-B9-1422	3,151,894
Total Edward Byrne Memorial JAG			4,006,121
Direct Award:			
East Side Fire Arms-Reduction Initiative	16.753	2010-DD-BX-0383	365,411
Via Michigan Department of Community Health:			
ARRA - Edward Byrne Memorial - JAG Grant 2009 Police	16.803	50001-1-09-B	102,609
ARRA - Local Law Enforcement Assist Discretionary Grant - Technology Grant 2009 Police	16.803	50002-1-09-B	188,577
Total ARRA Edward Byrne Memorial JAG			291,186
Total Department of Justice			11,389,750
Department of Labor:			
Via Workforce Development Agency State of Michigan:			
Wagner Peysner	17.207	ES224371155A26	1,175,757
ARRA Employment Serv - MI NCRC	17.207	ES207561055A26	100,000
Total Employment Service/Wagner-Peyser Funded Activities			1,275,757
Emergency Unemployment Compensation (EUC)	17.225	ES224371155A26	59,585
Trade	17.245	N/A	3,597,755
Trade	17.245	N/A	3,209,330
Total Trade			6,807,085
WIA Adult-Intensive	17.258	AA214021155A26	4,412,371
WIA Statewide Activities ECAR	17.258,17.259,17.278	AA186470955	79,948
WIA Statewide Activities JET FY12 Program	17.258,17.259,17.278	AA214021155A26	912,077
WIA Statewide Activities Jet Support	17.258,17.259,17.278	AA202001055A26	77,593
WIA Statewide Activities Jet Support	17.258,17.259,17.278	AA202001055A26	—
WIA Statewide-Earn & Learn	17.258,17.259,17.278	AA202001055A26	948,496
WIA Statewide Activities - One Stop Operations	17.258,17.259,17.278	AA202001055A26	321,340
WIA Administration	17.258,17.259,17.278	AA214021155A26	1,726,198
WIA Statewide Capacity Building	17.258,17.259,17.278	AA202001055A26	16,000
Total WIA Cluster			4,081,652
WIA Statewide Youth Activities - High Concentration	17.259	AA202001055A26	15,562
WIA Youth	17.259	AA221101155A26	3,478,582
Total WIA Youth			3,494,144
ARRA WIA Dislocated Worker Neg - SE MI	17.260	EM195351060A26	359,136
Community Based Job Training	17.269	CB-17375-08-60-A-26	283,117
WIA Dislocated Worker	17.278	AA214021155A26	3,408,414
Total Dept of Labor			24,181,260
Department of Transportation:			
Via Michigan Department of Transportation - Bureau of Aeronautics:			
Road Construction Apprenticeship Readiness (RCAR) YR 4	20.205	DWDD11-RCAR4	157,275
Road Construction Apprenticeship Readiness (RCAR) YR 3	20.205	DWDD11-RCAR3	28,300
Total RCAR			185,575
Via Federal Transit Administration:			
Federal Transit Capital Investment	20.500	MI-90-X374	2,146
Federal Transit Capital Investment	20.500	MI-04-0038	245,000
Federal Transit Capital Investment	20.500	MI-04-0054	4,178,783
Total Federal Capital Investments			4,425,929
Via Federal Transit Administration:			
Federal Transit Capital Investment-ARRA	20.507	MI-96-X011	18,757,186
Federal Transit Capital Investment	20.507	MI-90-X605	16,320,821
Federal Transit Capital Investment	20.507	MI-95-X045	1,662,128
Federal Transit Formula Grants	20.507	MI-90-X464	79,938
Federal Transit Formula Grants	20.507	MI-90-X502	1,470,429
Federal Transit Formula Grants	20.507	MI-90-X563	1,039,887
Federal Transit Formula Grants	20.507	MI-90-X577	161,353
Federal Transit Formula Grants	20.507	MI-90-X604	2,450,334
Federal Transit Formula Grants	20.507	MI-90-X642	6,835,974
Federal Transit Formula Grants	20.507	MI-90-X642	250,459
Total Federal Transit Formula Grants			49,028,509
Public Transportation Research	20.514	U12-12006	305,490
Job Access & Reverse Commute	20.516	MI-37-X014	38,885
Via Michigan Department of State Police:			

CITY OF DETROIT, MICHIGAN
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

<u>Grant title</u>	<u>Catalog of Federal Domestic Assistance</u>	<u>Grant number</u>	<u>2012 Expenditures</u>
State & Community Highway Safety-Electronic Crash Report	20.600	TR-11-14	273,977
State & Community Highway Safety-Strategic Traffic Enforcement	20.600	PT-12-01	128,550
State & community Highway Safety-Detroit Comp Traffic Safety	20.600	CP-12-06	20,999
State & Community Highway Safety-Traffic Safety	20.600	CP-11-04	24,518
State & Community Highway Safety-Click It or Ticket Traffic	20.600	PT-11-06	93,083
Total State & Community Highway Safety			<u>541,127</u>
Total Department of Transportation			<u>54,525,516</u>
National Endowment for the Arts:			
Via Michigan Council for Arts and Cultural Affairs:			
Promotion of the Arts_Partnerships-2011 Mini-Grant Program	45.025	12RR0020RG	39,200
Total National Endowment for the Arts			<u>39,200</u>
Environmental Protection Agency:			
Via Michigan Department of Environmental Quality:			
Drinking Water Revolving Fund	66.468	7161-01	106,145
Drinking Water Revolving Fund	66.468	7162-01	908,660
Total Drinking Water Revolving Fund			<u>1,014,805</u>
Direct Awards:			
RDM Public Education-Bed Bug Surveillance, Educ & Outreach	66.716	U90TP517108	6,500
Brownfield Assess & Clean-up: Eastern Market Brownfield Assessment Project	66.818	BF00E40201-0	51,578
Total Environmental Protection Agency			<u>1,072,883</u>
Department of Energy:			
Via Michigan Department of Human Services:			
Weatherization for Low Income Persons	81.042	DOE 10-82007	—
ARRA Weatherization for Low Income Persons	81.042	DOE- S-09-82007	4,199,451
Total Weatherization			<u>4,199,451</u>
Via Michigan Department of Human Services:			
Smartbuildings Detroit Program - EDC	81.128	DE-EE0003559	350,933
ARRA Emergency Efficiency & Conservation BG	81.128	DE-EE0000747	2,822,641
Total Department of Energy			<u>3,173,574</u>
Department of Education:			
Direct Award:			
For Improvement of Educ (FIE): LEAP Program 2010	84.215	U215K090312	189,028
Total Department of Education			<u>189,028</u>
Department of Health and Human Services:			
Via Michigan Department of Community Health:			
CDC Prevention - Bio-Terrorism Emerg Prep 9/2011	93.069	U90TP000528	235,449
CDC Prevention - Bio-Terrorism Laboratory 9/2011	93.069	U90TP517018	34,279
CDC Prevention - Cities Readiness Initiatives 9/2012	93.069	U90TP517018	413,987
HIV Prevention - Aids/HIV Rapid Testing (Surveillance)	93.069	U62CC0524460	14,193
HIV Prevention - Aids/HIV Rapid Testing (Surveillance)	93.069	IU62PS000999	15,000
Total Public Health Emergency Preparedness			<u>712,908</u>
Via Michigan Department of Community Health:			
Childhood Lead (MDCH) 9/2012	93.070	IUE1EH00821	87,255
Direct Awards:			
HM Promo & Responsible Father: Promoting Responsible Fatherhood 2010	93.086	90FR0073/04	177,474
TB Prev & Control 12/2012	93.116	U52/CCU500843	448,995
Via Michigan Department of Community Health:			
HIV/AIDS Maternal Care 9/2012 (Ryan White Title IVD)	93.153	H12HA24795	48,156
Family Planning 9/2012	93.217	GFPHPA05017341	706,271
Immunization Vaccines for Children	93.268	N/A	451,834
CDC Immunization-Immunization Action Plan 9/2012	93.268	H23 CCH522556	300,831
CDC Immunization-Immunization Reaching More	93.268	H23 CCH522556	25,133
Total CDC Immunization Grants			<u>777,798</u>
Wisewoman Program	93.283	U58DP001439	11,693
Via Workforce Development Agency State of Michigan:			
TANF Jet Support Services	93.558	G1202MITANF	10,266,934
TANF Jet Support Services	93.558	G1202MITANF	250,000
TANF Jet Support Services	93.558	G1102MITANF	3,919,769
TANF Jet Support Services	93.558	G1102MITANF	562,918
Total TANF			<u>14,999,621</u>
Via Michigan Department of Human Services:			
Low Income Home Energy Assist (LIHEAP) - Weatherization	93.568	LIHEAP-09-82007	—
Weatherization for Low Income Persons	93.568	LIHEAP 11-82007	126,668
CSBG Administration	93.569	CSBG-12-82007	3,467,015
CSBG Administration	93.569	CSBG-11-82007	2,270,122
Total CSBG			<u>5,737,137</u>
Direct Awards:			
Head Start	93.600	05CH0113/46	11,675,977

CITY OF DETROIT, MICHIGAN
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Grant title	Catalog of Federal Domestic Assistance	Grant number	2012 Expenditures
Head Start-TTA	93.600	05CH0113/46	300,824
Head Start-Early	93.600	05CH0113/46	116,220
Head Start-TTA	93.600	05CH0113/47	172,715
Head Start-TTA	93.600	05CH0113/47	33,295,494
Head Start-TTA	93.600	05CH0113/47	1,091,031
Total Head Start			<u>46,652,261</u>
Via Workforce Development Agency - State of Michigan: Chafee Foster Care Independence (Summer Prog)	93.674	1-386000134-C4	267,172
Direct Awards:			
ARRA Head Start-COLA	93.708	05SE0113/01	21,033
ARRA Community Service Block Grant - CSBG	93.710	CSBG-S-09-82007	1,778
Via Michigan Department of Community Health: CSHCS Outreach & Advocacy 9/2012	93.778	05 U05M15ADM	243,829
Direct Awards:			
HIV Emerg Relief Project 2/2012	93.914	H89HA00021	8,884,605
Healthy Start Initiative 7/2010	93.926	H49MC00147	356,794
Healthy Start Initiative 5/2012	93.926	H49MC00147	1,258,448
Total Healthy Start Initiative			<u>1,615,242</u>
Via Michigan Department of Community Health:			
HIV Prevention - Aids/HIV Rapid Testing 9/2012	93.940	U62CCU52346401	86,429
HIV Prevention	93.940	U62CCU52346401	542,454
HIV Prevention - Aids/HIV Rapid Testing 9/2011 (Surveillance)	93.940	U62CC0524460	38,193
Total HIV Prevention			<u>667,076</u>
HIV Demo, Research, Public & Prof Educ - Lab (STARHS & VARHS)	93.941	1U6P2S000999	12,999
Expanded HIV Testing Dental	93.943	5062PS00319402	13,950
Michigan Department of Community Health: HIV Prevention - Aids/HIV Rapid Testing (Surveillance)	93.944	IU62PS000962	9,000
Michigan Department of Community Health: Prevention and Treatment of Substance Abuse BG	93.959	93BIMISAPT(11)	14,145,499
Michigan Department of Community Health: Laboratory Svcs - STD 9/2012	93.977	U90TP517018	6,923
STD Control 9/2011	93.977	1H25PS001338	428,154
Total STD			<u>435,077</u>
Michigan Department of Community Health:			
Family Planning 9/2012	93.994	B1MIMCHS	8,230
Local Maternal & Children Health BG 9/2012	93.994	B1MIMCHS	1,693,092
Childhood Lead (MDCH) 9/2012	93.994	B1MIMCHS	29,086
CSHCS Outreach & Advocacy 9/2012	93.994	B1MIMCHS	139,586
MCGBG-Oral Health-Varnish Program 2/2011	93.994	B1MIMCHS	70,000
Total Maternal & Child Health Block Grant			<u>1,939,994</u>
Total Department of Health and Human Services			<u>98,743,494</u>
Department of Homeland Security:			
Via Michigan Department of State Police:			
Metropolitan Medical Response System (MMRS)	97.067	N/A	15,785
2006 Urban Area Security Initiative Grant	97.067	N/A	312,671
2007 Metropolitan Medical Response System Grant	97.067	N/A	1,958
FY 07 UASI Grant	97.067	N/A	256,195
2007 Michigan Citizen Corps Program	97.067	N/A	9,980
2008 HSGP Urban Area Security Initiative Grant	97.067	N/A	1,127,288
2009 HSGP Urban Area Security Initiative Grant	97.067	N/A	949,023
2008 HSGP Metropolitan Medical Response System Grant	97.067	N/A	126,702
2008 Citizen Corps Program (CCP)	97.067	N/A	8,600
2009 Citizen Corps Program (CCP)	97.067	N/A	3,868
Total UASI Grant			<u>2,812,070</u>
2008 Buffer Zone Protection Program	97.078	N/A	346,619
2010 Buffer Zone Protection Program	97.078	N/A	60,760
Total Department of Homeland Security			<u>407,379</u>
Total Federal Awards			<u>\$ 293,393,583</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF DETROIT, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2012

(1) General

The accompanying schedule of expenditures of federal awards (the SEFA) presents federal financial assistance for the City of Detroit, Michigan (the City). The reporting entity for the City is defined in Section I, note A to the City's basic financial statements. Federal financial assistance received directly from federal agencies, including federal financial assistance passed through other government agencies, is included in the SEFA.

(2) Basis of Presentation

The accompanying SEFA includes the federal grant activity of the City and is presented on the modified accrual basis of accounting. The information in the SEFA is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

(3) Subrecipient Awards

Of the federal expenditures presented in the SEFA, \$99,966,874 of federal awards were provided to subrecipients.

(4) Noncash Transactions

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

(5) 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 identifies the projects needed in the locality, and the State performs the procurement, payment, and cash management functions on behalf of the City. The award is managed directly by the State and has not been included in the tests of compliance with laws and regulations associated with the City's Single Audit. The award is approximately \$17.4 million for the year ended June 30, 2012.

(6) Outstanding Loan Balance

The U.S. Department of Housing and Urban Development (HUD) has insured certain mortgage loan borrowings (CFDA #14.248) made by the City of Detroit through the Planning and Development Department in connection with certain development projects. These loans had outstanding principal due of \$89,391,000 at June 30, 2012. There was \$5,753,000 in new borrowings in fiscal year 2012 and the outstanding principal on existing loans made in prior years have continuing compliance requirements.

CITY OF DETROIT, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2012

(7) Significant Grant Program Changes

Detroit Workforce Development Department (DWDD), a major recipient of federal funds, and the Detroit Employment Solutions Corporation (DESC) became partners to a governance agreement dated June 28, 2012. DESC, a Michigan non-profit corporation, became the depository, primary administrative and fiscal agent for DWDD funds effective July 1, 2012. The City's administration determined that moving the City's workforce development operations and oversight to an external corporation would best serve the citizens of Detroit by improving service delivery and reducing costs. DWDD was primarily supported by federal and state grants. DWDD expenditures for the year ended June 30, 2012 were \$52.4 million.

The Department of Human Services (DHS) Headstart programs have been transitioned to independent agencies effective July 1, 2012. The remaining DHS operations and programs related to Community Services Block Grant (CSBG) and Weatherization are planned to transition to independent agencies by March 2013. The City's administration determined that moving the DHS operations and oversight to external agencies would best serve the citizens of Detroit by improving service delivery and reducing costs. DHS was primarily supported by federal and state grants. DHS expenditures for the year ended June 30, 2012 were \$68.6 million.

On October 1, 2012, the Department of Health and Wellness Promotion (DHWP), a recipient of federal and state funds transitioned to the Institute for Population Health (IPH). The IPH is an independent agency that will administer the indirect federally funded state grants once administered by DHWP, a City of Detroit departmental agency. The City's administration determined that moving the DHWP operations and oversight to the IPH would best serve the citizens of Detroit by improving service delivery and reducing costs. DHWP expenditures for the year ended June 30, 2012 were \$73.0 million of which \$13.1 million were incurred by the General Fund. The DHWP will, however, continue to administer the grant programs that are received directly from the federal government.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Responses

Year ended June 30, 2012

1. Summary of Auditors' Results

Basic Financial Statements

- a) An unqualified opinion was issued on the governmental activities, the business-type activities, the aggregate discretely presented component units, the budgetary comparison statement, each major fund, and the aggregate remaining fund information of the Government of the City of Detroit Michigan (the City) as of and for the year ended June 30, 2012.
- b) The audit identified three material weaknesses and no significant deficiencies in internal control over financial reporting in connection with the basic financial statements of the City as of and for the year ended June 30, 2012.
- c) The audit disclosed three instances of noncompliance that are material to the basic financial statements of the City as of and for the year ended June 30, 2012.

Single Audit

- d) The audit of Federal financial assistance disclosed material weaknesses and significant deficiencies that were reported in connection with major Federal programs of the City for the year ended June 30, 2012.
- e) The type of report issued on compliance for each major program is as follows:

#	Major Program/Cluster	CFDA Number(s)	Type of Report Issued
1	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Adverse
2	Community Development Block Grants/Entitlement Grants	14.218, 14.253	Adverse
3	HOME Investment Partnerships Program	14.239	Qualified
4	Neighborhood Stabilization Program 2	14.256	Scope Limitation / Adverse
5	Homelessness Prevention and Rapid Re-housing Program	14.262	Qualified
6	Community Policing Grant	16.710	Qualified
7	Edward Byrne Memorial Justice Assistance Grant	16.738, 16.803	Qualified
8	Trade Adjustment Assistance	17.245	Qualified
9	Workforce Investment Act	17.258, 17.259, 17.260, 17.278	Qualified
10	Federal Transit Cluster	20.500, 20.507	Qualified
11	Weatherization for Low-Income Persons	81.042	Scope Limitation / Adverse

CITY OF DETROIT, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2012

#	Major Program/Cluster	CFDA Number(s)	Type of Report Issued
12	Energy Efficiency and Conservation Block Grant	81.128	Qualified
13	Temporary Assistance for Needy Families	93.558	Qualified
14	Community Services Block Grant	93.569, 93.710	Scope Limitation / Adverse
15	Head Start	93.600, 93.708	Scope Limitation / Adverse
16	HIV Emergency Relief Project Grants	93.914	Adverse
17	Prevention and Treatment of Substance Abuse	93.959	Qualified

- f) There were audit findings that are required to be reported under Section 510(a) of OMB Circular A-133 for the year ended June 30, 2012.
- g) The major Federal programs of the City for the year ended June 30, 2012, were as follows:

#	Major Program/Cluster	CFDA Number(s)
1	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557
2	Community Development Block Grants/Entitlement Grants	14.218, 14.253
3	HOME Investment Partnerships Program	14.239
4	Neighborhood Stabilization Program 2	14.256
5	Homelessness Prevention and Rapid Re-housing Program	14.262
6	Community Policing Grant	16.710
7	Edward Byrne Memorial Justice Assistance Grant	16.738, 16.803
8	Trade Adjustment Assistance	17.245
9	Workforce Investment Act	17.258, 17.259, 17.260, 17.278
10	Federal Transit Cluster	20.500, 20.507
11	Weatherization for Low-Income Persons	81.042
12	Energy Efficiency and Conservation Block Grant	81.128

CITY OF DETROIT, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2012

13	Temporary Assistance for Needy Families	93.558
14	Community Services Block Grant	93.569, 93.710
15	Head Start	93.600, 93.708
16	HIV Emergency Relief Project Grants	93.914
17	Prevention and Treatment of Substance Abuse	93.959

- h) The dollar threshold used to distinguish between type A and type B programs was \$3,000,000 for Federal awards for the year ended June 30, 2012.
- i) The City did not qualify as a low-risk auditee for the year ended June 30, 2012.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Responses

Year ended June 30, 2012

2. Findings Related to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards*

Finding 2012-01 – Financial Closing and Reporting

Although the City of Detroit (City) has made incremental improvement in their financial closing and reporting processes, deficiencies still exist in the processes to evaluate accounts, and timely record entries into the general ledger in a complete and accurate manner. These deficiencies include the following:

- The process to prepare closing entries and financial statements relies partly upon decentralized accounting staff and software applications other than the City's DRMS general ledger. The process requires a significant amount of manual intervention in order to get information from these other systems in to DRMS.
- The process to identify significant transactions throughout the City's fiscal year to determine the appropriate accounting treatment does not result in timely consideration of how to record or report such transactions. These transactions often are not identified until the end of the fiscal year during the financial reporting process. There is inadequate communication between various City departments on transactions and on how they affect the individual stand-alone financial reports and the Comprehensive Annual Financial Report (CAFR). Information necessary to effectuate a timely and accurate closing of the books is sometimes not communicated between certain departments and agencies of the City.
- The process to close the books and prepare financial statements includes the recording of a significant number of manual post-closing entries. For the year ended June 30, 2012, there were approximately 350 manual journal entries that were made after the books were closed for the year (i.e., after frozen trial balance).
- The process to close the books and evaluate accounts occurs only on an annual basis instead of monthly or quarterly. As a result, certain key account reconciliations and account evaluations are not performed timely and require an extended amount of time to complete during the year-end closing process.
- The established internal control procedures for tracking and recording capital asset activities are not consistently followed. Physical inventories of capital assets are not being performed annually as required by City policy.

Recommendation

We recommend management continue to develop and refine its financial reporting systems and processes. Refinements should include assignment of accounts and reporting units to qualified personnel to conduct detailed analysis of accounts throughout the year on a monthly and quarterly basis. We further recommend management conduct a thorough assessment of the adequacy and completeness of the City's accounting and financial reporting policies and procedures. Based on the results of the assessment, determine the need to develop new policies and procedures and/or reinforce the existing policies and procedures to personnel. The process to close the books and prepare closing entries does not utilize enough adequately trained and appropriately experienced employees to adequately monitor reporting issues throughout the year. We recommend management evaluate the City's organizational structure and personnel composition to determine the adequacy of the accounting related skills and knowledge of assigned personnel in relation to their assigned duties.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Responses

Year ended June 30, 2012

Views of Responsible Officials

We have reviewed the finding and concur with the recommendation. The City continues to make improvements including adopting the recommendations herein. The Financial Stability Agreement requirements with the State include monthly Revenues and Expenditure reports which has caused the Finance Department to put more effort into Financial reporting. However, due to layoffs and attrition of accounting personnel and lack of financial resources for training and systems will create challenges for improving the City's financial reporting and accounting processes. We will continue to work on improving the monthly financial reports to enable City decision makers to evaluate the City's financial condition on an interim basis. As we improve, we will continue to uncover accounting deficiencies and take appropriate corrective actions.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Responses

Year ended June 30, 2012

Finding 2012-02 – Reconciliations, Transaction Processing, Account Analysis, and Document Retention

Operations of the City are carried out by numerous City departments utilizing a variety of people, processes, and systems. This type of environment requires diligence in ensuring accurate information is processed and shared with others in the City. Performing reconciliations of data reported from different systems and sources and account analysis are an integral part of ensuring transactional data integrity and accurate financial reporting. During our audit, we noted deficiencies in the areas of transaction processing, account analysis, data integrity, reconciliation performance, and document retention. Those deficiencies include the following:

- The City's process to identify accrued expenses is not adequate. Our audit procedures identified expenditures related to fiscal year 2012 that were not appropriately recorded as expenditures in fiscal year 2012.
- Certain date related information regarding terminations and new hires in the human resources system did not match information in the personnel files.
- Reconciliations of subsidiary ledgers to general ledgers and other IT systems to DRMS are either not being completed, not completed timely, or contain unsupported or unreconciled items.
- A listing of internal controls employed by service organizations is not prepared and evaluated for adequacy by the City. The City uses various service organizations to process significant transactions such as health and dental claims and payroll. The City does not review the service organization auditor reports (SAS 70 Reports) to ensure that the service organization has effective internal controls. Further, the City does not evaluate the user controls outlined in the SAS 70 reports to ensure that the City has these controls in place to ensure complete and accurate processing of transactions between the City and the Service Organization.
- Bank, investment, and imprest cash reconciliations are not prepared timely and contain unreasonably aged reconciling items.
- The calculation of inventory reserves used data from the prior year that contained errors and is not reviewed by a member of management.
- Interfund and inter-departmental transactions are not reconciled throughout the year on a timely basis or reviewed for proper financial statement classification.
- A physical inventory count of fixed assets is not routinely completed by all agencies, as indicated in the City's asset management policies.
- The calculation of average weekly wage as a basis for weekly payment of workers compensation is a manual calculation that contained errors and was not reviewed or verified by a member of management.
- The City of Detroit does not maintain individual claim data typically maintained as insurance statistics for self-insurance programs for its workers compensation program. Therefore, only actual payment data is available for the actuary's analysis.

CITY OF DETROIT, MICHIGAN

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Year ended June 30, 2012

- Data provided to the actuaries that assist in estimating workers' compensation liabilities is not reviewed by the City for accuracy nor reconciled by the City to supporting data prior to submission.
- Certain invoices and receipts of goods and services were not matched against purchase orders in the correct period.
- The City's process to follow up with audit findings is not effectively designed.
- The calculation of grant accounts receivables is inappropriate as the beginning balances being carried forward were not originally performed on a grant by grant basis. The calculation contained errors and was not reviewed by management.
- Manual journal entries are not consistently and accurately reviewed and approved.
- The City of Detroit does not perform a sufficient review of open Accounts Receivable items and their related collectability.
- Certain money market fund investments were incorrectly classified as cash and management review process was not performed at a level to detect the misstatement.
- Certain cash accounts were inappropriately excluded from the trial balance.
- The City's Accounts Receivable write off policy is not specific enough to explain when and how amounts determined to be uncollectable should be written off. In addition, the City is not following their current policy to write off balances.
- Legal reserve documents are not updated in a timely manner when facts pertaining to the status of cases arise. As such, the City had over accrued claims and judgments.
- The City does not have a process for anonymous reporting of ethical or fraud violations to the City Board of Ethics.
- Supporting documentation is not consistently retained in accordance with the City's record retention policies.

Recommendation

We recommend management develop or improve existing policies and procedures related to reconciliations and account analysis such that transactions are recorded in the general ledger completely, accurately, and in a timely manner. We further recommend that the City review its document retention and filing policies and procedures and make necessary adjustments such that information is accessible and provides for an adequate audit trail.

We recommend the creation of a comprehensive listing of required reconciliations. Individuals and departments should be provided a subset of the listing (a checklist) to indicate which specific reconciliations they are responsible for, what frequency is required, who is responsible for monitoring to ensure timeliness, and who is responsible for reviewing to ensure accuracy.

Additionally, we recommend training staff how to prepare reconciliations that are thorough and well documented. Also, an electronic filing system should be created with file locations and file naming

CITY OF DETROIT, MICHIGAN

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Year ended June 30, 2012

conventions specified so that all reconciliations are saved to well-organized file servers instead of just desktop computers.

Current City policies require that invoices be paid timely and that contracts and purchase orders are approved prior to goods or services being rendered. We recommend establishing a procedure to monitor payment dates against invoice dates to determine which departments are noncompliant with policies. Enforce the current policies by using personnel actions against noncompliant individuals. Also, consider charging service fees to the budgets of departments that violate the contract and prompt payment ordinances.

Additionally, we recommend performing monthly vendor level contract analysis for each major City vendor. If this is consistently performed, it will enable the analysts to know at any given time, the approximate amount of unbilled goods or services that have been rendered. This would enable the Accounting Department to estimate accruals for each major vendor at year-end within a shortened timeframe thereby facilitating a faster closing of the books.

Lastly, there are no receiving documents utilized to enforce a three-way match. We recommend that all invoices be sent directly to Accounts Payable and that the approvals are then routed to the departments electronically utilizing available features within DRMS. This would enable the Accounts Payable Department to determine the appropriate accounting period for each invoice upon entry into the system.

Views of Responsible Officials

We have reviewed the finding and concur with the recommendation. We have been evaluating the City's diverse accounting systems and operations to consolidate and improve the City's accounting. As noted previously due to the City's lack of resources and layoffs and attrition of accounting personnel, improving the City's accounting will be challenging. The Department has improved its financial analysis, which will enable accounting staff to focus on variances to identify errors and problems. Additionally, in concert with monthly financial reporting, the Department will develop account reconciliation policies and procedures to ensure reconciling differences are identified and researched in a timely manner. We will continue to improve the City's accounting including implementing the recommendations herein.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Responses

Year ended June 30, 2012

Finding 2012-03 – Information Technology

General controls and application controls work together to ensure the completeness, accuracy, and validity of financial and other information in the systems. Deficiencies exist in the areas of general and application controls. Those deficiencies include the following for some or all systems:

- Administrative access is granted to unauthorized accounts.
- Segregation of duties conflicts exist between the database administration function and the backend database administration function.
- Adequate procedures are not in place to remove and review segregation of duties conflicts.
- Automated methods are not in place for tracking of the changes and customizations made to certain applications.
- Program developers have access to move program changes into production for certain applications.

Recommendation

We recommend the following:

- Access to the backend database should be restricted to database administrators or compensating controls should be implemented to mitigate the risk associated with concurrent access at the front end and backend levels.
- Administrative access to the front-end application should be restricted to application administrators or compensating controls should be implemented to mitigate the risk associated with concurrent access at the front end and backend levels.
- Create a matrix to identify application functions that when granted together will give rise to segregation of duties conflict. Follow and enforce the segregation of duties matrix to ensure that segregation of duties conflicts do not exist at the time of role/profile creation.
- Create and enforce a policy to log all configuration changes, obtain approval from authorized individuals for all configuration changes, and perform appropriate testing on all configuration changes prior to promoting changes to production.
- Develop and enforce a policy that does not grant access to developers to promote changes into production and access to promote changes into production should be restricted to authorized individuals.

Views of Responsible Officials

We have reviewed the findings and concur with the recommendations.

- The Information Technology Services Department (ITSD) is implementing the recommendations for those systems supported by ITSD. Additionally, ITSD is also working with technology staff in other agencies to implement the recommendations for findings related to the systems supported directly by the agencies themselves.

CITY OF DETROIT, MICHIGAN

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Year ended June 30, 2012

Password

- The City identified legacy systems where technology does not support the kind of parameters recommended and/or the systems are scheduled for retirement. The City will also provide more centralization of IT functions to improve consistency in development and enforcement of password parameter policies.

Separation of duties

- Procedures used by the central IT staff (e.g., Change Management) have been shared with technology staff in other agencies to facilitate consistency in compliance. The lack of human resources will create challenges for improving separation of duties. However, the City will continue to work toward improving IT controls. Chief among these will be the implementation of a formal process for periodic review of user access, and development of a "Separation of Duties" matrix for each key financial system. To address the lack of a segregation of duties matrix, the City will explore the implementation of the Oracle GRC product, or some similar product to aid the system owners in development of a matrix and aid the ITSD in enforcement of the matrix.

System access

- Findings regarding approvals for granting access and authorizing configuration changes stem from failure to properly maintain the documentation supporting the approvals. Policies and procedures already exist that require such authorization prior to granting/changing access and implementing configuration changes. The City will provide more centralization of IT functions to improve consistency in development and enforcement of such policies. The ITSD will also develop a method for ensuring that documentation of authorizations is maintained and retrievable for audit reviews.
- The City will work with business units to implement a policy for reviewing user access for the systems that they "own." Consolidation of IT services will aid in the successful review and enforcement of user access on a semiannual schedule.
- To mitigate database admin and application admin access to the front end and back end of the database, and to address the issue of tracking changes and customizations, the City will explore implementation of the Oracle GRC (Governance, Risk and Compliance) product or something similar to control and track changes.
- The City has already limited the use of generic IDs and restricted default and administrative IDs for enterprise financial systems. The City will explore the resource issue that currently prohibits turning on system audit capabilities that log all activities. The City will also provide more centralization of IT functions to improve consistency in development and enforcement of policies, which will help with those systems currently outside of centralized IT control.
- Procedures will be implemented to retain backup job logs for at least one year. DRMS current retention is one year. ITS is investigating how to secure the proper resource to store all data and logs, new backup software is currently being investigate and funding has been requested in the 2012-13 Budget.
- For enterprise financial systems, configuration changes are tested and approved prior to production implementation. Procedures and policies exist to govern this. The City will improve maintenance of documentation demonstrating testing and authorization. The City also will provide more centralization

CITY OF DETROIT, MICHIGAN

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of IT functions to improve consistency in development and enforcement of policies for those systems currently outside of centralized IT control.

- Developers do not have access to promote changes to production for systems under centralized IT control. The City will provide more centralization of IT functions to improve consistency in development and enforcement of policies for systems currently outside of centralized IT control.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Responses

Year ended June 30, 2012

Finding 2012-04 – Escheatment Law

The City filed the required annual report of unclaimed property to the State of Michigan; however, it was inaccurate as it did not include property tax overpayments. Additionally, the City has not remitted escheatable property to the State. In discussing this with City officials, the stated changes in personnel combined with the lack of written City policies and procedures regarding the monitoring and calculating of escheatment rules caused the City to fail to comply with the rules.

The Uniform Unclaimed Property Act (Public Act 29 of 1995) requires the Michigan Holder Transmittal Annual Report of Unclaimed Property be submitted annually by November 1.

Any holder of unclaimed property who fails to file a report of unclaimed property is subject to fines and penalties as prescribed in Public Act 29 of 1995.

Recommendation

We recommend Management conducts an assessment and evaluation of unclaimed property held and file the required report within the annual required deadlines.

Views of Responsible Officials

The City has developed an escheatment process and is compliant with the law except for the escheatment of Property Tax overpayments. We will work to identify and remit property tax overpayments that need to be escheated to the State.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Responses

Year ended June 30, 2012

Finding 2012-05 – Act 51

The City of Detroit's Major and Local Street funds were not in compliance with the State of Michigan Public Act 51. The General Fund borrowed cash and investments from the Street funds, which are restricted for a specific purpose, as stated in Act 51. In discussing this with City officials, because multiple funds, including the General and Street funds, share the same bank account as well as the lack of general awareness of the Street funds' restricted use caused the City to be non-compliant with Act 51.

Public Act 51 Section 247.663 states what the Street funds can be used for. Failure to comply with the Act will result in forfeiture of funds to which it may have been entitled for a period of 1 year from and after the failure to apply the money appropriately as prescribed in Act 51 247.666.

Recommendation

We recommend Management assesses which funding has restricted purposes and create individual bank accounts for those cash and investments.

Views of Responsible Officials

We have reviewed the finding and concur with the recommendation. We will create a separate bank account for the Street Funds.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Responses

Year ended June 30, 2012

Finding 2012-06 – Uniform Budgeting and Accounting Act

The City was not in compliance with Michigan Compiled Laws Act 2 of 1968, Uniform Budgeting and Accounting Act. For certain appropriations stated in footnote 2(d), the City's actual expenditures were more than budgeted expenditures. City Council passed an amendment on 11/20/12 to remove negative balances in various General Fund appropriations by redirecting unused authority within the total budgets of affected departments. However, because the amendment was passed after the fiscal year end, the City was still considered non-compliant as of 6/30/12.

Per Act 2 of 1968, Section 141.438 (3), "Except as otherwise provided in section 19, an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body."

Recommendation

The Budget Act requires budget amendments before any expenditures exceed the budget. There is no authority to amend the budget after year end. We recommend budget projections to be prepared on a monthly basis and for amendments to be made as soon as a deviation becomes apparent.

Views of Responsible Officials

We concur with the finding and City management has taken steps to prevent recurring violations of the Uniform Budgeting and Accounting Act. The Chief Financial Officer issued a budget directive to all city departments in August 2012 that reminded employees of City Charter prohibitions on actions that would violate this act and the severe penalties to individuals who violate these Charter provisions. The directive also clarified and narrowed the types of transactions that the City would consider legal obligations going forward. The Budget Department has commenced monthly review meetings with City departments to monitor adherence to their FY 2012-13 budgets and ensure prescriptive actions in a timely manner such that the City will adhere completely to the act during the current fiscal year.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
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3. Findings and Questioned Costs Relating to Federal Awards:

<i>Finding Number</i>	2012-07
<i>Finding Type</i>	Material weakness
<i>Prior Year Finding</i>	2011-05
<i>Federal Program</i>	All
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	N/A
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	N/A
<i>Compliance Requirement</i>	Various

Criteria

According to Section .310(b)(3) of OMB Circular A-133, auditees must complete the Schedule of Expenditures of Federal Awards (SEFA). The preparations should be based on the underlying accounting records and general ledger of the auditee.

Condition

There were several significant unreconciled differences between the SEFA and the General Ledger. The City's attempt to complete the reconciliation continued more than 8 months after fiscal year end and errors that required adjustments to the SEFA were discovered throughout this process.

Possible Asserted Cause and Effect

The internal control procedures were not adequately designed to identify all sources of federal funds on a timely basis. The internal control procedures that should have been in operation were not followed or monitored properly to perform a complete and accurate reconciliation of the SEFA to the General Ledger on a timely basis. Unreconciled differences between the SEFA, the General Ledger, and supporting documentation could result in errors in the financial statements or SEFA.

Recommendation

Management should redesign the internal controls over the SEFA preparation and reconciliation process. The process should include procedures to identify all sources of federal funds and the related federal compliance requirements. The process should also include procedures to compare source documentation (e.g., federal draw down requests, grant agreements, deposits of federal funds, etc.) to the recorded information for completeness and consistency throughout the year.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

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<i>Finding Number</i>	2012-08
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-06
<i>Federal Program</i>	Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA #10.557)
<i>Federal Award Number</i>	20111347-00, 20121149-00
<i>Federal Award Year</i>	October 1, 2010 - September 30, 2011, October 1, 2011 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Agriculture
<i>Pass-Through Entity</i>	Michigan Department of Community Health
<i>City of Detroit Department</i>	Department of Health & Wellness Promotion
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

Code of Federal Regulations Part 225 Appendix B, Paragraph 8 (h)(1) states that: Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

Appendix B, paragraph 8(h)(3) states that: Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

We selected a sample of 48 employees to verify the allowability of direct payroll costs, and noted the following exceptions:

1. One employee's time reported in Work Brain (72 hours) did not agree to the hours paid in PPS (80 hours), and therefore the payroll charged to the WIC grant.
2. Two employees' timesheets were not approved, but whose payroll was charged to the WIC grant.
3. Nine employees that were originally not supported with a time certification. The questioned costs would have been \$248,206, which represented the payroll amount for the people that did not perform time certifications. Subsequently, management provided time certifications for these missing employees dated 3/7/13 (9 months after the year-end); therefore, the payroll costs are no longer reported as questioned costs. The certifications, however, were not performed timely for 9 employees whose payroll was charged to the WIC grant.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
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Possible Asserted Cause and Effect

Ineffective oversight of the Detroit Health Department by those charged with governance over compliance with Allowable Costs and Cost Principles. Also, the City did not properly record employees' timesheets, approve employees' timesheets, nor document the time certifications for employees. As an effect, the City did not comply with the Activities allowed / Allowable costs requirements.

Recommendation

We recommend that Detroit Health Department establish policies and procedures to ensure compliance with the Allowable Costs and Cost Principles and keep proper documentation for employees.

Questioned Costs

Indeterminable

Views of Responsible Officials

Management concurs with this finding.

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<i>Finding Number</i>	2012-09
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-09
<i>Federal Program</i>	Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA #10.557)
<i>Federal Award Number</i>	20111347-00, 20121149-00
<i>Federal Award Year</i>	October 1, 2010 - September 30, 2011, October 1, 2011 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Agriculture
<i>Pass-Through Entity</i>	Michigan Department of Community Health
<i>City of Detroit Department</i>	Department of Health & Wellness Promotion
<i>Compliance Requirement</i>	Procurement, Suspension & Debarment

Criteria

OMB Circular A-87 requires non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

We inspected the two contracts between the City and SEMHA for review: the contract for the grant year 10/1/10 - 9/30/11 was approved on 11/22/10 (two months after start of grant year), and the contract for the grant year 10/1/11 - 9/30/12 was approved on 2/2/12 (five months after the start of grant year).

Possible Asserted Cause and Effect

Ineffective oversight of the Detroit Health Department by those charged with governance over compliance with contract requirements, including those related to procurement. The 2 contracts between the City and SEMHA were approved after the contract date. This allowed SEMHA to operate without an approved contract for approximately two months and five months, respectively.

Recommendation

We recommend that Detroit Health Department establish policies and procedures to ensure that all contracts are submitted and approved before the effective date of the contract.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

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Year ended June 30, 2012

<i>Finding Number</i>	2012-10
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-10
<i>Federal Program</i>	Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA #10.557)
<i>Federal Award Number</i>	20111347-00, 20121149-00
<i>Federal Award Year</i>	October 1, 2010 - September 30, 2011, October 1, 2011 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Agriculture
<i>Pass-Through Entity</i>	Michigan Department of Community Health
<i>City of Detroit Department</i>	Department of Health & Wellness Promotion
<i>Compliance Requirement</i>	Subrecipient Monitoring

Criteria

Governmental subrecipients are subject to the A-102 common Rule, which requires nonfederal entities receiving Federal Awards to establish and maintain internal controls designed to reasonable ensure compliance with laws, regulations and program compliance requirements.

Per 31 USC 7502(f)(2)(B)(2), each pass through entity shall: A) Provide each subrecipient the program names (and identifying numbers) from which each assistance is derived, and the federal requirements that govern the use of such awards and the requirements of chapter; B) Monitors the subrecipients use of Federal awards through site visits, limited scope audits, or other means; C) Review the audit of a subrecipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings, as defined by the Director pertaining to federal awards provided to the subrecipient by the pass-through entity.

Condition

The City has official policies and procedures in place but is not efficiently monitoring its subrecipients. There was no evidence of management review of the onsite review checklist. The Professional Service Contract between the City of Detroit and the subrecipient, contains responsibilities listed for both parties that are ambiguous and do not clearly disclose all of the relevant terms and conditions of the grant agreement from the State of Michigan, including whether the contractor should report expenditures on a cash or accrual basis of accounting, and pass-through information.

Possible Asserted Cause and Effect

The City was not able to provide satisfactory evidence that it performed on-site visits in order to monitor the subrecipient and how the subrecipient is spending program funds. As an effect, the City did not comply with the Subrecipient Monitoring requirements.

Recommendation

We recommend that Detroit Health Department establish policies and procedures to ensure that subrecipient monitoring requirements will be met, including maintaining appropriate documentation evidencing such procedures.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

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<i>Finding Number</i>	2012-11
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-11
<i>Federal Program</i>	Community Development Block Grant (CDBG) (CFDA #14.218)
<i>Federal Award Number</i>	B-11-MC-26-0006, B-08-MN-26-0004
<i>Federal Award Year</i>	July 1, 2011 - June 30, 2012
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

Per 2 CFR Part 225 Appendix E, A (1) and (3), indirect cost rates will be reviewed, negotiated, and approved by the cognizant Federal agency on a timely basis. The results of each negotiation shall be formalized in a written agreement between the cognizant agency and the governmental unit.

Condition

The Indirect Cost Rate Proposal was not approved by the cognizant agency. As a result, 100% of indirect costs charged to CDBG, amounting to \$5,159,818, will be questioned.

Possible Asserted Cause and Effect

An approved indirect cost plan was not used for indirect charges to the grant. Compliance with Indirect Cost requirements was not achieved as an approved indirect cost plan was not used for indirect charges to the grant.

Recommendation

We recommend that policies and procedures are developed and monitored to ensure that any indirect costs charged to the grant are only from approved indirect cost plans in accordance with regulations and the terms and conditions of the award.

Questioned Costs

\$5,159,818

Views of Responsible Officials

Management concurs with this finding. The report was submitted to HUD in 2012 and the City is still awaiting a response from HUD.

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<i>Finding Number</i>	2012-12
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-12
<i>Federal Program</i>	Community Development Block Grant (CDBG) (CFDA #14.218, 14.253 - ARRA)
<i>Federal Award Number</i>	B-11-MC-26-0006, B-08-MN-26-0004, B-09-MY-0006
<i>Federal Award Year</i>	July 1, 2011 - June 30, 2012
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

According to A-87, Attachment B (8)(h), where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Per A-87, payroll costs must be adequately documented.

Condition

Employees working 100% of their time on the grant did not provide semi-annual certifications in a timely manner attesting to the fact that they worked solely on this grant. PAR forms were submitted for some employees working on multiple grants, however, payroll costs are not being distributed to the applicable grants as required. As a result, 100% of payroll and fringe costs will be questioned, amounting to \$7,509,625. Additionally, 1 out of the 11 employees' PAR forms tested reported hours worked that did not agree to the hours reported in Workbrain. Also, this specific PAR form that did not agree to Workbrain did not contain evidence of proper review and approval.

Possible Asserted Cause and Effect

Ineffective oversight of the compliance with payroll costs allocation and documentation requirements resulted in non-compliance with the requirements.

Recommendation

Policies and procedures should be developed and monitored for compliance to ensure that all PAR forms are accurately completed and reviewed for accuracy, and that semi-annual certifications are properly completed on a semi-annual basis by all employees working 100% on the grant.

Questioned Costs

\$7,509,625

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Views of Responsible Officials

Management concurs with this finding.

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 Schedule of Findings and Questioned Costs
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<i>Finding Number</i>	2012-13
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-13
<i>Federal Program</i>	Community Development Block Grant (CDBG) (CFDA #14.218, 14.253 - ARRA)
<i>Federal Award Number</i>	B-11-MC-26-0006, B-09-MY-0006, B-08-MN-26-0004
<i>Federal Award Year</i>	July 1, 2011 - June 30, 2012
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Cash Management

Criteria

Per 24 CFR 85.20, procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency.

Per OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments Attachment (1)(a), agency methods and procedures for transferring funds shall minimize the time elapsing between transfer to recipients of grants and cooperative agreements and the recipient's need for the funds.

According to Office of Justice Financial Guide, Part II - Chapter 3: Standards of Financial Management Systems, funds specifically budgeted and/or received for one project may not be used to support another.

Condition

We selected 41 subrecipient payments charged to the grant, totaling \$5,105,818, and noted that for 19 of the expenditures, totaling \$2,155,748, the City did not minimize the time lapse between draw down and payment to 3 business days or less, as required. 15 of the expenditures exceeded the time lapse by 1 to 5 days, 3 of the expenditures exceeded the time lapse by 6 to 10 days, and 1 of the expenditures exceeded the time lapse by 11 or more days.

We selected 39 OTPS payments charged to the grant, totaling \$2,493,799 and noted that for 6 of the expenditures, totaling \$187,213, the City did not minimize the time lapse between draw down and payment to 3 business days or less, as required. 2 of the expenditures exceeded the time lapse by 1 to 5 days, 1 of the expenditures exceeded the time lapse by 6 to 10 days, and 3 of the expenditures exceeded the time lapse by 11 or more days.

Additionally, CDBG funds were being used to support non-CDBG projects. As such the time lapse for 10 out of the 80 selected payments, totaling \$293,575, could not be determined as the funds were not actually drawn down prior to payment.

CITY OF DETROIT, MICHIGAN
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Possible Asserted Cause and Effect

Payment procedures utilized by the City do not allow for precision in determining the time lag between a request for payment and the payment being made. As a result, certain payments have a time lapse that exceeds the 3 day requirement.

Recommendation

We recommend policies and procedures are developed, implemented, and monitored to ensure that all funds are disbursed in accordance with regulations or the terms and conditions of the award.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding. As P&DD is not authorized to input vouchers into DRMS and issue checks to contractors, vendors and subrecipients, the department has limited control in this process. Moreover, there are several other factors, including City mandated furlough days, staff reductions, and other operational limitations beyond the department's control that hinders effective processes. However, P&DD continues to work to minimize the findings by adjusting the drawdown approval process to more closely match the anticipated payment of funds. The department is also finalizing process improvements, establishing uniform procedures and more defined accountability standards, such as Memorandum of Understanding (MOU) agreements with city agencies and partners that utilize federal funds administered by P&DD. Also, effective November 12, 2012, the City of Detroit's Central Finance Department revised the payment processing system for P&DD invoices to ensure that federal funds are expended within the required 72 hours after the funds are drawn down from HUD systems.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-14
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-14
<i>Federal Program</i>	Community Development Block Grant (CDBG) (CFDA #14.218)
<i>Federal Award Number</i>	B-11-MC-26-0006, B-08-MN-26-0004
<i>Federal Award Year</i>	July 1, 2011 - June 30, 2012
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Earmarking

Criteria

As specified at 24 CFR 570.502(a)(6), "Recipients and subrecipients that are governmental entities shall comply with the requirements and standards of OMB Circular No. A-87, Cost Principles for State, Local, and Indian Tribal Governments; and with the following section of 24 CFR part 85, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments or the related CDBG provision, as specified.

24 CFR 85.22, Allowable Costs, states, "Allowable costs will be determined in accordance with the cost principles applicable to the organization incurring the costs. For the costs of a State, local, or Indian tribal government, use the principles in OMB Circular A-87."

Condition

As previously noted in the HUD Monitoring Review Report dated September 29, 2011, PDD received findings based on a HUD review for the grant period July 1, 2009 - June 30, 2011 that have not been adequately resolved or addressed. One finding indicated PDD has incorrectly classified and charged administrative staff salary and fringe benefits under technical assistance activities, public facility activities, public services, housing rehab, and economic development TA. The incorrect classification of these salary and fringe benefit charges results in an error in the amount the City of Detroit expends for planning and administration. Once properly classified, the City has exceeded the allowable administrative cap of 20%.

Possible Asserted Cause and Effect

Remediation of prior noted findings has not been expeditiously accomplished.

Recommendation

We recommend that prior findings are remediated by improving policies and procedures in a timely and relevant manner.

Questioned Costs

None

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Views of Responsible Officials

Management concurs that HUD noted this finding; however, the department does not fully concur with the finding and submitted a response accordingly. We are continue to work with HUD on a final determination.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-15
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-15
<i>Federal Program</i>	Community Development Block Grant (CDBG) (CFDA #14.218, 14.253 - ARRA)
<i>Federal Award Number</i>	B-11-MC-26-0006, B-09-MY-0006, B-08-MN-26-0004
<i>Federal Award Year</i>	July 1, 2011 - June 30, 2012
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Procurement, Suspension and Debarment

Criteria

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per 2 CFR 180.300, when you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

Condition

15 out of 16 procurement files reviewed did not have the suspension and debarment certification in the contract agreement.

Possible Asserted Cause and Effect

Relevant compliance requirements are not consistently appropriately included into contracts involving federal awards.

Recommendation

We recommend a grants management function is operated to conduct reviews of contracts, subgrants, and other programmatic related materials to ensure appropriate compliance requirements are included.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding. These exceptions were files processed by other City of Detroit agencies (BSE&ED and ITS). However, the department is finalizing process improvements, establishing uniform procedures and more defined accountability standards, such as Memorandum of Understanding (MOU) agreements with city agencies and partners that utilize federal funds administered by P&DD to ensure future compliance.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-16
<i>Finding Type</i>	Noncompliance / significant deficiency
<i>Prior Year Finding</i>	2011-16
<i>Federal Program</i>	Community Development Block Grant (CDBG) (CFDA #14.218, 14.253 - ARRA)
<i>Federal Award Number</i>	B-11-MC-26-0006, B-09-MY-0006, B-08-MN-26-0004
<i>Federal Award Year</i>	July 1, 2011 - June 30, 2012
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Reporting

Criteria

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per 24 CFR 135.90, each recipient which receives directly from HUD financial assistance that is subject to the requirements of this part shall submit to the Assistant Secretary an annual report in such form and with such information as the Assistant Secretary may request, for the purpose of determining the effectiveness of section 3. Where the program providing the section 3 covered assistance requires submission of an annual performance report, the section 3 report will be submitted with that annual performance report.

Condition

We obtained the HUD 60002, Section 3, Summary Report and noted the following: The HUD 60002, Section 3 Summary Reports for CDBG, CDBG-R, and NSP-1 were submitted 6 calendar days late. The HUD 60002, Section 3 Summary Report for CDBG-R contains the incorrect number for the "new hires." The difference between the Section 3 report and the underlying supporting data is 4 employees.

Possible Asserted Cause and Effect

Procedures to ensure reports are prepared accurately and on time are not operating effectively.

Recommendation

We recommend that reporting policies and procedures to ensure that all reports are submitted timely with accurate data are developed and appropriately monitored.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-17
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-17
<i>Federal Program</i>	Community Development Block Grant (CDBG) (CFDA #14.218)
<i>Federal Award Number</i>	B-11-MC-26-0006, B-08-MN-26-0004
<i>Federal Award Year</i>	July 1, 2011 - June 30, 2012
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Reporting

Criteria

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

2 CFR 170, Appendix A and Federal Funding Accountability and Transparency Act Subaward Reporting System- FSRS.gov website states: 1) the following data about sub-awards greater than \$25,000 must be reported: a) name of entity receiving award; b) amount of award; c) funding agency; d) NAICS code for contracts/ CFDA program number for grants; e) program source; f) award title descriptive of the purpose of the funding action; g) location of the entity (including congressional district); h) place of performance (including congressional district); i) unique identifier of the entity and its parent; and j) total compensation and names of top five executives (same thresholds as for primes). 2) The total compensation and names of top five executives must be reported if: a) more than 80% of annual gross revenues from the Federal government and those revenues are greater than \$25M annually; and b) compensation information is not already available through reporting to the SEC.

Condition

The Transparency Act Report field for location of the entity was incorrectly stated for CDBG-R and NSP-1. In addition, the DUNS number for NSP-1 was inaccurate. Further, there were no identifiable controls in place over the preparation and submission of the data included in the Transparency Act Reports.

Possible Asserted Cause and Effect

Procedures to ensure reports are prepared accurately and on time are not operating effectively.

Recommendation

We recommend that reporting policies and procedures to ensure that all reports are submitted timely with accurate data are developed and appropriately monitored.

Questioned Costs

None

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Views of Responsible Officials

Management concurs with this finding. Central Finance is responsible for the submission of this information.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-18
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-18
<i>Federal Program</i>	Community Development Block Grant (CDBG) (CFDA #14.253 - ARRA)
<i>Federal Award Number</i>	B-09-MY-0006
<i>Federal Award Year</i>	July 1, 2011 - June 30, 2012
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Reporting

Criteria

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per Section 1512 of the American Recovery and Reinvestment Act (ARRA), Subtitle A (c), not later than 10 days after the end of each calendar quarter, each recipient that received recovery funds from a Federal agency shall submit a report to that agency that contains-(1) the total amount of recovery funds received from that agency; (2) the amount of recovery funds received that were expended or obligated to projects or activities; and (3) a detailed list of all projects or activities for which recovery funds were expended or obligated, including (A) the name of the project or activity; (B) a description of the project or activity; (C) an evaluation of the completion status of the project or activity; (D) an estimate of the number of jobs created and the number of jobs retained by the project or activity; and (E) for infrastructure investment made by state and local government, the purpose, total cost, and rationale of the agency for funding the infrastructure investment with funds made available under this Act, and name of the person to contact at the agency if there are concerns with the infrastructure investment.

Condition

On the ARRA reports provided by Management and obtained from the Recovery.gov website, as well as the ARRA supporting documents, the “Subaward Information” was not reported in the ARRA reports that were submitted to federalreporting.gov. Additionally, we were unable to test the operating effectiveness of the controls in place over the preparation and submission of the Section 1512 ARRA reports.

Possible Asserted Cause and Effect

Procedures to ensure reports are prepared accurately and on time are not operating effectively.

Recommendation

We recommend that reporting policies and procedures to ensure that all reports are submitted timely with accurate data are developed and appropriately monitored.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-19
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-19
<i>Federal Program</i>	Community Development Block Grant (CDBG) (CFDA #14.218, 14.253 - ARRA)
<i>Federal Award Number</i>	B-11-MC-26-0006, B-09-MY-0006, B-08-MN-26-0004
<i>Federal Award Year</i>	July 1, 2011 - June 30, 2012
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Subrecipient Monitoring

Criteria

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per OMB Circular A-133, Subpart D(d) (1), (3), and (4), a pass-through entity shall perform the following for federal awards it makes: (1) Identify federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of federal agency; (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved; (4) Ensure that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.

Condition

We selected 59 subrecipient monitoring files and noted that for 1 file, the City was unable to provide documentation that an on-site visit was performed during FY 2012.

Possible Asserted Cause and Effect

Appropriate documentation was not maintained for the site visit in question.

Recommendation

We recommend that documentation that provides evidence of compliance is maintained according to the City's document retention policies.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-20
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-20
<i>Federal Program</i>	Home Investment Partnerships Program (HOME) (CFDA #14.239)
<i>Federal Award Number</i>	M-11-MC-26-0202
<i>Federal Award Year</i>	July 1, 2011 - June 30, 2012
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

Per 2 CFR Part 225 Appendix E, A (1) and (3), indirect cost rates will be reviewed, negotiated, and approved by the cognizant Federal agency on a timely basis. The results of each negotiation shall be formalized in a written agreement between the cognizant agency and the governmental unit.

Condition

The Indirect Cost Rate Proposal was not approved by the cognizant agency. As a result, 100% of indirect costs charged to the HOME grant, amounting to \$232,361, will be questioned.

Possible Asserted Cause and Effect

Compliance with Indirect Cost requirements was not achieved as an approved indirect cost plan was not used for indirect charges to the grant.

Recommendation

We recommend that policies and procedures are developed and monitored to ensure that any indirect costs charged to the grant are only from approved indirect cost plans in accordance with regulations and the terms and conditions of the award.

Questioned Costs

\$232,361

Views of Responsible Officials

Management concurs with this finding. The report was submitted to HUD in 2012 and the City is still awaiting a response from HUD.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-21
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-21
<i>Federal Program</i>	Home Investment Partnerships Program (HOME) (CFDA #14.239)
<i>Federal Award Number</i>	M-11-MC-26-0202
<i>Federal Award Year</i>	July 1, 2011 - June 30, 2012
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

Per A-87, attachment B (8) (h), where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Per A-87, payroll costs must be adequately documented.

Condition

Personnel Activity Report (PAR) forms were not accurately completed for all employees charging time to the HOME program. 11 out of 38 PAR forms sampled were not properly reviewed and approved. For 3 out of 38 employees selected, information regarding title and salary/hourly rate was not available or located in the Employee History Reports. In addition, 14 out of 38 did not have proper allocation of payroll expenses to the different grants reported on the PAR forms. Finally, 5 out of 38 PAR forms requested were not provided to the auditor. 100% of payroll costs charged to HOME will be questioned, amounting to \$734,362. Of this amount, \$388,214 relates to direct payroll, and \$346,148 relates to fringe benefits.

Possible Asserted Cause and Effect

Ineffective oversight of the compliance with payroll costs allocation and documentation requirements resulted in non-compliance with the requirements.

Recommendation

Policies and procedures to ensure that all PAR forms are accurately completed and reviewed for accuracy, and that semi-annual certifications are properly completed on a semi-annual basis by all employees working 100% on the grant should be developed and monitored for compliance. Additionally, documentation should be maintained in accordance with the City's document retention policies.

Questioned Costs

\$734,362

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Views of Responsible Officials

Management concurs with this finding. The employee history reports are managed by the Human Resources Department.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-22
<i>Finding Type</i>	Noncompliance / significant deficiency
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Home Investment Partnerships Program (HOME) (CFDA #14.239)
<i>Federal Award Number</i>	M-11-MC-26-0202
<i>Federal Award Year</i>	July 1, 2011 - June 30, 2012
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Cash Management

Criteria

Per 24 CFR 92.502 (b) (1), After complete project set-up information is entered into the disbursement and information system, HOME funds for the project may be drawn down from the United States Treasury account by the participating jurisdiction by electronic funds transfer. The funds will be deposited in the local account of the HOME Investment Trust Fund of the participating jurisdiction within 48 to 72 hours of the disbursement request. Any drawdown of HOME funds from the United States Treasury account is conditioned upon the provision of satisfactory information by the participating jurisdiction about the project or tenant-based rental assistance and compliance with other procedures, as specified by HUD.

Condition

We selected 40 OTPS payments, totaling \$1,348,160.60 and noted that for 8 of the expenditures, totaling \$4,705.27, the expenditure support does not agree to the amount recorded in the General Ledger. The total dollar amount of the difference is equal to \$116.86, the difference of 116.86 is computed by subtracting the amount recorded in the General Ledger from the amount noted in the expenditure support and then determining the error percentage (difference noted/total amount tested) to be .00867%. Then this error was extrapolated over the total population sampled, resulting in a projected error (error percentage * total population amount) of \$391.42 which will be reported as questioned costs.

Possible Asserted Cause and Effect

Procedures to review that payment requests agree to the general ledger did not operate at a level of precision adequate to prevent this error.

Recommendation

Review procedures should operate at a precision level that is adequate to ensure that payment requests agree precisely to the general ledger.

Questioned Costs

\$391

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Views of Responsible Officials

Management concurs with this finding. As P&DD is not authorized to input vouchers into DRMS and issue checks to contractors, vendors and subrecipients, the department has limited control in this process. Moreover, there are several other factors, including City mandated furlough days, staff reductions, and other operational limitations beyond the department's control that hinders effective processes. However, P&DD continues to work to minimize the findings by adjusting the drawdown approval process to more closely match the anticipated payment of funds. The department is also finalizing process improvements, establishing uniform procedures and more defined accountability standards, such as Memorandum of Understanding (MOU) agreements with city agencies and partners that utilize federal funds administered by P&DD. Also, effective November 12, 2012, the City of Detroit's Central Finance Department revised the payment processing system for P&DD invoices to ensure that federal funds are expended within the required 72 hours after the funds are drawn down from HUD systems.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-23
<i>Finding Type</i>	Noncompliance / significant deficiency
<i>Prior Year Finding</i>	2011-22
<i>Federal Program</i>	Home Investment Partnerships Program (HOME) (CFDA #14.239)
<i>Federal Award Number</i>	M-11-MC-26-0202
<i>Federal Award Year</i>	July 1, 2011 - June 30, 2012
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Cash Management and Special Tests & Provisions: Drawdown of Funds

Criteria

Per 24 CFR 92.502(c)(2), HOME funds drawn from the United States Treasury account must be expended for eligible costs within 15 days. Any funds that are drawn down and not expended for eligible costs within 15 days of disbursement must be returned to HUD for deposit in the participating jurisdiction's United State Treasury account of the HOME Investment Fund.

Condition

We selected 40 OTPS payments, totaling \$1,348,160.60 and noted that for two expenditures, totaling \$768, the City did not minimize the time lapse between drawdown of funds and payment to 15 days or less as required.

Possible Asserted Cause and Effect

Ineffective oversight existed of the HOME Investment Partnerships Program by those charged with governance over compliance with Cash Management and Special Tests & Provisions: Drawdown of Funds requirements related to timely disbursement of funds where the activity is subject to the type of compliance requirement. As an effect, Management did not comply with the Cash Management and Special Tests & Provisions: Drawdown of Funds requirements.

Recommendation

We recommend that the City establish policies and procedures to ensure that all funds are disbursed in accordance with regulations or the terms and conditions of the award.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-24
<i>Finding Type</i>	Noncompliance / significant deficiency
<i>Prior Year Finding</i>	2011-23
<i>Federal Program</i>	Home Investment Partnerships Program (HOME) (CFDA #14.239)
<i>Federal Award Number</i>	M-11-MC-26-0202
<i>Federal Award Year</i>	July 1, 2011 - June 30, 2012
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Reporting

Criteria

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per 24 CFR 135.90, each recipient which receives directly from HUD financial assistance that is subject to the requirements of this part shall submit to the Assistant Secretary an annual report in such form and with such information as the Assistant Secretary may request, for the purpose of determining the effectiveness of section 3. Where the program providing the section 3 covered assistance requires submission of an annual performance report, the section 3 report will be submitted with that annual performance report.

Condition

We obtained the HUD 60002, Section 3, Summary Report, and noted the following: The HUD 60002, Section 3, Summary Report for HOME was submitted 8 calendar days late.

Possible Asserted Cause and Effect

Procedures to ensure reports are prepared accurately and on time are not operating effectively.

Recommendation

We recommend that reporting policies and procedures to ensure that all reports are submitted timely with accurate data are developed and appropriately monitored.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-25
<i>Finding Type</i>	Noncompliance / significant deficiency
<i>Prior Year Finding</i>	2011-24
<i>Federal Program</i>	Home Investment Partnerships Program (HOME) (CFDA #14.239)
<i>Federal Award Number</i>	M-11-MC-26-0202
<i>Federal Award Year</i>	July 1, 2011 - June 30, 2012
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Reporting

Criteria

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

2 CFR 170, Appendix A and Federal Funding Accountability and Transparency Act Subaward Reporting System- FSRS.gov website states: 1) the following data about sub-awards greater than \$25,000 must be reported: a) name of entity receiving award; b) amount of award; c) funding agency; d) NAICS code for contracts/ CFDA program number for grants; e) program source; f) award title descriptive of the purpose of the funding action; g) location of the entity (including congressional district); h) place of performance (including congressional district); i) unique identifier of the entity and its parent; and j) total compensation and names of top five executives (same thresholds as for primes). 2) The total compensation and names of top five executives must be reported if: a) more than 80% of annual gross revenues from the Federal government and those revenues are greater than \$25M annually and b) compensation information is not already available through reporting to the SEC.

Condition

The Transparency Act Report field for location of the entity was incorrectly stated. Further, there were no identifiable controls in place over the preparation and submission of the data included in the Transparency Act Reports.

Possible Asserted Cause and Effect

Procedures to ensure reports are prepared accurately and on time are not operating effectively.

Recommendation

We recommend that reporting policies and procedures to ensure that all reports are submitted timely with accurate data are developed and appropriately monitored.

Questioned Costs

None

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Views of Responsible Officials

Management concurs with this finding. Central Finance is responsible for the submission of this information.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-26
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Neighborhood Stabilization Program 2 (NSP 2) (CFDA #14.256)
<i>Federal Award Number</i>	NS2-2009-0382
<i>Federal Award Year</i>	February 11, 2010 – February 10, 2013
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Cash Management

Criteria

Per 24 CFR 85.20, procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdown's as close as possible to the time of making disbursements. Grantees must monitor cash drawdown's by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.

Condition

We selected 65 OTPS payments, totaling \$314,445, and noted for 32 expenditures, totaling \$130,778 the City did not minimize the time lapse between drawdown of funds and payment to 3 business days or less as required. 3 of the expenditures exceeded the time lapse by 1 to 15 days and the remaining 29 expenditures exceeded the time lapse by 20 days or greater. Further, we were unable to determine the for time lapse for 13 of the 65 OTPS payments made for NSP2, totaling \$46,029. Management informed the auditor that in some instances the City would pay contractors from the general fund on an advance basis to provide for quicker reimbursement of funds. Management further stated to the auditor that at the end of the grant period the program fund and general fund accounts were reconciled to ensure all payments were accurately charged to the grant.

Possible Asserted Cause and Effect

Ineffective oversight existed of the Neighborhood Stabilization Program 2 Program by those charged with governance over compliance with Cash Management requirements where the activity is subject to the type of compliance requirement. As an effect, Management did not comply with the Cash Management requirements.

Recommendation

We recommend that BSE&ED establish policies and procedures to ensure that all payments are submitted within accordance with regulations or the terms and conditions of the award.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-27
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Neighborhood Stabilization Program 2 (NSP 2) (CFDA #14.256)
<i>Federal Award Number</i>	NS2-2009-0382
<i>Federal Award Year</i>	February 11, 2010 – February 10, 2013
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Earmarking

Criteria

Per Appendix I.E, Income Eligibility Requirements Changes, of the NSP2 NOFA and the A-133 Compliance Supplement, at least 25 percent of NSP2 grant funds must be used for the purchase and redevelopment of abandoned or foreclosed homes or residential properties that will be used to house individuals and families whose incomes do not exceed 50 percent of area median income.

Condition

The City did not use at least 25% of NSP2 grant funds for the purchase and redevelopment of abandoned or foreclosed homes or residential properties that will be used to house individuals and families whose incomes do not exceed 50 percent of area median income. The City only used the NSP2 grant funds for the demolition of blighted structures and administrative costs.

Possible Asserted Cause and Effect

Ineffective oversight existed of the Neighborhood Stabilization Program 2 Program by those charged with governance over compliance with Earmarking requirements where the activity is subject to the type of compliance requirement. As an effect, Management did not comply with the Earmarking requirements.

Recommendation

We recommend that BSE&ED establish policies and procedures to ensure that funds are properly allocated to various costs in accordance with regulations or the terms and conditions of the award.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-28
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Neighborhood Stabilization Program 2 (NSP 2) (CFDA #14.256)
<i>Federal Award Number</i>	NS2-2009-0382
<i>Federal Award Year</i>	February 11, 2010 – February 10, 2013
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Period of Availability

Criteria

Per ARRA, 123 Stat. 217, grantees shall expend at least 50 percent of allocated funds within two years of the date funds become available to the grantee for obligation, and 100 percent of such funds within 3 years of such date.

Condition

The City did not expend 50 percent of NSP2 funds within two years of the date funds become available. NSP2 funds became available on February 10, 2010; therefore, 50% of the NSP2 funds were required to be expended by February 10, 2012. Per review of a Financial Status Report from OPAL, dated February 10, 2012, only 21.12% of the NSP2 funds had been expended.

Possible Asserted Cause and Effect

Ineffective oversight existed of the Neighborhood Stabilization Program 2 Program by those charged with governance over compliance with Period of Availability requirements where the activity is subject to the type of compliance requirement. As an effect, Management did not comply with the Period of Availability requirements.

Recommendation

We recommend that BSE&ED establish policies and procedures to ensure that funds are expended in accordance with regulations or the terms and conditions of the award.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-29
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Neighborhood Stabilization Program 2 (NSP 2) (CFDA #14.256)
<i>Federal Award Number</i>	NS2-2009-0382
<i>Federal Award Year</i>	February 11, 2010 – February 10, 2013
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Procurement, Suspension and Debarment

Criteria

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per 2 CFR 180.300, when you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

Condition

We reviewed three procurement files and noted that all three files did not include the suspension and debarment certification in the contract agreement.

Possible Asserted Cause and Effect

Relevant compliance requirements are not consistently appropriately included into contracts involving federal awards.

Recommendation

We recommend a grants management function is operated to conduct reviews of contracts, subgrants, and other programmatic related materials to ensure appropriate compliance requirements are included.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-30
<i>Finding Type</i>	Scope limitation / material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Neighborhood Stabilization Program 2 (NSP 2) (CFDA #14.256)
<i>Federal Award Number</i>	NS2-2009-0382
<i>Federal Award Year</i>	February 11, 2010 – February 10, 2013
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Reporting

Criteria

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per 24 CFR section 135.3(a), for each grant over \$200,000 that involves housing rehabilitation, housing construction, or other public construction, the prime recipient must submit Form HUD 60002.

OMB Circular A-133 Compliance Supplement Part 3, dated June 2012, M-09-21, Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009, Section 2.3, states "the sub-recipients of the prime recipient may be required by the prime recipient to report the FFATA data elements required under 1512(c)(4) for payments from the prime recipient to the sub-recipient. The reporting sub-recipients must also report one data element associated with any vendors receiving funds from that sub-recipient. Specifically, the sub-recipient must report, for any payments greater than \$25,000, the identity of the vendor by reporting the D-U-N-S number, if available, or otherwise the name and zip code of the vendor's headquarters. Vendors are not required to obtain a D-U-N-S number. If a sub-recipient is not delegated the responsibility to report FFATA data elements for sub-awards from its prime recipients or any sub-recipient vendor information, the prime and sub-recipients must develop a process by which this information will be reported in sufficient time to meet the reporting timeframes outlined in Section 3.2.

Condition

The auditee was unable to provide sufficient audit evidence to ensure the City complied with the Reporting requirements.

Possible Asserted Cause and Effect

Procedures to ensure reports are prepared accurately and on time are not operating effectively.

Recommendation

We recommend that reporting policies and procedures to ensure that all reports are submitted timely with accurate data are developed and appropriately monitored.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

<i>Finding Number</i>	2012-31
<i>Finding Type</i>	Scope limitation / material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Neighborhood Stabilization Program 2 (NSP 2) (CFDA #14.256)
<i>Federal Award Number</i>	NS2-2009-0382
<i>Federal Award Year</i>	February 11, 2010 – February 10, 2013
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Special Tests & Provisions: Environmental Reviews

Criteria

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per the June 2012 A-133 Compliance Supplement, NSP2 assistance is subject to the National Environmental Policy Act of 1969 and related HUD environmental regulations at 24 CFR part 58. Nonprofits recipients and other recipients that are not designated responsible entities under 24 CFR part 58 may not assume environmental review responsibilities and must receive HUD-approved environmental review under 24 CFR part 50 unless they apply in consortia with States, local governments, or Indian tribes with jurisdiction over proposed projects. In the case of NSP2 consortium applicants, States, local governments, or Indian tribes may perform the environmental reviews on behalf of consortium for projects with their jurisdiction as described under 24 CFR part 58. NSP2 grantees cannot obligate or expend Federal, or non-Federal, funds if the project or activity would limit reasonable choices or could produce an adverse environmental impact until: (1) all required environmental reviews and notifications have been completed by HUD or by a State, local government, or Indian tribe; (2) HUD notifies the grantee that the review under 24 CFR part 50 is completed; or (3) HUD or the State, local government, or Indian tribe approves a grantee's request for release of funds under the provisions contained in 24 CFR part 58. Recipients undergoing an environmental review under 24 CFR part 50 are required to: (1) supply HUD with all available, relevant information necessary for HUD to perform, for each property, any environmental review required by 24 CFR part 50 and (2) carry out mitigating measures required by HUD or select alternate eligible property. Recipient may not: (1) acquire, rehabilitate, demolish, convert, lease, repair, or construct property or (2) commit or expend HUD or other non-Federal funds for the program activities with respect to any eligible property until HUD completes the review and notifies the grantee of approval to proceed. States, local governments, and Indian tribes that directly implement NSP2 activities are considered recipients and must assume environmental review responsibilities for the environmental activities and those of any non-governmental entity that participates in the project. These entities that directly implement activities must submit the Request for Release of Funds (RROF) and the certifications to HUD for approval (24 CFR sections 58.4(b)(1), 58.34, and 58.35).

Condition

The auditee was unable to provide sufficient audit evidence to ensure the City was in compliance with the Environmental Reviews requirement.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Possible Asserted Cause and Effect

Ineffective oversight existed of the Neighborhood Stabilization Program 2 Program by those charged with governance over compliance with Environmental Review Requirements where the activity is subject to the type of compliance requirement. As an effect, Management did not comply with the Environmental Review requirements.

Recommendation

We recommend that BSE&ED establish policies and procedures to ensure that required environmental reviews are complied with in accordance with regulations or the terms and conditions of the award.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-32
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Homelessness Prevention & Rapid Re-Housing Program (HPRP) (CFDA #14.262 - ARRA)
<i>Federal Award Number</i>	S-09-MY-26-0006
<i>Federal Award Year</i>	July 16, 2009 – July 15, 2012
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

A-102 requires nonfederal entities receiving Federal Awards to establish and maintain internal controls designed to ensure reasonable compliance with laws, regulations and program compliance requirements. Per A-87, payroll costs must be adequately documented.

Condition

We reviewed payroll costs charged to the HPRP grant and noted that although PAR forms are submitted for employees working on multiple grants, that payroll costs are not being properly distributed to the applicable grants as required. Improper distribution has occurred through inaccurate time reporting on the PAR forms, or inaccurate cost allocation being applied to the hours worked, or both. PAR forms are not required to be maintained for 1 of the 8 employees tested. As a result, 100% of payroll and fringe costs charged to the HPRP grant will be questioned, amounting to \$254,016. Additionally, for 5 out of the 8 employees tested the salary/hourly rates reported in the employee history reports on file did not correlate to the amount the employee was being paid for work charged to the grant. Also for 3 out of the 8 employees' PAR forms tested reported hours worked did not agree to the hours reported in Workbrain. This PAR form also did not have proper review and approval. For 1 out of the 8 employee tested, the salary in the Employee History Report did not fall within the minimum - maximum range noted in the WhiteBook.

Possible Asserted Cause and Effect

Ineffective oversight of the compliance with payroll costs allocation and documentation requirements resulted in non-compliance with the requirements.

Recommendation

Policies and procedures to ensure that all PAR forms are accurately completed and reviewed for accuracy, and that semi-annual certifications are properly completed on a semi-annual basis by all employees working 100% on the grant should be developed and monitored for compliance.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Questioned Costs

\$254,016

Views of Responsible Officials

Management concurs with this finding. The employee history reports are managed by the Human Resources Department.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-33
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-25
<i>Federal Program</i>	Homelessness Prevention & Rapid Re-Housing Program (HPRP) (CFDA #14.262 - ARRA)
<i>Federal Award Number</i>	S-09-MY-26-0006
<i>Federal Award Year</i>	July 16, 2009 – July 15, 2012
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Cash Management

Criteria

Per 24 CFR 85.20, procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency.

Per OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments Attachment (1)(a), agency methods and procedures for transferring funds shall minimize the time elapsing between transfer to recipients of grants and cooperative agreements and the recipient's need for the funds.

Condition

We selected 31 OTPS payments, totaling \$1,685,465, and noted that for 18 expenditures, totaling \$500,090 the City did not minimize the time lapse between drawdown of funds and payment to 3 business days or less as required. Eight of the expenditures exceeded the time lapse by 1 to 5 days, 5 of the expenditures exceeded the time lapse by 6 to 10 days, and 5 of the expenditures exceeded the time lapse by 11 or more days.

Possible Asserted Cause and Effect

Ineffective oversight existed of the Homeless Prevention and Rapid Re-Housing Program by those charged with governance over compliance with program expenditure requirements where the activity is subject to the type of compliance requirement. As an effect, Management did not comply with the Cash Management requirement.

Recommendation

We recommend that the City establish policies and procedures to ensure that all funds are disbursed in accordance with regulations or the terms and conditions of the award.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding. As P&DD is not authorized to input vouchers into DRMS and issue checks to contractors, vendors and subrecipients, the department has limited control in this process. Moreover, there are several other factors, including City mandated furlough days, staff reductions, and other operational limitations beyond the department's control that hinders effective processes. However, P&DD continues to work to minimize the findings by adjusting the drawdown approval process to more closely match the anticipated payment of funds. The department is also finalizing process improvements, establishing uniform procedures and more defined accountability standards, such as Memorandum of Understanding (MOU) agreements with city agencies and partners that utilize federal funds administered by P&DD. Also, effective November 12, 2012, the City of Detroit's Central Finance Department revised the payment processing system for P&DD invoices to ensure that federal funds are expended within the required 72 hours after the funds are drawn down from HUD systems.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-34
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-26
<i>Federal Program</i>	Homelessness Prevention & Rapid Re-Housing Program (HPRP) (CFDA #14.262 - ARRA)
<i>Federal Award Number</i>	S-09-MY-26-0006
<i>Federal Award Year</i>	July 16, 2009 – July 15, 2012
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Cash Management

Criteria

Per 24 CFR 85.21(e), if the Federal agency has determined that reimbursement is not feasible because the grantee lacks sufficient working capital, the awarding agency may provide cash on a working capital advance basis. Under this procedure the awarding agency shall advance cash to the grantee to cover its estimated disbursement needs for an initial period generally geared to the grantee's disbursing cycle.

Per 24 CFR Section 84.22(b)(2), Cash advances to a recipient organization shall be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual disbursements by the recipient organization for direct program or project costs and the proportionate share of any allowable indirect costs.

Condition

We selected 31 subrecipient payments, totaling \$1,685,465, and noted that one payment, totaling \$600,000, paid to Coalition on Temporary Shelter (COTS), was an excessive advance payment. This payment covered more than COTS' estimated disbursement needs for the month of January 2012, noting there was an outstanding balance for this advance as of January 31, 2012. However, the full amount was expended by June 30, 2012.

Possible Asserted Cause and Effect

Ineffective oversight existed of the Homeless Prevention and Rapid Re-Housing Program by those charged with governance over compliance with program expenditure requirements where the activity is subject to the type of compliance requirement. As an effect, Management did not comply with the Cash Management requirement.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Recommendation

We recommend that P&DD establish policies and procedures to ensure that advance payments approved for subrecipients are properly disbursed in accordance with regulations or the terms and conditions of the award.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-35
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Homelessness Prevention & Rapid Re-Housing Program (HPRP) (CFDA #14.262 - ARRA)
<i>Federal Award Number</i>	S-09-MY-26-0006
<i>Federal Award Year</i>	July 16, 2009 – July 15, 2012
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Cash Management

Criteria

Per 24 CFR 85.42 section (e) part (1), retention and access requirements for records - access to records, the awarding agency and the Comptroller General of the United States, or any of their authorized representatives, shall have the right of access to any pertinent books, documents, papers, or other records of grantees and subgrantees which are pertinent to the grant, in order to make audits, examinations, excerpts, and transcripts.

Condition

We selected 31 OTPS payments, totaling \$1,685,465, and noted that for one expenditure, totaling \$146,409, the City was unable to provide adequate supporting documentation related to all of the costs incurred. We also noted that \$10,318 of the costs related to this expenditure were unsupported. As such, \$10,318 of this expenditure are questioned costs. We also noted an improper accrual for 1 expenditure totaling \$22,767 occurred during FY 2012. Management stated this was a cost related to FY 2011; however, due to a system error, this expenditure was accrued for in FY 2012, causing an overstatement of expenditures. An adjustment was made to the SEFA to reduce HPRP's expenditures by \$22,767.

Possible Asserted Cause and Effect

Ineffective oversight existed of the Homeless Prevention and Rapid Re-Housing Program by those charged with governance over compliance with program expenditure requirements where the activity is subject to the type of compliance requirement. As an effect, Management did not comply with the documentation retention or Cash Management requirements.

Recommendation

We recommend that P&DD establish policies and procedures to ensure that documentation related to expenditures are properly maintained and that expenditures are accrued for in accordance with regulations or the terms and conditions of the award.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Questioned Costs

\$10,318

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2012

<i>Finding Number</i>	2012-36
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-27
<i>Federal Program</i>	Homelessness Prevention & Rapid Re-Housing Program (HPRP) (CFDA #14.262 - ARRA)
<i>Federal Award Number</i>	S-09-MY-26-0006
<i>Federal Award Year</i>	July 16, 2009 – July 15, 2012
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Reporting

Criteria

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per Section 1512 of the American Recovery and Reinvestment Act (ARRA), Subtitle A (c), not later than 10 days after the end of each calendar quarter, each recipient that received recovery funds from a Federal agency shall submit a report to that agency that contains-(1) the total amount of recovery funds received from that agency; (2) the amount of recovery funds received that were expended or obligated to projects or activities; and (3) a detailed list of all projects or activities for which recovery funds were expended or obligated, including (A) the name of the project or activity; (B) a description of the project or activity; (C) an evaluation of the completion status of the project or activity; (D) an estimate of the number of jobs created and the number of jobs retained by the project or activity; and (E) for infrastructure investment made by state and local government, the purpose, total cost, and rationale of the agency for funding the infrastructure investment with funds made available under this Act, and name of the person to contact at the agency if there are concerns with the infrastructure investment.

Condition

Per review of the Section 1512 ARRA reports provided by Management and obtained from FederalReporting.gov, the Total Sub Award Funds Disbursed was not accurate for 1 out of 2 samples selected for HPRP. Management was also unable to provide evidence regarding the operating effectiveness of the controls in place over the submission of the Section 1512 ARRA reports.

Possible Asserted Cause and Effect

Ineffective oversight existed of the Homeless Prevention and Rapid Re-Housing Program by those charged with governance over compliance with reporting requirements where the activity is subject to the type of compliance requirement. As an effect, Management did not comply with the ARRA Reporting requirements.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Recommendation

We recommend that the P&DD establish policies and procedures to ensure that proper reporting is maintained.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-37
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-28
<i>Federal Program</i>	Public Safety Partnership and Community Policing Grants (COPS) (CFDA #16.710 - ARRA)
<i>Federal Award Number</i>	2009-RJ-WX-0053
<i>Federal Award Year</i>	July 1, 2009 – June 30, 2012
<i>Federal Agency</i>	U.S. Department of Justice (DOJ)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Police Department
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per the CHRP grant agreement, "The agency may only be reimbursed for the approved cost categories that are documented within the FFM, up to the amounts specified in this Financial Clearance Memorandum. Any salary and fringe benefit costs higher than entry-level that your agency pays a CHRP-funded officer must be paid with local funds."

Condition

We selected 40 payroll and fringe benefit charges totaling \$103,046 and noted that 15 sample items (totaling \$40,787) had salary that was claimed over approved reimbursement amounts and 15 sample items had fringe benefit expenses claimed over approved reimbursement amounts. In addition, the claimed item - FICA-Med, is not in the approved cost categories per the Final Funding Memorandum (FFM). Amounts charged to the COPS program in error for our sampled items totaled \$4,173. Amounts expended for payroll and fringe benefits under this program during the year ended June 30, 2012 totaled \$2,314,463 and \$1,881,607.

Possible Asserted Cause and Effect

Internal controls were not properly designed, executed, or monitored to ensure effectiveness. As a result, management did not comply with the Allowed or Unallowed Activities requirement and Allowable Costs/Cost Principles requirement.

Recommendation

We recommend that management review the FFM and ensure that expenditures claimed are allowable.

Questioned Costs

\$4,173

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-38
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-29
<i>Federal Program</i>	Public Safety Partnership and Community Policing Grants (COPS) (CFDA #16.710 - ARRA)
<i>Federal Award Number</i>	2009-CK-WX-0549, 2009-CK-WX-0557
<i>Federal Award Year</i>	March 11, 2009 – January 10, 2013
<i>Federal Agency</i>	U.S. Department of Justice (DOJ)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Police Department
<i>Compliance Requirement</i>	Equipment and Real Property Management

Criteria

According to 2 CFR section 215.34, (1) Equipment records shall be maintained accurately and shall include the following information: (i) A description of the equipment; (ii) Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number; (iii) Source of the equipment, including the award number; (iv) Whether title vests in the recipient or the Federal Government; (v) Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost; (vi) Information from which one can calculate the percentage of Federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal Government); (vii) Location and condition of the equipment and the date the information was reported; (viii) Unit acquisition cost; and (ix) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the Federal awarding agency for its share.

Per the June 2012 OMB Circular A-133 Compliance Supplement and the COPS Tech compliance requirement, "Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained."

Condition

The City did not maintain an equipment listing containing description, sources, who holds title, acquisition date and cost, percentage of federal participation in the cost, location, condition, and any ultimate disposition data including, the date of disposal and sales price or method used to determine current fair market value (if applicable). Additionally, no physical inventory counts were/are being performed.

Possible Asserted Cause and Effect

Because they were unable to provide the requested information, the City is not in compliance with applicable Equipment & Real Property Management compliance requirements.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Recommendation

We recommend that the City create an equipment listing and perform periodic inventory counts as required.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-39
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-30
<i>Federal Program</i>	Public Safety Partnership and Community Policing Grants (COPS) (CFDA #16.710 - ARRA)
<i>Federal Award Number</i>	2009-CK-WX-0549, 2009-CK-WX-0557, 2010-CK-WX-0506
<i>Federal Award Year</i>	March 11, 2009 - January 10, 2013, December 16, 2009 - December 15, 2012
<i>Federal Agency</i>	U.S. Department of Justice (DOJ)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Police Department
<i>Compliance Requirement</i>	Procurement, Suspension and Debarment

Criteria

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per 2 CFR 180.300, when you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

Condition

We reviewed 2 contracts (100% of the population was tested) and noted both contracts did not contain a certification within the contract that the vendor and its principals were not suspended or debarred nor was there evidence that the City verified that the contractor was not suspended or debarred by checking the EPLS website. Amounts expended for other than personal services under this program during the year ended June 30, 2012 totaled \$183,240.

Possible Asserted Cause and Effect

Internal controls were not properly designed, executed, or monitored to ensure effectiveness. As a result, management did not comply with the Procurement and Suspension and Debarment requirement.

Recommendation

We recommend evaluating current procurement practices to identify areas where internal controls could be strengthened to include monitoring of compliance with procurement standards. Additionally, we recommend that management obtain suspension and debarment certifications from all vendors.

Questioned Costs

None

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

<i>Finding Number</i>	2012-40
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Edward Byrne Memorial Justice Assistance Grant (JAG) (CFDA #16.738 - ARRA, 16.803 - ARRA)
<i>Federal Award Number</i>	2009-SB-B9-1422, 2009-DJ-BX-0788
<i>Federal Award Year</i>	July 9, 2009 - September 30, 2013, September 29, 2009 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Justice
<i>Pass-Through Entity</i>	Michigan Department of Community Health
<i>City of Detroit Department</i>	Detroit Police Department and Detroit Fire Department
<i>Compliance Requirement</i>	Equipment and Real Property Management

Criteria

According to 2 CFR section 215.34, (1) Equipment records shall be maintained accurately and shall include the following information: (i) A description of the equipment; (ii) Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number; (iii) Source of the equipment, including the award number; (iv) Whether title vests in the recipient or the Federal Government; (v) Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost; (vi) Information from which one can calculate the percentage of Federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal Government); (vii) Location and condition of the equipment and the date the information was reported; (viii) Unit acquisition cost; and (ix) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the Federal awarding agency for its share.

Per the June 2012 OMB Circular A-133 Compliance Supplement and the COPS Tech compliance requirement, "Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained."

Condition

The City did not maintain an equipment listing containing description, sources, who holds title, acquisition date and cost, percentage of federal participation in the cost, location, condition, and any ultimate disposition data including, the date of disposal and sales price or method used to determine current fair market value (if applicable). Additionally, no physical inventory counts were/are being performed. Additionally, we selected a sample of 25 equipment items from the City's listing of items purchased under the grant and physically inspected each of the samples to ensure the item existed and was properly maintained. We noted that the City was unable to locate one out of the 25 sample items.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Possible Asserted Cause and Effect

The City was unable to provide the requested information for the equipment listing and was unable to locate one asset, therefore, the City is not in compliance with applicable Equipment & Real Property Management compliance requirements.

Recommendation

We recommend that the City create an equipment listing and perform periodic inventory counts as required. The City should also consider additional control procedures necessary to ensure equipment purchases with federal funds are appropriately safeguarded.

Questioned Costs

None

Views of Responsible Officials

The Department does maintain an equipment listing for its JAG grants and physical inventories are being conducted; however, this can be a monumental task with items spreadout throughout the city and moving from one location to the next. One master list compiling all the information is not available; however, it is contained in other similar spreadsheets that DPD maintains (City Finance-Capital Asset-Taggable Equipment Physical Inventory sheet, Equipment Acquisition Forms, etc.). The selected sample items were all viewed in the last 2 years, either during initial receipt of goods (purchase) or thereafter. DPD IT Director Scott Hayes is in the process of creating a database to assist with the physical inventory going forward so each time an item is worked on, it will be inputted into a database. Further, an alert will be generated if an item has not been viewed within a certain period so 2 years will not be exceeded and the Department can remain in compliance. Additionally, a new equipment inventory sheet has been created to capture all the information that is a requirement according to 2 CFR section 215.34 and will be utilized going forward.

CITY OF DETROIT, MICHIGAN
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2012

<i>Finding Number</i>	2012-41
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Edward Byrne Memorial Justice Assistance Grant (JAG) (CFDA #16.738 - ARRA, 16.803 - ARRA)
<i>Federal Award Number</i>	2009-SB-B9-1422, 2009-DJ-BX-0788, 500001-1-09-B, 50002-1-09-B
<i>Federal Award Year</i>	July 9, 2009 - September 30, 2013, September 29, 2009 - September 30, 2012, July 1, 2009 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Justice
<i>Pass-Through Entity</i>	Michigan Department of Community Health
<i>City of Detroit Department</i>	Detroit Police Department and Detroit Fire Department
<i>Compliance Requirement</i>	Procurement, Suspension and Debarment

Criteria

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per 2 CFR 180.300, when you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

Additionally, per 2 CFR 215.4, procurement records and files for purchases in excess of the small purchase threshold shall include the following at a minimum: (a) Basis for contractor selection; (b) Justification for lack of competition when competitive bids or offers are not obtained; and (c) Basis for award cost or price.

Condition

For 9 of 9 contracts (100% of population was tested) selected for procurement testwork and 4 of 4 subrecipient agreements (100% of population was tested) selected for subrecipient testwork, the City did not obtain a certification from the vendor that the vendor and its principals or subrecipient were not suspended or debarred nor was there evidence that the City verified that the contractor or subrecipient was not suspended or debarred by checking the EPLS website. Additionally, for 1 of 9 contracts selected for testwork, the City could not provide a complete contract file including documentation for the basis of contractor selection and the basis for the award cost. Amounts expended for other than personal services under this program during the year ended June 30, 2012 totaled \$3,861,896.

Possible Asserted Cause and Effect

Internal controls were not properly designed, executed, or monitored to ensure effectiveness. As a result, management did not comply with the Procurement and Suspension and Debarment requirement.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Recommendation

We recommend evaluating current procurement practices to identify areas where internal controls could be strengthened to include monitoring of compliance with procurement standards. Additionally, we recommend that management obtain suspension and debarment certifications from all subrecipients and vendors.

Questioned Costs

None

Views of Responsible Officials

Going forward EPLS screenshots will be printed out. Many of these contracts and/or purchase orders were generated outside DPD by City IT Department. City IT will be notified of this finding so they can also print screenshots going forward. Additionally, there were no professional service contracts for AT&T, Motorola, Bob Maxey, or ABS Storage Products.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

<i>Finding Number</i>	2012-42
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Edward Byrne Memorial Justice Assistance Grant (JAG) (CFDA #16.738 - ARRA, 16.803 - ARRA)
<i>Federal Award Number</i>	500001-1-09-B, 50002-1-09-B
<i>Federal Award Year</i>	July 1, 2009 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Justice
<i>Pass-Through Entity</i>	Michigan Department of Community Health
<i>City of Detroit Department</i>	Detroit Police Department and Detroit Fire Department
<i>Compliance Requirement</i>	Subrecipient Monitoring

Criteria

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per Per 31 USC 7502(f)(2)(B)(2), each pass through entity shall: A) provide each subrecipient the program names (and identifying numbers) from which each assistance is derived, and the Federal requirements that govern the use of such awards and the requirements of (this) chapter; B) monitors the subrecipients use of Federal awards through site visits, limited scope audits, or other means; C) review the audit of a subrecipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings, as defined by the Director, pertaining to Federal awards provided to the subrecipient by the pass-through entity.

Condition

The City does not have documentation of the review of A-133 reports received from the subrecipients which should include procedures to determine whether: (1) the audit reports met the audit requirements of OMB Circular A-133; (2) federal funds reported in the schedule of expenditures of federal awards reconciled to the City records to ensure subrecipients properly included amounts in the SEFA; and (3) Type A programs were audited at least every three years. Finally, the City does not maintain adequate documentation of its process to track and follow-up with subrecipients when the OMB Circular A-133 reports have not been received in a timely manner. Additionally, the City does not have formal procedures to document the monitoring of subrecipients through site visits and regular contact in order to provide evidence that subrecipients are using Federal awards for authorized purposes in compliance with laws, regulations, and the provisions of the grant agreements. Amounts passed through to subrecipients under this program during the year ended June 30, 2012 totaled \$202,698.

Possible Asserted Cause and Effect

Failure to obtain and adequately review subrecipient OMB Circular A-133 audit reports, issue management decisions on subrecipient findings within the required timeframe, and properly document the monitoring procedures over subrecipients results in noncompliance with OMB Circular A-133 and may

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

result in subrecipients not properly administering federal programs in accordance with laws, regulations, and the grant agreement.

Recommendation

We recommend the City establish procedures to ensure that: (1) expenditures passed through to subrecipients per the City's records are reconciled to the schedule of expenditures of federal awards submitted in the subrecipients' OMB Circular A-133 audit reports, (2) follow-up procedures are performed for all delinquent OMB Circular A-133 reports, (3) desk reviews are performed on a timely basis, and (4) management decisions are issued within six months after receipt of the subrecipients' OMB Circular A-133 audit reports and corrective action plans are obtained.

Additionally, the City should establish procedures to formally document the monitoring process over subrecipients to ensure that subrecipients are using the Federal awards for authorized purposes in compliance with laws, regulations, and the provisions of grant agreements.

Questioned Costs

None

Views of Responsible Officials

DPD has copies of the Single Audits for both Wayne State University and Detroit Public Schools and they were provided to KPMG. No audit findings were noted in the reports. Additionally, site visits were conducted and the sub-recipients were closely monitored. All invoices submitted by the subrecipients were reviewed by Grants and Contracts, as well as Fiscal Operations to ensure that spending was allowable according to the approved grantor (MSP) budget. Supporting documentation in the form of invoices, inventory sheets, shipping paperwork, activity logs, time sheets, etc. were required and reviewed. A checklist example was provided from another city entity and DPD will create a similar sheet going forward. While a checklist was not utilized, the subrecipients were closely monitored. No management decision on audit findings were made because no finding was made on the subrecipenent.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-43
<i>Finding Type</i>	Noncompliance / significant deficiency
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Trade Adjustment Assistance (CFDA #17.245)
<i>Federal Award Number</i>	N/A
<i>Federal Award Year</i>	October 1, 2010 - September 30, 2011, October 1, 2011 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Labor
<i>Pass-Through Entity</i>	Workforce Development Agency State of Michigan
<i>City of Detroit Department</i>	Detroit Workforce Development Department
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

Per 2 CFR Part 225, Appendix A, Paragraph C(1)(g), to be allowable under Federal awards, costs must meet the following general criteria: (j) except as otherwise provided for in 2 CFR part 225, costs be determined in accordance with generally accepted accounting principles.

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

During our testwork over TANF indirect cost expenditures, we noted one error related to unallowable costs. Per review of the supporting invoices, one invoice in the amount of \$1,403 was for services performed between 7/7/10-8/6/10. A portion of the invoice, in the amount of \$395, was allocated to the Trade grant. That amount was paid on 9/10/10 using Trade FY 2011 funding, in which the grant period began 10/1/10. The services were performed before the grant period began; therefore, the cost is unallowable for the Trade FY 2011 grant.

Possible Asserted Cause and Effect

Internal control was not properly executed to ensure effectiveness and compliance with A-102. As an effect, Management did not comply with the Activities Allowed/Allowable Costs requirement.

Recommendation

We recommend that the internal controls be evaluated to prevent future noncompliance.

Questioned Costs

\$395

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-44
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-31
<i>Federal Program</i>	Trade Adjustment Assistance (CFDA #17.245)
<i>Federal Award Number</i>	N/A
<i>Federal Award Year</i>	October 1, 2010 - September 30, 2011, October 1, 2011 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Labor
<i>Pass-Through Entity</i>	Workforce Development Agency State of Michigan
<i>City of Detroit Department</i>	Detroit Workforce Development Department
<i>Compliance Requirement</i>	Cash Management

Criteria

Per OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments Attachment (2)(a), agency methods and procedures for transferring funds shall minimize the time elapsing between transfer to recipients of grants and cooperative agreements and the recipient's need for the funds. Per the State of Michigan instructions for the Cash Request Form, the department is to use 'Actual Disbursements', 'Year-to-Date' defined as follows, "This figure is to include only the actual cash paid out of costs, including funds to subcontractors."

Condition

The Cash Requests are based partially on accruals. This results in excess cash being on hand throughout the year. The average daily cash balance outstanding for the year was \$293,951.

Possible Asserted Cause and Effect

DWDD utilized an accrual based Cost Center Responsibility Report to prepare the Cash Request. As an effect, DWDD was not in compliance with the Cash Management requirements.

Recommendation

We recommend preparing the Cash Requests based on actual disbursements.

Questioned Costs

None

Views of Responsible Officials

Cash requests are based partially on accruals due to the fact that DWDD has to ensure the cash is in the appropriate bank accounts before payments are disbursed. However, the check writing process is handled by Central Finance and time lapsing between the receipt and disbursement of funds is beyond our immediate control.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-45
<i>Finding Type</i>	Noncompliance / significant deficiency
<i>Prior Year Finding</i>	2011-32
<i>Federal Program</i>	Trade Adjustment Assistance (CFDA #17.245)
<i>Federal Award Number</i>	N/A
<i>Federal Award Year</i>	October 1, 2010 - September 30, 2011, October 1, 2011 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Labor
<i>Pass-Through Entity</i>	Workforce Development Agency State of Michigan
<i>City of Detroit Department</i>	Detroit Workforce Development Department
<i>Compliance Requirement</i>	Eligibility

Criteria

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

We selected 78 beneficiaries who received program services during fiscal year 2012, and noted the following: 3 ITA training agreements were not signed by the participant, DWDD, and the representative of the training institution; 6 Training Approval Standards for Entitlement to TAA Training forms were not reviewed and signed by a case manager; 4 participant files did not include proper documentation to ensure required determination for eligibility had been performed; and 10 files did not include a participant transcript or attendance record.

Possible Asserted Cause and Effect

Internal control was not properly executed to ensure effectiveness and compliance with A-102. As an effect, DWDD did not comply with the Eligibility requirements.

Recommendation

We recommend that the internal controls be evaluated to prevent future noncompliance.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-46
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-33
<i>Federal Program</i>	Trade Adjustment Assistance (CFDA #17.245)
<i>Federal Award Number</i>	N/A
<i>Federal Award Year</i>	October 1, 2010 - September 30, 2011, October 1, 2011 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Labor
<i>Pass-Through Entity</i>	Workforce Development Agency State of Michigan
<i>City of Detroit Department</i>	Detroit Workforce Development Department
<i>Compliance Requirement</i>	Special Tests & Provisions: Cycle Monitoring

Criteria

OMB Circular A-133 Subpart C Section 300 paragraph f requires auditees to follow up and take corrective action on findings.

Condition

DWDD receives 3 cycle monitoring reports a year from the Workforce Development Agency, State of Michigan (WDASOM). Over the past five years, several comments have been repeated throughout these reports and have not been adequately resolved or addressed by the City.

Possible Asserted Cause and Effect

Timely corrective action has not been taken for each of the findings identified during the cycle monitoring visits. As an effect, several findings have been repeated year after year.

Recommendation

We recommend that the department take timely corrective action for each of the findings identified during the cycle monitoring visits.

Questioned Costs

None

Views of Responsible Officials

DWDD has always responded in a timely manner to findings identified by the State of Michigan. Several of the repeat findings are the result of City of Detroit procedures that are beyond the control of the department.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-47
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-34
<i>Federal Program</i>	Workforce Investment Act (WIA) (CFDA #17.258, 17.259, 17.260 - ARRA, 17.278)
<i>Federal Award Number</i>	AA214021155A26, AA202001055A26, AA221101155A26, EM195351060A26, AA186470955
<i>Federal Award Year</i>	July 1, 2011 – June 30, 2012
<i>Federal Agency</i>	U.S. Department of Labor
<i>Pass-Through Entity</i>	Workforce Development Agency State of Michigan
<i>City of Detroit Department</i>	Detroit Workforce Development Department
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

Allowable Costs/Cost Principles: Per 2 CFR Part 225 Appendix E, Paragraph D (1)(a), All departments or agencies of the governmental unit desiring to claim indirect costs under Federal awards must prepare an indirect cost rate proposal and related documentation to support those costs. The proposal and related documentation must be retained for audit in accordance with the records retention requirements contained in the Common Rule.

Per the DWDD Cost Allocation Plan (CAP) issued in June 2010, Part X: Review Modification Process, the CAP is required to be reviewed and modified as necessary, but at least annually.

Condition

The FY 2012 CAP was reviewed and approved by the DWDD Director in February 2012, as evidenced by her signature. The annual review of the FY 2012 CAP was not completed until 7 months after the start of the FY. As such, this control has not been implemented effectively.

Possible Asserted Cause and Effect

Internal control was not properly executed to ensure effectiveness and compliance with 2 CFR Part 225. As an effect, Management did not comply with the Activities Allowed / Allowable Costs requirement.

Recommendation

We recommend that the internal controls be evaluated to prevent future noncompliance.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-48
<i>Finding Type</i>	Noncompliance / significant deficiency
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Workforce Investment Act (WIA) (CFDA #17.258, 17.259, 17.260 - ARRA, 17.278)
<i>Federal Award Number</i>	AA214021155A26, AA202001055A26, AA221101155A26, EM195351060A26, AA186470955
<i>Federal Award Year</i>	July 1, 2011 – June 30, 2012
<i>Federal Agency</i>	U.S. Department of Labor
<i>Pass-Through Entity</i>	Workforce Development Agency State of Michigan
<i>City of Detroit Department</i>	Detroit Workforce Development Department
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles / Period of Availability

Criteria

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

We reviewed 31 subrecipient payments, including the check request and invoice for each payment. We noted one check request was not reviewed and approved for allowability (by evidence of signature) by a Manager I before the invoice was processed for payment.

Possible Asserted Cause and Effect

Internal control was not properly executed to ensure effectiveness and compliance with A-102. As an effect, DWDD did not comply with the Activities Allowed / Allowable Costs and Period of Availability requirements.

Recommendation

We recommend that the internal controls be evaluated to prevent future noncompliance.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-49
<i>Finding Type</i>	Noncompliance / significant deficiency
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Workforce Investment Act (WIA) (CFDA #17.258, 17.259, 17.260 - ARRA, 17.278)
<i>Federal Award Number</i>	AA214021155A26, AA202001055A26, AA221101155A26, EM195351060A26, AA186470955
<i>Federal Award Year</i>	July 1, 2011 – June 30, 2012
<i>Federal Agency</i>	U.S. Department of Labor
<i>Pass-Through Entity</i>	Workforce Development Agency State of Michigan
<i>City of Detroit Department</i>	Detroit Workforce Development Department
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

We reviewed 23 indirect cost expenditure samples and noted the following: the cost for two of 23 samples was improperly posted to object code 617100 (Contract Services – Security) when they should have been posted to 622400 (renovations). The journal entry was approved, as evidenced by signature; however, the review was inadequate as effective review of the journal entry would have caught this error.

Possible Asserted Cause and Effect

Internal control was not properly executed to ensure effectiveness and compliance with A-102. As an effect, DWDD did not comply with the Activities Allowed / Allowable Costs requirement.

Recommendation

We recommend internal controls be evaluated to prevent future noncompliance.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-50
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-37
<i>Federal Program</i>	Workforce Investment Act (WIA) (CFDA #17.258, 17.259, 17.260 - ARRA, 17.278)
<i>Federal Award Number</i>	AA214021155A26, AA202001055A26, AA221101155A26, EM195351060A26, AA186470955
<i>Federal Award Year</i>	July 1, 2011 – June 30, 2012
<i>Federal Agency</i>	U.S. Department of Labor
<i>Pass-Through Entity</i>	Workforce Development Agency State of Michigan
<i>City of Detroit Department</i>	Detroit Workforce Development Department
<i>Compliance Requirement</i>	Cash Management

Criteria

Per OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments Attachment (2)(a), agency methods and procedures for transferring funds shall minimize the time elapsing between transfer to recipients of grants and cooperative agreements and the recipient's need for the funds. Per the State of Michigan instructions for the Cash Request Form, the department is to use 'Actual Disbursements', 'Year-to-Date' defined as follows, "This figure is to include only the actual cash paid out of costs, including funds to subcontractors."

Condition

The Cash Requests are based partially on accruals. This results in excess cash being on hand throughout the year. The average daily cash balance outstanding for the year was \$1,921,597.

Possible Asserted Cause and Effect

DWDD utilized an accrual based Cost Center Responsibility Report to prepare the Cash Request. As an effect, DWDD was not in compliance with the Cash Management requirements.

Recommendation

We recommend preparing the Cash Requests based on actual disbursements.

Questioned Costs

None

Views of Responsible Officials

Cash requests are based partially on accruals due to the fact that DWDD has to ensure the cash is in the appropriate bank accounts before payments are disbursed. However, the check writing process is handled by Central Finance and time lapsing between the receipt and disbursement of funds is beyond our immediate control.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-51
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-38
<i>Federal Program</i>	Workforce Investment Act (WIA) (CFDA #17.258, 17.259, 17.260 - ARRA, 17.278)
<i>Federal Award Number</i>	AA214021155A26, AA202001055A26, AA221101155A26, EM195351060A26, AA186470955
<i>Federal Award Year</i>	July 1, 2011 – June 30, 2012
<i>Federal Agency</i>	U.S. Department of Labor
<i>Pass-Through Entity</i>	Workforce Development Agency State of Michigan
<i>City of Detroit Department</i>	Detroit Workforce Development Department
<i>Compliance Requirement</i>	Procurement, Suspension, and Debarment

Criteria

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

We selected 25 contracts for review and noted the following: nine of the 25 contracts selected were signed and approved by the City Council, the president of the subrecipient organization, and the authorized department representative after the date of which services began.

Possible Asserted Cause and Effect

Internal control was not properly executed to ensure effectiveness and compliance with A-102. As an effect, DWDD did not comply with the Procurement requirement.

Recommendation

We recommend that the internal controls be evaluated to prevent future noncompliance.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-52
<i>Finding Type</i>	Noncompliance / significant deficiency
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Workforce Investment Act (WIA) (CFDA #17.258, 17.259, 17.260 - ARRA, 17.278)
<i>Federal Award Number</i>	AA214021155A26, AA202001055A26, AA221101155A26, EM195351060A26, AA186470955
<i>Federal Award Year</i>	July 1, 2011 – June 30, 2012
<i>Federal Agency</i>	U.S. Department of Labor
<i>Pass-Through Entity</i>	Workforce Development Agency State of Michigan
<i>City of Detroit Department</i>	Detroit Workforce Development Department
<i>Compliance Requirement</i>	Reporting

Criteria

Per Policy Issuance 07-16, Change 4, issued July 25, 2011, MWA Directors were required to submit the WIA Program Plan electronically to the WDASOM by October 10, 2011. Additionally, one signed copy of the Approval Request Form was required to be submitted hard copy to WDASOM by October 10, 2011.

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

The WIA Comprehensive Five-Year Local Plan was not approved by the WDB Chairperson until November 9, 2011, which is 30 days after the Policy Issuance required submission date of October 10, 2011. DWDD was also not able to provide documentation to show the Local Plan was submitted by the required submission date of October 10, 2011.

Possible Asserted Cause and Effect

Internal control was not properly executed to ensure effectiveness and compliance with A-102. As an effect, the report was not submitted on time to WDASOM. Management did not comply with the Reporting requirement.

Recommendation

We recommend that the internal controls be evaluated to prevent future noncompliance.

Questioned Costs

None

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-53
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-41
<i>Federal Program</i>	Workforce Investment Act (WIA) (CFDA #17.258, 17.259, 17.260 - ARRA, 17.278)
<i>Federal Award Number</i>	AA214021155A26, AA202001055A26, AA221101155A26, EM195351060A26, AA186470955
<i>Federal Award Year</i>	July 1, 2011 – June 30, 2012
<i>Federal Agency</i>	U.S. Department of Labor
<i>Pass-Through Entity</i>	Workforce Development Agency State of Michigan
<i>City of Detroit Department</i>	Detroit Workforce Development Department
<i>Compliance Requirement</i>	Special Tests & Provisions: Cycle Monitoring

Criteria

OMB Circular A-133 Subpart C Section 300 paragraph f requires auditees to follow up and take corrective action on findings.

Condition

DWDD receives 3 cycle monitoring reports a year from the Workforce Development Agency, State of Michigan (WDASOM). Over the past five years, several comments have been repeated throughout these reports and have not been adequately resolved or addressed by the City.

Possible Asserted Cause and Effect

Timely corrective action has not been taken for each of the findings identified during the cycle monitoring visits. As an effect, several findings have been repeated year after year.

Recommendation

We recommend that the department take timely corrective action for each of the findings identified during the cycle monitoring visits.

Questioned Costs

None

Views of Responsible Officials

DWDD has always responded in a timely manner to findings identified by the State of Michigan. Several of the repeat findings are the result of City of Detroit procedures that are beyond the control of the department.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

<i>Finding Number</i>	2012-54
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Federal Transit Cluster (FTC) (CFDA #20.500, 20.507 - ARRA)
<i>Federal Award Number</i>	MI-90-X605, MI-95-X045, MI-90-X642
<i>Federal Award Year</i>	October 1, 2011 - September 30, 2013, October 1, 2008 - September 30, 2011, March 31, 2010 - June 30, 2012
<i>Federal Agency</i>	U.S. Department of Transportation
<i>Pass-Through Entity</i>	Federal Transit Administration
<i>City of Detroit Department</i>	Detroit Department of Transportation
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

According to A-87, attachment B(8)(h), charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit. Additionally, where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Per A-87, payroll costs must be adequately documented.

Condition

During our test work of 25 payroll transactions (totaling \$1,741,247), we noted the following exceptions:

- The City allocated payroll and fringe benefit expenditures totaling \$1,662,128 to Operating Assistance grants using an allocation methodology which had not been approved by the US Department of Transportation. Specifically, we noted the City estimated an average cost for each of its bus routes and charged the maximum amount allowable under the Operating Assistance Grants. The City did not compare the estimated costs to the actual costs associated with the routes being funded and did not receive federal approval for the methodology used to compute its estimated costs, and we believe such approval is required.
- The City could not provide time and effort certifications for three payroll and fringe benefit charges tested (totaling \$68,280) for employees working on the Light Rail project. Upon further review, we noted time and effort certifications were not available for any payroll and fringe benefit charges (totaling \$247,347) related to the Light Rail project. Subsequent to our testing the City prepared effort certifications for each of these individuals.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

- The City could not provide time and effort certifications (timesheets) approved by a responsible official of the City for five payroll charges tested (totaling \$3,915) for fleet maintenance employees. The timesheets were signed by the employee.

Amounts expended for payroll and fringe benefits under this program during the year ended June 30, 2012 totaled \$8,546,767.

Possible Asserted Cause and Effect

The Department of Transportation has charged costs to the Federal Transit Cluster which may not be allowed and is not in compliance with OMB Circular A-87 cost principles. As an effect, the City is not in compliance with Activities Allowed or Unallowed and Allowable Costs/Cost Principles requirements.

Recommendation

We recommend that management strengthen internal controls to prevent improper charges to the grant.

Questioned Costs

Indeterminable

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-55
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-42
<i>Federal Program</i>	Federal Transit Cluster (FTC) (CFDA #20.500, 20.507 - ARRA)
<i>Federal Award Number</i>	MI-90-X605
<i>Federal Award Year</i>	October 1, 2011 - September 30, 2013
<i>Federal Agency</i>	U.S. Department of Transportation
<i>Pass-Through Entity</i>	Federal Transit Administration
<i>City of Detroit Department</i>	Detroit Department of Transportation
<i>Compliance Requirement</i>	Davis Bacon

Criteria

Per the compliance supplement for the Davis-Bacon Act, Nonfederal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis Bacon Act and the DOL regulations (29 CFR part 5) This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR Sections 5.5 and 5.6).

Condition

For 17 of 22 invoices reviewed, the review and approval of the certified payroll relating to the invoice could not be verified. Amounts expended for contractor payments under this program during the year ended June 30, 2012 totaled \$4,303,914.

Possible Asserted Cause and Effect

Management did not comply with the Davis-Bacon Act requirement.

Recommendation

We recommend internal controls be evaluated to prevent future noncompliance.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-56
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-44
<i>Federal Program</i>	Federal Transit Cluster (FTC) (CFDA #20.500, 20.507 – ARRA)
<i>Federal Award Number</i>	MI-90-X605
<i>Federal Award Year</i>	October 1, 2011 - September 30, 2013
<i>Federal Agency</i>	U.S. Department of Transportation
<i>Pass-Through Entity</i>	Federal Transit Administration
<i>City of Detroit Department</i>	Detroit Department of Transportation
<i>Compliance Requirement</i>	Procurement, Suspension, and Debarment

Criteria

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per 2 CFR 180.300, when you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

Condition

For 6 out of 19 contracts reviewed (100% of the population was tested), the City did not obtain a certification that the vendor and its principals are not suspended or debarred nor was there evidence that the City verified that the contractor was not suspended or debarred by checking the EPLS website. Additionally, for 4 of the 19 contracts reviewed, expenditures totaling \$2,907,867 were charged outside of the contract's effective dates. Amounts expended for other than personal services under this program during the year ended June 30, 2012 totaled \$44,822,649.

Possible Asserted Cause and Effect

Internal controls were not properly designed, executed, or monitored to ensure effectiveness. As a result, management did not comply with the Procurement, Suspension and Debarment requirements.

Recommendation

We recommend evaluating current procurement practices to identify areas where internal controls could be strengthened to include monitoring of compliance with procurement standards. Additionally, we recommend that management obtain suspension and debarment certifications from all vendors.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

<i>Number</i>	2012-57
<i>Finding Type</i>	Scope limitation / material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Weatherization for Low-Income Persons (CFDA #81.042 - ARRA)
<i>Federal Award Number</i>	DOE-S09-82007
<i>Federal Award Year</i>	April 1, 2009 - March 31, 2012
<i>Federal Agency</i>	U.S. Department of Energy
<i>Pass-Through Entity</i>	Michigan Department of Human Services
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Allowable expenditures include only: (1) The cost of purchase and delivery of weatherization materials; (2) Labor costs, in accordance with § 440.19; (3) Transportation of weatherization materials, tools, equipment, and work crews to a storage site and to the site of weatherization work; (4) Maintenance, operation, and insurance of vehicles used to transport weatherization materials; (5) Maintenance of tools and equipment; (6) The cost of purchasing vehicles, except that any purchase of vehicles must be referred to DOE for prior approval in every instance; (7) Employment of on-site supervisory personnel; (8) Storage of weatherization materials, tools, and equipment; (9) The cost of incidental repairs if such repairs are necessary to make the installation of weatherization materials effective; (10) The cost of liability insurance for weatherization projects for personal injury and for property damage; (11) The cost of carrying out low-cost/no-cost weatherization activities in accordance with § 440.20; (12) The cost of weatherization program financial audits as required by § 440.23(d); (13) Allowable administrative expenses under paragraph (d) of this section; and (14) Funds used for leveraging activities in accordance with § 440.14(b)(9)(xiv); and (15) The cost of eliminating health and safety hazards elimination of which is necessary before, or because of, installation of weatherization materials (10 CFR 440.18).

Additionally, to be allowable under Federal awards, costs must meet the following general criteria: be necessary and reasonable for proper and efficient performance and administration of Federal awards, be allocable to Federal awards under the provisions of this Circular, be authorized or not prohibited under State or local laws or regulations, conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items, be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit, be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost (OMB Cost Circular A-87, attachment A, paragraph C).

Condition

During our test work over activities allowed/allowable costs/eligibility compliance requirements, 9 of 40 selected line items had eligibility issues. Participants included on invoices receiving Weatherization

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

services were not included in the Eligibility population provided. Additionally, the auditee was unable to provide a breakdown of the costs associated with the 9 selected items.

Possible Asserted Cause and Effect

Ineffective oversight of the Weatherization program by those charged with governance over compliance with activities allowed/allowable costs/eligibility requirements where the activity is subject to the type of compliance requirement. Identification of material noncompliance for the period under audit was not initially identified by the entity's internal control. The Department of Human Services is not able to demonstrate compliance with the activities allowed/allowable costs/eligibility compliance requirements.

Recommendation

We recommend that the Department of Human Services establish policies and procedures to ensure that expenditures incurred are recognized, documented, authorized, and are eligible cost items in accordance with regulations or the terms and conditions of the award.

Questioned Costs

Indeterminable

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-58
<i>Finding Type</i>	Scope limitation / material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-49
<i>Federal Program</i>	Weatherization for Low-Income Persons (CFDA #81.042 - ARRA)
<i>Federal Award Number</i>	DOE-S09-82007
<i>Federal Award Year</i>	April 1, 2009 - March 31, 2012
<i>Federal Agency</i>	U.S. Department of Energy
<i>Pass-Through Entity</i>	Michigan Department of Human Services
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Cash Management

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

31 CFR 205.12 (b)(5) states that reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes. Additionally, 24 CFR 85.21 (d), sub part C- Post Award Requirements, notes that reimbursement shall be the preferred method of payment.

OMB Circular A-133 also documents that when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.

Condition

The City of Detroit was unable to provide adequate documentation to evidence whether payments made were incurred before the cash drawdown date. Unpaid invoices were included on the Statement of Expenditures, therefore DHS had not paid the expense before requesting reimbursement.

Possible Asserted Cause and Effect

Ineffective oversight of the Weatherization program by those charged with governance over compliance with cash management, where the activity is subject to the type of compliance requirement. In addition, due to the State review process, the department had cash flow issues until the State reviewed the FSR amounts and approved reimbursement. The Department of Human Services is not able to demonstrate compliance with the cash management compliance requirements.

Recommendation

We recommend that the Department of Human Services establish policies and procedures to ensure that all cash management requirements are met specifically that payments are incurred before cash is drawn down.

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Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

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Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-59
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-50
<i>Federal Program</i>	Weatherization for Low-Income Persons (CFDA #81.042 - ARRA)
<i>Federal Award Number</i>	DOE-S09-82007
<i>Federal Award Year</i>	April 1, 2009 - March 31, 2012
<i>Federal Agency</i>	U.S. Department of Energy
<i>Pass-Through Entity</i>	Michigan Department of Human Services
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Davis-Bacon Act

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls. The required weekly payroll information may be submitted in any form desired. Optional Form WH-347 is available for this purpose from the Wage and Hour Division Web site. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors (29 CFR 5.5).

Condition

During our test work over the Davis-Bacon Act requirements, it was noted that all applicable certified payrolls could not be obtained. Management was unable to provide and verify the population of weekly payrolls and unable to provide 1 of 5 weekly payrolls selected.

Possible Asserted Cause and Effect

Ineffective oversight of the Weatherization program by those charged with governance over compliance with Davis-Bacon Act requirements where the activity is subject to the type of compliance requirement. We noted ineffective oversight of contractors, including a lack of procedures in place surrounding certified payrolls submission, collection, and retention. We noted that identification of material noncompliance for the period under audit was not initially identified by the entity's internal control. The Department of Human Services is not able to demonstrate compliance with the Davis-Bacon Act compliance requirements.

Recommendation

We recommend that the Department of Human Services establish policies and procedures to ensure that certified payrolls are received timely, when required, and in accordance with regulations or the terms and conditions of the award.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-60
<i>Finding Type</i>	Scope limitation / material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-51
<i>Federal Program</i>	Weatherization for Low-Income Persons (CFDA #81.042 - ARRA)
<i>Federal Award Number</i>	DOE-S09-82007
<i>Federal Award Year</i>	April 1, 2009 - March 31, 2012
<i>Federal Agency</i>	U.S. Department of Energy
<i>Pass-Through Entity</i>	Michigan Department of Human Services
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Eligibility

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Specific requirements for eligibility are unique to each Federal program and are found in the laws, regulations, and the provisions of contract of grant agreements pertaining to the program. Grant number DOE-S09-82007 between the State of Michigan Department of Human Services (MDHS) and the City of Detroit Department of Human Services (DHS) requires that for each eligible client served under the agreement, the grantee shall maintain client case records consisting of: a) Weatherization Assistance Program application or a DHS approved client application used to determine if the household group is eligible for weatherization services. Application must be in accordance with CSPM 612.2 and b) documents supporting weatherization income eligibility in accordance with CSPM 601.

In addition, a dwelling unit shall be eligible for weatherization assistance under this part if it is occupied by a family unit: (1) Whose income is at or below 200 percent of the poverty level determined in accordance with criteria established by the Director of the Office of Management and Budget, (2) Which contains a member who has received cash assistance payments under Title IV or XVI of the Social Security Act or applicable State or local law at any time during the 12-month period preceding the determination of eligibility for weatherization assistance; or (3) If the State elects, is eligible for assistance under the Low-Income Home Energy Assistance Act of 1981, provided that such basis is at least 200 percent of the poverty level determined in accordance with criteria established by the Director of the Office of Management and Budget (10 CFR 440.22 (a) and 42 USC 6862 (7)(a)).

Condition

During our test work over the eligibility compliance requirement, it was noted that 4 intake files did not include all the required eligibility documentation. In addition, management was unable to provide 13 of the 78 files requested.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Possible Asserted Cause and Effect

Ineffective oversight of the Weatherization program by those charged with governance over compliance with eligibility requirements. We noted ineffective policies and procedures in place for intake/eligibility determination. We noted that identification of material noncompliance for the period under audit was not initially identified by the entity's internal control. The Department of Human Services is not able to demonstrate compliance with the eligibility compliance requirements.

Recommendation

We recommend that the Department of Human Services establish policies and procedures for intake/eligibility workers to use to ensure that eligibility determinations are in accordance with regulations or the terms and conditions of the award.

Questioned Costs

Indeterminable

Views of Responsible Officials

Management concurs with this finding.

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Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-61
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-53
<i>Federal Program</i>	Weatherization for Low-Income Persons (CFDA #81.042 - ARRA)
<i>Federal Award Number</i>	DOE-S09-82007
<i>Federal Award Year</i>	April 1, 2009 - March 31, 2012
<i>Federal Agency</i>	U.S. Department of Energy
<i>Pass-Through Entity</i>	Michigan Department of Human Services
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Procurement, Suspension and Debarment

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Section 1605 of ARRA prohibits the use of ARRA funds for a project for the construction, alteration, maintenance, or repairs of a public building or work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States. As a result, the Buy-American Act applies to these ARRA awards. ARRA provides for waiver of these requirements under specified circumstances (June 2012 OMB Circular A-133 Compliance Supplement).

Condition

During our testing over the Procurement, Suspension & Debarment compliance requirement, we selected 6 ARRA funded construction contracts for testing and noted that no evidence of compliance with Buy-American requirements was provided for these construction contractors.

Possible Asserted Cause and Effect

Ineffective oversight of the Weatherization program by those charged with governance over compliance with Procurement, Suspension & Debarment, specifically the Buy-American Act requirements, where the activity is subject to the type of compliance requirement. KPMG noted that identification of material noncompliance for the period under audit was not initially identified by the entity's internal control. The Department of Human Services is not able to demonstrate compliance with the Procurement, Suspension & Debarment compliance requirements.

Recommendation

We recommend that the Department of Human Services establish policies and procedures to ensure that the Buy-American Act is adhered to during the procurement process.

CITY OF DETROIT, MICHIGAN
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Year ended June 30, 2012

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

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Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-62
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Weatherization for Low-Income Persons (CFDA #81.042 - ARRA)
<i>Federal Award Number</i>	DOE-S09-82007
<i>Federal Award Year</i>	April 1, 2009 - March 31, 2012
<i>Federal Agency</i>	U.S. Department of Energy
<i>Pass-Through Entity</i>	Michigan Department of Human Services
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Reporting and Period of Availability

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

To be allowable under Federal awards, costs must meet the following general criteria: be necessary and reasonable for proper and efficient performance and administration of Federal awards, be allocable to Federal awards under the provisions of this Circular, be authorized or not prohibited under State or local laws or regulations, conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items, be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit, be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost (OMB Cost Circular A-87, attachment A, paragraph C).

Additionally, where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period. A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the FFR. HUD may extend this deadline at the request of the grantee (24 CFR 85.23 (a) (b)).

Condition

12 of 40 items selected as a sample were not recorded within the correct reporting period.

Possible Asserted Cause and Effect

Ineffective oversight of the Weatherization program by those charged with governance over compliance with the reporting and period of availability requirements where the activity is subject to the type of compliance requirement. KPMG noted that identification of material noncompliance for the period under audit was not initially identified by the entity's internal control. The Department of

CITY OF DETROIT, MICHIGAN
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Year ended June 30, 2012

Human Services is not able to demonstrate compliance with the reporting and period of availability compliance requirements.

Recommendation

We recommend that the Department of Human Services establish policies and procedures to ensure that expenditures incurred are recorded in the correct period of availability in accordance with regulations or the terms and conditions of the award.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-63
<i>Finding Type</i>	Noncompliance / significant deficiency
<i>Prior Year Finding</i>	2011-54
<i>Federal Program</i>	Weatherization for Low-Income Persons (CFDA #81.042 - ARRA)
<i>Federal Award Number</i>	DOE-S09-82007
<i>Federal Award Year</i>	April 1, 2009 - March 31, 2012
<i>Federal Agency</i>	U.S. Department of Energy
<i>Pass-Through Entity</i>	Michigan Department of Human Services
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Reporting

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

The grant agreement between the State of Michigan and the City of Detroit Department of Human Services states that the monthly SOE report is to be submitted to the State within 30 days from the end of the monthly billing period.

Condition

During our testing over the Reporting compliance requirement, we noted that 1 of 9 ARRA DOE monthly Statement of Expenditure (SOE) reports were not submitted within 30 days of the end of the billing period.

Possible Asserted Cause and Effect

Ineffective oversight of the Weatherization program by those charged with governance over compliance with reporting requirements where the activity is subject to the type of compliance requirement. Identification of material noncompliance for the period under audit was not initially identified by the entity's internal control. The Department of Human Services is not able to demonstrate compliance with the reporting compliance requirements.

Recommendation

We recommend that the Department of Human Services establish policies and procedures to ensure that the Statement of Expenditure (SOE) reports are submitted within 30 days of the end of the billing period in accordance with regulations or the terms and conditions of the award.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-64
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-56
<i>Federal Program</i>	Energy Efficiency and Conservation Block Grant (CFDA #81.128 - ARRA)
<i>Federal Award Number</i>	DE-EE0000747
<i>Federal Award Year</i>	October 12, 2009 - October 13, 2012
<i>Federal Agency</i>	U.S. Department of Energy
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Reporting

Criteria

Per A-102 Common Rule, nonfederal entities receiving Federal awards must establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Per the Federal Financial Report instructions, quarterly and semi-annual interim reports shall be submitted no later than 30 days after the end of each reporting period.

Condition

The SF-425 Federal Financial Report for the quarter ending 6/30/12 was submitted late. The report was due 7/31/12; however, the report was not submitted until 9/10/12. We did not identify any controls over the submission of the SF-425 Federal Financial Report.

Possible Asserted Cause and Effect

Ineffective oversight existed of the EECBG program by those charged with governance over compliance with Reporting requirements where the activity is subject to the type of compliance requirement. As an effect, Management did not comply with the Reporting requirements.

Recommendation

We recommend that DBA/GSD establish policies and procedures to ensure that all reports are submitted to DOE in accordance with regulations or the terms and conditions of the award.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-65
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-57
<i>Federal Program</i>	Energy Efficiency and Conservation Block Grant (CFDA #81.128 - ARRA)
<i>Federal Award Number</i>	DE-EE0000747
<i>Federal Award Year</i>	October 12, 2009 - October 13, 2012
<i>Federal Agency</i>	U.S. Department of Energy
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Reporting

Criteria

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per Section 1512 of the American Recovery and Reinvestment Act (ARRA), Subtitle A (c), not later than 10 days after the end of each calendar quarter, each recipient that received recovery funds from a Federal agency shall submit a report to that agency that contains-(1) the total amount of recovery funds received from that agency; (2) the amount of recovery funds received that were expended or obligated to projects or activities; and (3) a detailed list of all projects or activities for which recovery funds were expended or obligated, including (A) the name of the project or activity; (B) a description of the project or activity; (C) an evaluation of the completion status of the project or activity; (D) an estimate of the number of jobs created and the number of jobs retained by the project or activity; and (E) for infrastructure investment made by state and local government, the purpose, total cost, and rationale of the agency for funding the infrastructure investment with funds made available under this Act, and name of the person to contact at the agency if there are concerns with the infrastructure investment.

Condition

Per review of the ARRA Section 1512 Reports for the quarters ending 3/31/2012 and 6/30/2012, we noted the data reported for the amounts of Federal Recovery Act funds expended to project/activities could not be agreed to the underlying supporting data. We did not identify any controls over the submission of the ARRA Section 1512 Reports.

Possible Asserted Cause and Effect

Procedures to ensure reports are prepared accurately and on time are not operating effectively.

Recommendation

We recommend that reporting policies and procedures to ensure that all reports are submitted timely with accurate data are developed and appropriately monitored.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-66
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Energy Efficiency and Conservation Block Grant (CFDA #81.128 - ARRA)
<i>Federal Award Number</i>	DE-EE0000747
<i>Federal Award Year</i>	October 12, 2009 - October 13, 2012
<i>Federal Agency</i>	U.S. Department of Energy
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Reporting

Criteria

Per A-102 Common Rule, nonfederal entities receiving Federal awards must establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Per the Federal Financial Report instructions, quarterly and semi-annual interim reports shall be submitted no later than 30 days after the end of each reporting period.

Condition

The Quarterly Performance Report for the quarter ending 9/30/2011 was submitted late. The report was due 10/31/2011; however, the report was not submitted until 11/2/2011. Additionally, per review of the Quarterly Performance Reports for the quarters ending 9/30/2011 and 6/30/2012, the data reported did not agree to the underlying supporting data.

Possible Asserted Cause and Effect

Procedures to ensure reports are prepared accurately and on time are not operating effectively.

Recommendation

We recommend that reporting policies and procedures to ensure that all reports are submitted timely with accurate data are developed and appropriately monitored.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-67
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-58
<i>Federal Program</i>	Temporary Assistance for Needy Families (CFDA #93.558)
<i>Federal Award Number</i>	G-1102MITANF, G-1202MITANF
<i>Federal Award Year</i>	October 1, 2010 - September 30, 2011, October 1, 2011 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Workforce Development Agency State of Michigan
<i>City of Detroit Department</i>	Detroit Workforce Development Department (DWDD)
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

Allowable Costs/Cost Principles: Per 2 CFR Part 225 Appendix E, Paragraph D (1)(a), All departments or agencies of the governmental unit desiring to claim indirect costs under Federal awards must prepare an indirect cost rate proposal and related documentation to support those costs. The proposal and related documentation must be retained for audit in accordance with the records retention requirements contained in the Common Rule.

Per the DWDD Cost Allocation Plan (CAP) issued in June 2010, Part X: Review Modification Process, the CAP is required to be reviewed and modified as necessary, but at least annually.

Condition

The FY 2012 CAP was reviewed and approved by the DWDD Director in February 2012, as evidenced by her signature. The annual review of the FY 2012 CAP was not completed until 7 months after the start of the FY. As such, this control has not been implemented effectively.

Possible Asserted Cause and Effect

Internal control was not properly executed to ensure effectiveness and compliance with 2 CFR Part 225. As an effect, Management did not comply with the Activities Allowed/Allowable Costs requirement.

Recommendation

We recommend that the internal controls be evaluated to prevent future noncompliance.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-68
<i>Finding Type</i>	Noncompliance / significant deficiency
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Temporary Assistance for Needy Families (CFDA #93.558)
<i>Federal Award Number</i>	G-1102MITANF, G-1202MITANF
<i>Federal Award Year</i>	October 1, 2010 - September 30, 2011, October 1, 2011 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Workforce Development Agency State of Michigan
<i>City of Detroit Department</i>	Detroit Workforce Development Department (DWDD)
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

We sampled 35 subrecipient payments and noted the following: one expenditure was incurred during FY12 and should have been paid by TANF FY 2012 funds; however, the invoice was paid using TANF FY 2011 funds.

Possible Asserted Cause and Effect

Internal control was not properly executed to ensure effectiveness and compliance with A-102. As an effect, Management did not comply with the Activities Allowed/Allowable Costs requirement.

Recommendation

We recommend that the internal controls be evaluated to prevent future noncompliance.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-69
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Temporary Assistance for Needy Families (CFDA #93.558)
<i>Federal Award Number</i>	G-1102MITANF, G-1202MITANF
<i>Federal Award Year</i>	October 1, 2010 - September 30, 2011, October 1, 2011 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Workforce Development Agency State of Michigan
<i>City of Detroit Department</i>	Detroit Workforce Development Department (DWDD)
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

Per 2 CFR Part 225, Appendix A, Paragraph C(1)(g), to be allowable under Federal awards, costs must meet the following general criteria: (j) except as otherwise provided for in 2 CFR part 225, costs be determined in accordance with generally accepted accounting principles.

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

We reviewed 18 indirect cost expenditure samples and noted one error related to unallowable costs. One invoice in the amount of \$1,403 was for services performed between 7/7/10-8/6/10. A portion of the invoice, in the amount of \$652, was allocated to TANF. That amount was paid on 9/10/10 using TANF FY 2011 funding, in which the grant period began 10/1/10. The services were performed before the grant period began; therefore, the cost is unallowable for the TANF FY 2011 grant.

Possible Asserted Cause and Effect

Internal control was not properly executed to ensure effectiveness and compliance with A-102. As an effect, Management did not comply with the Activities Allowed/Allowable Costs requirement.

Recommendation

We recommend that the internal controls be evaluated to prevent future noncompliance.

Questioned Costs

\$652

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-70
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-61
<i>Federal Program</i>	Temporary Assistance for Needy Families (CFDA #93.558)
<i>Federal Award Number</i>	G-1102MITANF, G-1202MITANF
<i>Federal Award Year</i>	October 1, 2010 - September 30, 2011, October 1, 2011 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Workforce Development Agency State of Michigan
<i>City of Detroit Department</i>	Detroit Workforce Development Department (DWDD)
<i>Compliance Requirement</i>	Cash Management

Criteria

Per OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments Attachment (2)(a), agency methods and procedures for transferring funds shall minimize the time elapsing between transfer to recipients of grants and cooperative agreements and the recipient's need for the funds. Per the State of Michigan instructions for the Cash Request Form, the department is to use 'Actual Disbursements', 'Year-to-Date' defined as follows, "This figure is to include only the actual cash paid out of costs, including funds to subcontractors."

Condition

The City did not minimize the time lapse between the drawdown and the payment of funds as required. The average daily balance outstanding was \$1,891,723.

Possible Asserted Cause and Effect

DWDD utilized an accrual based Cost Center Responsibility Report to prepare the Cash Request.

Recommendation

We recommend preparing the Cash Requests based on actual disbursements.

Questioned Costs

None

Views of Responsible Officials

Cash requests are based partially on accruals due to the fact that DWDD has to ensure the cash is in the appropriate bank accounts before payments are disbursed. However, the check writing process is handled by Central Finance and time lapsing between the receipt and disbursement of funds is beyond our immediate control.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-71
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-62
<i>Federal Program</i>	Temporary Assistance for Needy Families (CFDA #93.558)
<i>Federal Award Number</i>	G-1102MITANF, G-1202MITANF
<i>Federal Award Year</i>	October 1, 2010 - September 30, 2011, October 1, 2011 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Workforce Development Agency State of Michigan
<i>City of Detroit Department</i>	Detroit Workforce Development Department (DWDD)
<i>Compliance Requirement</i>	Procurement, Suspension and Debarment

Criteria

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

37 of the 40 contracts selected were signed and approved by the City Council, the president of the subrecipient organization, and the authorized department representative after the date on which services began.

Possible Asserted Cause and Effect

Internal control was not properly executed to ensure effectiveness and compliance with A-102. As an effect, Management did not comply with the Procurement requirement.

Recommendation

We recommend City departments work cooperatively to determine a method to obtain an approval to continue contracts under the circumstances while remaining in compliance with procurement and contract ordinances and standards.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-72
<i>Finding Type</i>	Noncompliance / significant deficiency
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Temporary Assistance for Needy Families (CFDA #93.558)
<i>Federal Award Number</i>	G-1102MITANF, G-1202MITANF
<i>Federal Award Year</i>	October 1, 2010 - September 30, 2011, October 1, 2011 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Workforce Development Agency State of Michigan
<i>City of Detroit Department</i>	Detroit Workforce Development Department (DWDD)
<i>Compliance Requirement</i>	Reporting

Criteria

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per Policy Issuance 11-08, MWA Directors must submit the JET Program Plan within 30 days of the official date of this policy issuance, dated 9/28/11. Further, one hard copy of the Plan Approval form must be submitted within 30 days of the official date of the policy issuance.

Condition

The TANF JET Program Plan was submitted on 11/1/11, which is 30 days after the Policy Issuance official date of 9/28/11. In addition, the Plan Approval Form was not submitted until after the WDB Chairperson approved the plan on 11/9/11, which is after 30 days of the Policy Issuance official date of 9/28/11.

Possible Asserted Cause and Effect

Internal control was not properly executed to ensure effectiveness and compliance with A-102. As an effect, the report was not submitted on time to WDASOM. Further, Management did not comply with the Reporting requirement.

Recommendation

We recommend that the internal controls be evaluated to prevent future noncompliance.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-73
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-63
<i>Federal Program</i>	Temporary Assistance for Needy Families (CFDA #93.558)
<i>Federal Award Number</i>	G-1102MITANF, G-1202MITANF
<i>Federal Award Year</i>	October 1, 2010 - September 30, 2011, October 1, 2011 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Workforce Development Agency State of Michigan
<i>City of Detroit Department</i>	Detroit Workforce Development Department (DWDD)
<i>Compliance Requirement</i>	Subrecipient Monitoring

Criteria

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per 31 USC 7502(f)(2)(B)(2), each pass through entity shall: A) provide each subrecipient the program names (and identifying numbers) from which each assistance is derived, and the Federal requirements that govern the use of such awards and the requirements of (this) chapter; B) monitors the subrecipients use of Federal awards through site visits, limited scope audits, or other means; C) review the audit of a subrecipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings, as defined by the Director, pertaining to Federal awards provided to the subrecipient by the pass-through entity.

Condition

8 of 8 subrecipient contracts selected were signed and approved by the City Council, the president of the subrecipient organization, and the authorized department representative after the date on which services began. In addition, we reviewed the OMB Circular A-133 Report for subrecipients expending \$500,000 or more in Federal awards during the fiscal year 2012. One of the reports was due to DWDD by 6/30/2012; however, the report was not received until 2/26/2013. DWDD was unable to provide any documentation of correspondence with the subrecipient in regards to a follow-up in receiving the report.

Possible Asserted Cause and Effect

Internal control was not properly designed, executed, or modified to ensure effectiveness and compliance with A-102. As an effect, Management did not comply with the Subrecipient Monitoring requirements.

Recommendation

We recommend City departments work cooperatively to determine a method to obtain an approval to continue contracts under the circumstances while remaining in compliance with procurement and contract ordinances and standards.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-74
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-64
<i>Federal Program</i>	Temporary Assistance for Needy Families (CFDA #93.558)
<i>Federal Award Number</i>	G-1102MITANF, G-1202MITANF
<i>Federal Award Year</i>	October 1, 2010 - September 30, 2011, October 1, 2011 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Workforce Development Agency State of Michigan
<i>City of Detroit Department</i>	Detroit Workforce Development Department (DWDD)
<i>Compliance Requirement</i>	Special Tests & Provisions: Cycle Monitoring

Criteria

OMB Circular A-133 Subpart C Section 300 paragraph f requires auditees to follow up and take corrective action on findings.

Condition

DWDD receives 3 cycle monitoring reports a year from the Workforce Development Agency, State of Michigan (WDASOM). Over the past five years, several comments have been repeated throughout these reports and have not been adequately resolved or addressed by the City.

Possible Asserted Cause and Effect

Timely corrective action has not been taken for each of the findings identified during the cycle monitoring visits. As an effect, several findings have been repeated year after year.

Recommendation

We recommend that the department take timely corrective action for each of the findings identified during the cycle monitoring visits.

Questioned Costs

None

Views of Responsible Officials

DWDD has always responded in a timely manner to findings identified by the State of Michigan. Several of the repeat findings are the result of City of Detroit procedures that are beyond the control of the department.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-75
<i>Finding Type</i>	Scope limitation / material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Community Services Block Grant (CFDA #93.569, 93.710 - ARRA)
<i>Federal Award Number</i>	CSBG-10-82007-2
<i>Federal Award Year</i>	October 1, 2009 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Michigan Department of Human Services
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

42 USC 9901, 42 USC 9908(b), and 42 USC 9920(a) and 45 CFR section 1050.3(a)(1) state that subgrantees may use CSBG funds for any programs, services or other activities related to achieving the broad goals of the CSBG programs, such as reducing poverty, revitalizing low-income communities, and assisting low-income individuals and families. Funds may be used to: (1) Promote economic self-sufficiency, employment, education and literacy, housing and civic participation. (2) Support community youth development programs. (3) Fill gaps in services through information dissemination, referrals, and case management. (4) Provide emergency assistance through grants and loans, and provision of supplies, services and food stuffs. (5) Secure more active involvement of the private sector, faith-based institutions, neighborhood-based organizations, and charitable groups. (6) Plan, coordinate, and develop linkages among public (Federal, States and local), private, and non-profit resources, including religious organizations, to improve their combined effectiveness in ameliorating poverty.

Additionally, the agreement between the State of Michigan Department of Human Services (MDHS) and the City of Detroit Department of Human Services (DHS- the grantee) requires that the grantee submit a monthly Statement of Expenditures to MDHS. The SOE shall accurately indicate actual expenditures incurred in the performance of this agreement for the period being billed. The SOE shall be submitted to MDHS within thirty (30) days from the end of the monthly billing period.

For fringe benefit costs, the plan shall include: a listing of fringe benefits provided to covered employees, and the overall annual cost of each type of benefit: current fringe benefit policies; and procedures used to charge or allocate the costs of the benefits to benefitted activities.

Condition

During testwork, we noted differences between the GL/DRMS and Statement of Expenditures (SOE). Amounts reported on the SOE were not appropriately supported by GL amounts, causing an overstatement of expenditures on the SOE. This was unable to be reconciled due to a variety of reasons:

1. During testwork over payroll and fringe benefits, we determined that expenses were incorrectly recorded to the fringe clearing account in the amount of \$1,083,634, which should have been

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

posted to object codes in OTPS. This caused an understatement of fringe benefits on the general ledger.

2. Due to the State review process, expenditure amounts per the FSR were an agreed upon amount as allowable between the State and DHS, therefore the September 2011 SOE could not be supported by the GL.
3. During our testwork over Reporting and Cash Management it was determined that unpaid invoices were included in SOE amounts.

Possible Asserted Cause and Effect

Ineffective oversight of the Department of Human Services programs by those charged with governance over compliance with reporting expenses for reimbursement where the activity is subject to the type of compliance requirement. DHS did not comply with activities allowed or unallowed and allowable costs/cost principle requirements.

Recommendation

We recommend that Department of Human Services establish policies and procedures to ensure that eligibility requirements are met and documented before providing services to individuals.

Questioned Costs

Indeterminable

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-76
<i>Finding Type</i>	Scope limitation / material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-67
<i>Federal Program</i>	Community Services Block Grant (CFDA #93.569, 93.710 - ARRA)
<i>Federal Award Number</i>	CSBG-10-82007-2
<i>Federal Award Year</i>	October 1, 2009 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Michigan Department of Human Services
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

According to OMB Circular A-87, attachment B, charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit. No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity. Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

Condition

During our payroll testwork, it was noted that 3 of 40 employee selections salaries were not within the appropriate range from the White Book. The auditee was unable to provide 15 of 40 required payroll certifications. Additionally, through testwork of Head Start payroll expenditures, it was noted that two employees initially worked for Head Start, and were replaced by two others who were working for CSBG. Subsequently, they switched back to working on their original grants. We noted that these employees were still charging their original grants, although work was being performed on a different grant.

Possible Asserted Cause and Effect

Ineffective payroll system controls. Ineffective oversight of the Department of Human Services programs by those charged with governance over compliance with payroll requirements where the activity is subject to the type of compliance requirement. DHS did not comply with activities allowed or unallowed and allowable costs/cost principle requirements in regards to payroll.

Recommendation

We recommend that Department of Human Services establish policies and procedures to ensure that time certifications are signed for the appropriate pay periods.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Questioned Costs

Indeterminable

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

<i>Finding Number</i>	2012-77
<i>Finding Type</i>	Scope limitation / material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-68
<i>Federal Program</i>	Community Services Block Grant (CFDA #93.569, 93.710 - ARRA)
<i>Federal Award Number</i>	CSBG-10-82007-2
<i>Federal Award Year</i>	October 1, 2009 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Michigan Department of Human Services
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Cash Management

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

31 CFR 205.12 (b)(5) states that reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes. Additionally, 24 CFR 85.21 (d), sub part C- Post Award Requirements, states that reimbursement shall be the preferred method of payment.

OMB Circular A-133 also documents that when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.

Condition

The City of Detroit was unable to provide adequate documentation to evidence whether payments made were incurred before the cash drawdown date. Unpaid invoices were included on the Statement of Expenditures, therefore DHS had not paid the expense before requesting reimbursement.

Possible Asserted Cause and Effect

Ineffective oversight of the Department of Human Services programs by those charged with governance over compliance with cash management requirements where the activity is subject to the type of compliance requirement. In addition, due to the State review process, the department had cash flow issues until the State reviewed the FSR amounts and approved reimbursement. DHS did not comply with cash management and reporting compliance requirements.

Recommendation

We recommend that the Department of Human Services establish policies and procedures to ensure that all cash management requirements are met specifically that payments are incurred before cash is drawn down.

Questioned Costs

None

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-78
<i>Finding Type</i>	Scope limitation / material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-69
<i>Federal Program</i>	Community Services Block Grant (CFDA #93.569, 93.710 - ARRA)
<i>Federal Award Number</i>	CSBG-10-82007-2
<i>Federal Award Year</i>	October 1, 2009 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Michigan Department of Human Services
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Eligibility

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Specific requirements for eligibility are unique to each Federal program and are found in the laws, regulations, and the provisions of contract of grant agreements pertaining to the program. Grant number CSBG-10-82007 states for direct monetary assistance provided to clients with CSBG funds, an applicant will be considered eligible whose annual household income is at or below 200 percent of the poverty income guidelines. The grantee must maintain a client file for all recipients receiving direct monetary services with CSBG funds. At a minimum, the file must include: a copy of the grantee's client services application. The application must identify each member of the household as well as income sources and amounts for each member of the household being served. The client and the intake worker must sign the application. A copy of all documents used to determine income eligibility; including self declarations and documented phone conversations including names and dates with public case workers. All calculations for each income source for the prior 12 months as well as the total income for the client household. The type and dollar value, of the benefits provided.

Additionally, 42 USC 9902 (2) and the OMB Circular A-133 Compliance Supplement state that the official poverty guideline as revised annually by HHS shall be used to determine eligibility. The poverty guidelines are issued each year in the Federal Register and on the HHS web site. A State may adopt a revised poverty guideline but it may not exceed 125 percent of the HHS-determined poverty guidelines.

Condition

During testwork over Eligibility, management could not provide 9 of the 65 eligibility files requested. Additionally, 3 of the 56 files provided did not include all of the required documentation to determine eligibility.

Possible Asserted Cause and Effect

Ineffective oversight of the Department of Human Services programs by those charged with governance over compliance with eligibility requirements where the activity is subject to the type of

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

compliance requirement. DHS is not in compliance with eligibility requirements, therefore unallowable costs could be incurred performing services to ineligible individuals.

Recommendation

We recommend that Department of Human Services establish policies and procedures to ensure that eligibility requirements are met and documented before providing services to individuals.

Questioned Costs

Indeterminable

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-79
<i>Finding Type</i>	Noncompliance / significant deficiency
<i>Prior Year Finding</i>	2011-70
<i>Federal Program</i>	Community Services Block Grant (CFDA #93.569, 93.710 - ARRA)
<i>Federal Award Number</i>	CSBG-10-82007-2
<i>Federal Award Year</i>	October 1, 2009 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Michigan Department of Human Services
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Procurement, Suspension & Debarment

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Title 2 of the CFR part 180.300 states that when you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by: (a) Checking the EPLS; or (b) Collecting a certification from that person; or(c) Adding a clause or condition to the covered transaction with that person.

Condition

During our review of Department of Human Services subrecipients and other contracts, it was noted that 1 subrecipient contract of 8 contracts selected did not contain a suspension and debarment clause.

Possible Asserted Cause and Effect

Ineffective oversight of the Detroit Human Services program by those charged with governance over compliance with contract requirements where the activity is subject to the type of compliance requirement. Detroit Human Services has not required that subrecipients certify that they are not suspended or debarred from receiving federal funds and, therefore, is not in compliance with federal Procurement, Suspension, and Debarment requirements.

Recommendation

We recommend that Detroit Human services establish policies and procedures to ensure that a suspension and debarment certification is included in all contracts with subrecipients.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-80
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-72
<i>Federal Program</i>	Community Services Block Grant (CFDA #93.569, 93.710 - ARRA)
<i>Federal Award Number</i>	CSBG-10-82007-2
<i>Federal Award Year</i>	October 1, 2009 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Michigan Department of Human Services
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Reporting

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Grantees will use the FFR to report the status of funds for all non-construction grants, for construction grants or grants which include both construction and non-construction activities as determined by HUD. HUD shall prescribe whether the FFR shall be on a cash or accrual basis. If HUD requires accrual information and the grantee's accounting records are not normally kept on the accrual basis, the grantee shall not be required to convert its accounting system but shall develop such accrual information through an analysis of the documentation on hand. HUD shall determine the frequency of the FFR for each project or program, considering the size and complexity of the particular project or program. However, the report will not be required more frequently than quarterly or less frequently than annually. The reporting period end dates shall be March 31, June 30, September 30 or December 31. A final FFR shall be required at the completion of the award agreement and shall use the end date of the project or grant period as the reporting end date. HUD requires recipients to submit the FFR (original and two copies), not later than 30 days after the end of each specified reporting period for quarterly and semiannual reports and 90 days for annual reports. Final reports shall be submitted no later than 90 days after the expiration or termination of grant support.

Additionally the agreement between the State of Michigan Department of Human Services (MDHS) and the City of Detroit Department of Human Services (DHS- the grantee) requires that the grantee submit a monthly Statement of Expenditures to MDHS. The SOE shall accurately indicate actual expenditures incurred in the performance of this agreement for the period being billed. The SOE shall be submitted to MDHS within thirty (30) days from the end of the monthly billing period.

Condition

DHS has not recorded all its expenses within the correct reporting period. 8 of 40 Subrecipient selections were for services performed in a prior fiscal year period. 24 of 40 OTPS selections were for services/expenditures incurred in a prior fiscal year period. ***Possible Asserted Cause and Effect***

Ineffective oversight of the Department of Human Services programs by those charged with governance over compliance with reporting requirements where the activity is subject to the type of

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

compliance requirement. Cash management issues hindered the department towards the end of FY11 into FY12. Central City allocations were not recorded and charged to the grant on a timely basis. DHS did not comply with reporting activities.

Recommendation

We recommend that Department of Human Services establish policies and procedures to ensure that expenses are reported in the fiscal period that they incur.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-81
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-71
<i>Federal Program</i>	Community Services Block Grant (CFDA #93.569, 93.710 - ARRA)
<i>Federal Award Number</i>	CSBG-10-82007-2
<i>Federal Award Year</i>	October 1, 2009 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Michigan Department of Human Services
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Reporting

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

The agreement between the State of Michigan Department of Human Services (MDHS) and the City of Detroit Department of Human Services (DHS- the grantee) requires that the grantee submit a monthly Statement of Expenditures (SOE) to MDHS. The SOE shall accurately indicate actual expenditures incurred in the performance of this agreement for the period being billed. The SOE shall be submitted to MDHS within thirty (30) days from the end of the monthly billing period. For the month of September, billings shall be submitted as reasonably by the Grant Administrator to meet fiscal year and closing deadlines.

Condition

During testwork over the reporting requirements, we noted that the FSR for 1 of 12 months reviewed was not submitted to the State timely. In addition, we noted that FSRs for 2 of 12 months reviewed were not complete. The FSRs did not have "Expenditure by Activity" amounts included on the report.

Possible Asserted Cause and Effect

Ineffective oversight of the Department of Human Services programs by those charged with governance over compliance with reporting requirements where the activity is subject to the type of compliance requirement. DHS is not in compliance with reporting requirements.

Recommendation

We recommend that Department of Human Services establish policies and procedures to ensure that reporting requirements are met timely.

Questioned Costs

None

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

<i>Finding Number</i>	2012-82
<i>Finding Type</i>	Scope limitation / material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Community Services Block Grant (CFDA #93.569, 93.710 - ARRA)
<i>Federal Award Number</i>	CSBG-10-82007-2
<i>Federal Award Year</i>	October 1, 2009 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Michigan Department of Human Services
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Subrecipient Monitoring

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

45 CFR 92.40 (1)(2) states, grantees shall submit annual performance reports unless the awarding agency requires quarterly or semi-annual reports. However, performance reports will not be required more frequently than quarterly. Annual reports shall be due 90 days after the grant year, quarterly or semi-annual reports shall be due 30 days after the reporting period. The final performance report will be due 90 days after the expiration or termination of grant support. If a justified request is submitted by a grantee, the Federal agency may extend the due date for any performance report. Additionally, requirements for unnecessary performance reports may be waived by the Federal agency. Performance reports will contain, for each grant, brief information on the following: (i) a comparison of actual accomplishments to the objectives established for the period. Where the output of the project can be quantified, a computation of the cost per unit of output may be required if that information will be useful; (ii) the reasons for slippage if established objectives were not met; (iii) additional pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

Additionally, 42 USC 9914 (a) and 42 USC 9915 states that, states must conduct full on-site reviews of each eligible subgrantee once every 3 years to check conformity with performance goals, administrative standards, financial management rules, and other requirements. States must conduct an onsite review of each newly designated entity immediately after the completion of the first year in which such entity receives CSBG funding. Follow-up reviews, including prompt return visits to eligible entities and their programs, are required for entities that fail to meet the goals, standards, and requirements established by the State. If a State finds a need for corrective action, the State must (1) inform the subgrantee of the deficiency and require correction; (2) offer training and technical assistance and report to OCS on that assistance, or explain why providing such assistance was not appropriate; (3) and receive an improvement plan from the subgrantee within 60 days, and approve. If the subgrantee fails to remedy the deficiency, the State may initiate proceedings to terminate the subgrantees eligibility or reduce its funding.

Condition

Management could not provide monitoring files for 8 of 8 selected subrecipients, and therefore we could not determine that an effective subrecipient monitoring process was in place.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Possible Asserted Cause and Effect

Ineffective oversight of the Department of Human Services programs by those charged with governance over compliance with monitoring requirements where the activity is subject to the type of compliance requirement. DHS is not in compliance with subrecipient monitoring requirements.

Recommendation

We recommend that Department of Human services establish policies and procedures to ensure that monitoring is performed periodically, and findings are followed up with subrecipients to ensure that they are in compliance.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-83
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-74
<i>Federal Program</i>	Community Services Block Grant (CFDA #93.569, 93.710 - ARRA)
<i>Federal Award Number</i>	CSBG-10-82007-2
<i>Federal Award Year</i>	October 1, 2009 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Michigan Department of Human Services
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Special Tests & Provisions: Criminal Background Checks

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per the agreement between the State of Michigan Department of Human Services (MDHS) and the City of Detroit Department of Human Services (DHS - grantee), as a condition of the agreement, the CSBG grantee shall conduct or cause to be conducted prior to any individuals performing work under this agreement: (1) for each new employee, subcontractor, subcontractor employee or volunteer who - has unsupervised direct contact with children and/or vulnerable adult populations or access to confidential information, or; is directly supervising volunteers that have direct contact with children and/or vulnerable adult populations or confidential information, or; has regardless of supervision status, access to client confidential information, and Internet Criminal History Access Tool (ICHAT) check and a National and State Sex Offender Registry (SOR) check; (2) for each new employee, employee, subcontractor, subcontractor employee or volunteer who works directly with children under this agreement, a Central Registry (CR) check.

Condition

During our audit procedures, it was noted that there were two employees transferred into the CSBG program during the fiscal year ended 6/30/12. For one of these employees, there was no evidence provided that the employee was required to consent to a criminal background check prior to starting employment, and no criminal background check was performed.

Possible Asserted Cause and Effect

Ineffective oversight of the Department of Human Services program by those charged with governance over compliance with hiring requirements where the activity is subject to the type of compliance requirement. DHS has not conducted, or caused to be conducted, complete criminal background checks in accordance with the CSBG agreement with MDHS, and, therefore, is not in compliance with the agreement with MDHS.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Recommendation

We recommend that Detroit Human services establish policies and procedures to ensure that background checks are effectively performed upon hiring, or transfer, of new employees into the department.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2012

<i>Finding Number</i>	2012-84
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-75
<i>Federal Program</i>	Head Start (CFDA #93.600, 93.708 - ARRA)
<i>Federal Award Number</i>	05CHO113/47 and 05CH0113/46
<i>Federal Award Year</i>	October 1, 2010 - September 31, 2011, October 1, 2011 - September 31, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

The OMB Circular A-87, attachment B, states that charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit. No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity. Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Condition

During test work over payroll, we noted that for 5 out of 40 selections the salary was out of the range of the White Book. We also noted that 4 out of 40 selections did not have payroll certifications.

Additionally, through test work of Head Start payroll expenditures, it was noted that two employees initially worked for Head Start, and were replaced by two other employees who were working for CSBG. Subsequently, they switched back to working on their original grants. We noted that these employees were still charging their original grants, although work was being performed on a different grant.

Possible Asserted Cause and Effect

Ineffective oversight of the Head Start program by those charged with governance over compliance with Payroll. Identification of material noncompliance for the period under audit was not initially identified by the entity's internal control. The Department of Human Services is not able to demonstrate compliance with Payroll compliance requirements.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Recommendation

We recommend that the Department of Human Services establish policies and procedures to ensure that Head Start employees are being paid salaries within the acceptable White Book range. DHS should also establish policies and procedures to make certain Head Start employees have certifications for every period for which they are receiving pay. DHS should ensure that all employee payroll costs are being charged to the correct grant for which work is being performed.

Questioned Costs

Indeterminable

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2012

<i>Finding Number</i>	2012-85
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-76
<i>Federal Program</i>	Head Start (CFDA #93.600, 93.708 - ARRA)
<i>Federal Award Number</i>	05CHO113/47 and 05CHO113/46
<i>Federal Award Year</i>	October 1, 2010 - September 31, 2011, October 1, 2011 - September 31, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/ Cost Principles

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Federal requirements state that local governments must have a Cost Allocation Plan or indirect cost rate on file. If an organization has a different cognizant agency, they must have the indirect cost rate approved by that agency prior to claiming indirect costs to the Head Start/Early Head Start grant.

Condition

During our testing over the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirement, we noted the cost allocated plan was not approved as required.

The Regional Division of Cost Allocation (RDCA) of the Department of Health and Human Services is the cognizant agency for local government and non-profit organizations that receive the majority of funds from HHS. Local governments must have a CAP or indirect cost rate on file, but neither has to be approved by the RDCA. However, since DHS' cognizant agency is Department of Housing and Development (HUD), they are required to have the indirect cost rate approved by that agency prior to claiming indirect costs to the Head Start/Early Head Start grant. This cost allocation plan was not approved by HUD.

Possible Asserted Cause and Effect

Ineffective oversight of the Head Start program by those charged with governance over compliance with Activities Allowed or Unallowed and Allowable Costs/Cost Principles, where the activity is subject to the type of compliance requirement. KPMG noted that identification of material noncompliance for the period under audit was not initially identified by the entity's internal control. The Department of Human Services is not able to demonstrate compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Recommendation

We recommend that the Department of Human Services establish policies and procedures to ensure that the cost allocation plan is approved by the respected cognizant agency prior to claiming indirect costs to the Head Start/Early Head Start grant.

Questioned Costs

\$275,283

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-86
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-77
<i>Federal Program</i>	Head Start (CFDA #93.600, 93.708 - ARRA)
<i>Federal Award Number</i>	05CHO113/47 and 05CHO113/46
<i>Federal Award Year</i>	October 1, 2010 - September 31, 2011, October 1, 2011 - September 31, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Cash Management

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency (24 CFR 85.20).

The OMB Circular A-102 states: Grants and Cooperative Agreements with State and Local Governments Attachment (1)(a), agency methods and procedures for transferring funds shall minimize the time elapsing between transfer to recipients of grants and cooperative agreements and the recipient's need for the funds.

Condition

During our review of cash management, it was noted that the City did not minimize the time lapse between drawdown and the payment of funds as required for 9 of 73 selections.

Possible Asserted Cause and Effect

Ineffective oversight of the Head Start program by those charged with governance over compliance with Cash Management, specifically the drawdown and payment of funds. Identification of material noncompliance for the period under audit was not initially identified by the entity's internal control. The Department of Human Services is not able to demonstrate compliance with the Cash Management compliance requirements.

Recommendation

We recommend that the Department of Human Services establish policies and procedures to ensure that the time lapse between drawdown and payment of funds is minimized.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-87
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-78
<i>Federal Program</i>	Head Start (CFDA #93.600, 93.708 - ARRA)
<i>Federal Award Number</i>	05CHO113/47 and 05CH0113/46
<i>Federal Award Year</i>	October 1, 2010 - September 31, 2011, October 1, 2011 - September 31, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Earmarking

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

The OMB Circular A-133 Compliance Supplement, Subpart G (3a.) states that the costs of developing and administering a Head Start program shall not exceed 15 percent of the annual total program costs, including the required non-Federal contribution to such costs (i.e., matching), unless a waiver has been granted by ACF. Development and administrative costs include, but are not limited to, the cost of organization-wide planning, coordination and general purpose direction, accounting and auditing, purchasing and personnel functions, and the cost of operating and maintaining space for these purposes (42 USC 9839(b)(2); 45 CFR section 1301.32).

Condition

During our test work over the Earmarking compliance requirement, it was noted that DHS exceeded the 15% maximum of costs of developing and administering a Head Start program. The calculated percentage for the year ended October 31, 2011 is 16.05%. The calculated percentage for the year ended June 30, 2012 is 12.59%. The noncompliance and related questioned costs pertain to the 1% overage as of October 31, 2011.

Possible Asserted Cause and Effect

Ineffective oversight of the Head Start program by those charged with governance over compliance with Earmarking, where the activity is subject to the type of compliance requirement. KPMG noted that identification of material noncompliance for the period under audit was not initially identified by the entity's internal control. The Department of Human Services is not able to demonstrate compliance with the Earmarking compliance requirement.

Recommendation

We recommend that the Department of Human Services establish policies and procedures to ensure that administrative costs do not exceed the 15% maximum.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Questioned Costs

\$633,258

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

<i>Finding Number</i>	2012-88
<i>Finding Type</i>	Scope limitation / material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Head Start (CFDA #93.600, 93.708 - ARRA)
<i>Federal Award Number</i>	05CHO113/47 and 05CH0113/46
<i>Federal Award Year</i>	October 1, 2010 - September 31, 2011, October 1, 2011 - September 31, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Earmarking

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Each Head Start agency must enroll 100 percent of its funded enrollment. For Fiscal Year 2009 and thereafter, not less than 10 percent of the total number of children actually enrolled by each Head Start Agency and each delegate agency must be children with disabilities determined to be eligible for special education and related services unless a waiver has been approved by ACF (42 USC 9835(d) and 42 USC 9387 (g)).

Condition

During our test work over the earmarking compliance requirement, it was noted that 8 out of 8 delegates selected had less than 10% disabled children enrolled. DHS was unable to provide a waiver for disability enrollment. Management was also unable to provide delegate disability reports for all delegates along with annual enrollment audits.

Possible Asserted Cause and Effect

Ineffective oversight of the Head Start program by those charged with governance over compliance with Earmarking, where the activity is subject to the type of compliance requirement. Identification of material noncompliance for the period under audit was not initially identified by the entity's internal control. The Department of Human Services is not able to demonstrate compliance with the Earmarking compliance requirements.

Recommendation

We recommend that the Department of Human Services establish policies and procedures to ensure that for delegates who have less than 10% disabled children enrolled, a waiver has been approved by ACF. DHS should also establish policies and procedures to make certain delegates are submitting delegate disability reports monthly and said reports are retained. Policies and procedures should be put in place to ascertain that annual enrollment audits are performed and maintained.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-89
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-79
<i>Federal Program</i>	Head Start (CFDA #93.600, 93.708 - ARRA)
<i>Federal Award Number</i>	05CHO113/47 and 05CH0113/46
<i>Federal Award Year</i>	October 1, 2010 - September 31, 2011, October 1, 2011 - September 31, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Procurement, Suspension and Debarment

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Procurement records and files for purchases in excess of the simplified acquisition threshold (\$100,000) shall include the following at a minimum: (a) Basis for contractor selection, (b) justification for lack of competition when competitive bids or offers are not obtained, and (c) basis for award cost or price (45 CFR 74.46).

All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. The recipient shall be alert to organizational conflicts of interest as well as noncompetitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft grant applications, or contract specifications, requirements, statements of work, invitations for bids and/or requests for proposals shall be excluded from competing for such procurements. Awards shall be made to the bidder or offeror whose bid or offer is responsive to the solicitation and is most advantageous to the recipient, price, quality and other factors considered. Solicitations shall clearly set forth all requirements that the bidder or offeror shall fulfill in order for the bid or offer to be evaluated by the recipient. Any and all bids or offers may be rejected when it is in the recipient's interest to do so (45 CFR 74.43).

Condition

During our testing over the Procurement, Suspension & Debarment compliance requirement, we noted that 6 out of the 6 Head Start contracts are not competitively bid. Management was unable to provide documentation in support of the rationale to limit competition.

Possible Asserted Cause and Effect

Ineffective oversight of the Head Start program by those charged with governance over compliance with Procurement, Suspension & Debarment, specifically the contract bidding process, where the activity is subject to the type of compliance requirement. Identification of material noncompliance for the period under audit was not initially identified by the entity's internal control. The Department of Human Services

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

is not able to demonstrate compliance with the Procurement, Suspension & Debarment compliance requirements.

Recommendation

We recommend that the Department of Human Services establish policies and procedures to ensure that contracts are competitively bid during the procurement process.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2012

<i>Finding Number</i>	2012-90
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-80
<i>Federal Program</i>	Head Start (CFDA #93.600)
<i>Federal Award Number</i>	05CHO113/47 and 05CH0113/46
<i>Federal Award Year</i>	October 1, 2010 - September 31, 2011, October 1, 2011 - September 31, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Reporting

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

2 CFR 170, Appendix A and Federal Funding Accountability and Transparency Act Subaward Reporting System- FSRS.gov website states: 1) the following data about sub-awards greater than \$25,000 must be reported: a) name of entity receiving award b) amount of award c) funding agency d) NAICS code for contracts/ CFDA program number for grants e) program source f) award title descriptive of the purpose of the funding action g) location of the entity (including congressional district) h) place of performance (including congressional district) i) unique identifier of the entity and its parent; and j) total compensation and names of top five executives (same thresholds as for primes). 2) The total compensation and names of top five executives must be reported if: a) more than 80% of annual gross revenues from the Federal government and those revenues are greater than \$25M annually and b) compensation information is not already available through reporting to the SEC.

Condition

Per review of the Transparency Act Report, the information (i.e. sub-award data) is not reported correctly and there were no identifiable controls in place over the preparation and submission of the data.

Possible Asserted Cause and Effect

Ineffective oversight of the Head Start program by those charged with governance over compliance with reporting, where the activity is subject to the type of compliance requirement. Identification of material noncompliance for the period under audit was not initially identified by the entity's internal control. The Department of Human Services is not able to demonstrate compliance with the reporting compliance requirements.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Recommendation

We recommend that the Department of Human Services establish policies and procedures to ensure that all required information (i.e. sub-award data) is reported correctly on the Transparency Act Reports.

Questioned Costs142

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

<i>Finding Number</i>	2012-91
<i>Finding Type</i>	Scope limitation / material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-73
<i>Federal Program</i>	Head Start (CFDA #93.600, 93.708 - ARRA)
<i>Federal Award Number</i>	05CHO113/47 and 05CH0113/46
<i>Federal Award Year</i>	October 1, 2010 - September 31, 2011, October 1, 2011 - September 31, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Subrecipient Monitoring

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Grantees must establish and implement procedures for the ongoing monitoring of their own Early Head Start and Head Start operations, as well as those of each of their delegate agencies, to ensure that these operations effectively implement Federal regulations. Grantees must inform delegate agency governing bodies of any deficiencies in delegate agency operations identified in the monitoring review and must help them develop plans, including timetables, for addressing identified problems (45 CFR 1304.51(i)(2)(3)).

Condition

During test work over subrecipient monitoring, management was unable to provide 2 of 4 A-133 reports for its subrecipients. 1 out of 4 selected monitoring files were unable to be located. We also noted that the 3 files provided did not contain adequate documentation evidencing appropriate monitoring (lack of correspondence, desk review support, and monitoring checklist).

Possible Asserted Cause and Effect

Ineffective oversight of the Head Start program by those charged with governance over compliance with Subrecipient Monitoring, specifically fiscal and programmatic monitoring, where the activity is subject to the type of compliance requirement. Identification of material noncompliance for the period under audit was not initially identified by the entity's internal control. The Department of Human Services is not able to demonstrate compliance with the Subrecipient Monitoring compliance requirements.

Recommendation

We recommend that the Department of Human Services establish policies and procedures to ensure that subrecipient monitoring is being performed as required and that adequate supporting documentation and correspondence is retained.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-92
<i>Finding Type</i>	Material weakness
<i>Prior Year Finding</i>	2011-87
<i>Federal Program</i>	HIV Emergency Relief (CFDA #93.914)
<i>Federal Award Number</i>	H89HA00021
<i>Federal Award Year</i>	March 1, 2011 - February 29, 2012, March 1, 2012 - February 28, 2013
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Department of Health & Wellness Promotion
<i>Compliance Requirement</i>	Maintenance of Effort

Criteria

OMB Circular A-102 requires non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Per the grant agreement between the City and HRSA, the grantee must submit a report of Maintenance of Effort (MOE) Expenditures for fiscal years 2009 and 2010 via HRSA Electronic Handbook by due date of May 29, 2012.

Condition

The City was unable to provide support that the Maintenance of Effort certification was submitted by the due date of 5/29/12, and that it was reviewed prior to submission to HRSA.

Possible Asserted Cause and Effect

Ineffective oversight of the Detroit Health Department by those charged with governance over compliance with the Maintenance of Effort requirements. The City was unable to provide sufficient support that they complied with the MOE requirement.

Recommendation

We recommend that Detroit Health Department establish policies and procedures to ensure compliance with the Maintenance of Effort requirement and properly document the review and submission of the Maintenance of Effort.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-93
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-83
<i>Federal Program</i>	HIV Emergency Relief (CFDA #93.914)
<i>Federal Award Number</i>	H89HA00021
<i>Federal Award Year</i>	March 1, 2011 - February 29, 2012, March 1, 2012 - February 28, 2013
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Department of Health & Wellness Promotion
<i>Compliance Requirement</i>	Procurement, Suspension and Debarment

Criteria

OMB Circular A-87 requires non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

We inspected the two contracts between the City and SEMHA covering fiscal year 2012 and noted that they were both approved greater than four months after the effective date of the contract. The contract for grant year 3/1/2011 - 2/28/2012 was approved on June 27, 2011, and the contract for grant year 3/1/12 - 2/28/2013 was approved on June 27, 2012.

Possible Asserted Cause and Effect

Ineffective oversight of the Detroit Health Department by those charged with governance over compliance with contract requirements, including those related to suspension and debarment. Both the March 2011 and March 2012 contracts between the City and SEMHA were approved in June 2011 and June 2012, respectively, which is after the start of the grant year. This allowed SEMHA to operate without an approved contract for more than 4 months.

Recommendation

We recommend that Detroit Health Department establish policies and procedures to ensure that all contracts are submitted and approved on time.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-94
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-85
<i>Federal Program</i>	HIV Emergency Relief (CFDA #93.914)
<i>Federal Award Number</i>	H89HA00021
<i>Federal Award Year</i>	March 1, 2011 - February 29, 2012, March 1, 2012 - February 28, 2013
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Department of Health & Wellness Promotion
<i>Compliance Requirement</i>	Reporting

Criteria

Per 2 CFR 170, Appendix A and Federal Funding Accountability and Transparency Act Subaward Reporting System-FSRS.gov website:

1. The following data about sub-awards greater than \$25,000 must be reported:
 - a) Name of entity receiving award,
 - b) Amount of award,
 - c) Funding agency,
 - d) NAICS code for contracts/ CFDA program number for grants,
 - e) Program source,
 - f) Award title descriptive of the purpose of the funding action,
 - g) Location of the entity (including congressional district),
 - h) Place of performance (including congressional district),
 - i) Unique identifier of the entity and its parent; and
 - j) Total compensation and names of top five executives (same thresholds as for primes).

2. The total Compensation and Names of the top five executives must be reported if:
 - a) More than 80% of annual gross revenues from the Federal government, and those revenues are greater than \$25M annually and
 - b) Compensation information is not already available through reporting to the SEC.

Condition

Per review of the Transparency Act Report, the reporting of key data elements of the subaward to the subrecipient (e.g. award amount, subrecipient name, date of signed contract) were not reported on the Transparency Act website, and there were no identifiable controls in place over the preparation and submission of the data.

Possible Asserted Cause and Effect

Ineffective oversight of the Detroit Health Department by those charged with governance over compliance with the Sub-award Transparency Act and Sub-Granting Reporting requirements. Management did not comply with the Sub-award Transparency Act & Sub-Granting Reporting requirements.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Recommendation

We recommend that Detroit Health Department establish policies and procedures to ensure compliance with the Sub-award Transparency Act and Sub-Granting Reporting requirements.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-95
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-86
<i>Federal Program</i>	HIV Emergency Relief (CFDA #93.914)
<i>Federal Award Number</i>	H89HA00021
<i>Federal Award Year</i>	March 1, 2011 - February 29, 2012, March 1, 2012 - February 28, 2013
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Department of Health & Wellness Promotion
<i>Compliance Requirement</i>	Subrecipient Monitoring

Criteria

Governmental subrecipients are subject to the A-102 common Rule, which requires nonfederal entities receiving Federal Awards to establish and maintain internal controls designed to reasonable ensure compliance with laws, regulations and program compliance requirements. Per 31 USC 7502(f)(2)(B)(2), each pass through entity shall: A) Provide each subrecipient the program names (and identifying numbers) from which each assistance is derived, and the federal requirements that govern the use of such awards and the requirements of chapter; B) Monitors the subrecipients use of Federal awards through site visits, limited scope audits, or other means; C) Review the audit of a subrecipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings, as defined by the Director pertaining to federal awards provided to the subrecipient by the pass-through entity.

Condition

The City has policies and procedures in place over subrecipient monitoring but is not effectively implementing it. There was no evidence of management review of the onsite review checklist. The Professional Service Contract between the City of Detroit and the subrecipient, contains responsibilities listed for both parties that are ambiguous and do not clearly disclose all of the relevant terms and conditions of the grant agreement from HRSA, including whether the contractor should report expenditures on a cash or accrual basis of accounting, and pass-through information.

Possible Asserted Cause and Effect

Ineffective oversight of the Detroit Health Department by those charged with governance over compliance with the Subrecipient Monitoring requirements. The City did not properly document the evidences of management review of the onsite review checklist.

Recommendation

We recommend that Detroit Health Department establish policies and procedures to ensure compliance with the Subrecipient Monitoring requirements and properly document the management review of the onsite review checklist.

Questioned Costs

None

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-96
<i>Finding Type</i>	Noncompliance / significant deficiency
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Block Grants for Prevention and Treatment of Substance Abuse (CFDA #93.959)
<i>Federal Award Number</i>	20120859-00, 20112374-003
<i>Federal Award Year</i>	October 1, 2010 - September 30, 2011, October 1, 2011 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Michigan Department of Community Health
<i>City of Detroit Department</i>	Department of Health & Wellness Promotion
<i>Compliance Requirement</i>	Procurement, Suspension and Debarment

Criteria

OMB Circular A-87 requires non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

Of the 2 contracts (between the City and Clark Associates) selected for review, the contract ending 9/30/12 was approved on 12/14/11 (3 months after the effective date of the contract).

Possible Asserted Cause and Effect

Ineffective oversight of the procurement process by those charged with governance over compliance with contract requirements, including those related to suspension and debarment. The Detroit Health Department initiated the procurement process at an early stage. Due to the several approvals levels in the procurement process, the contract approval was delayed at the City Council and Purchasing approval level which caused the contract to be approved after the effective date. The September contracts between the City and Clark were approved 3 months after the effective date of the contract, which is after the start of the grant year. This allowed Clark to operate without an approved contract for 3 months.

Recommendation

We recommend that Detroit Health Department establish policies and procedures to ensure that all contracts are submitted and approved before the effective date of the contract.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-97
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2011-89
<i>Federal Program</i>	Block Grants for Prevention and Treatment of Substance Abuse (CFDA #93.959)
<i>Federal Award Number</i>	20120859-00, 20112374-003
<i>Federal Award Year</i>	October 1, 2010 - September 30, 2011, October 1, 2011 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Michigan Department of Community Health
<i>City of Detroit Department</i>	Department of Health & Wellness Promotion
<i>Compliance Requirement</i>	Reporting

Criteria

Per "Attachment C: Required Reports" of the Grant Agreement between the State of Michigan and the City of Detroit, there were several reports that required the City to submit by the due date as listed on the grant agreement.

Condition

The Preliminary Closeout Report and Special Projects Report for 2012 were not submitted. Additionally, 12 reports required per the grant agreement were submitted after the required due date.

Possible Asserted Cause and Effect

Ineffective oversight of the Detroit Health Department by those charged with governance over compliance with requirements regarding Reporting. Internal controls were not properly designed, executed, or monitored to ensure effectiveness. As a result, management did not comply with the Reporting requirements.

Recommendation

We recommend that Detroit Health Department establish policies and procedures to ensure that all reports required by the grant agreement were submitted on time.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

<i>Finding Number</i>	2012-98
<i>Finding Type</i>	Noncompliance / significant deficiency
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Block Grants for Prevention and Treatment of Substance Abuse (CFDA #93.959)
<i>Federal Award Number</i>	20120859-00, 20112374-003
<i>Federal Award Year</i>	October 1, 2010 - September 30, 2011, October 1, 2011 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Michigan Department of Community Health
<i>City of Detroit Department</i>	Department of Health & Wellness Promotion
<i>Compliance Requirement</i>	Subrecipient Monitoring

Criteria

Determining Subrecipient Eligibility – In addition to any programmatic eligibility criteria under E, “Eligibility for Subrecipients,” for subawards made on or after October 1, 2010, determining whether an applicant for a non-ARRA subaward has provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or, if not, before award (2 CFR section 25.110 and Appendix A to 2 CFR part 25).

Condition

The City cannot provide support that Clark & Associates provided the City with a DUNS number prior to issuing the sub award.

Possible Asserted Cause and Effect

Ineffective oversight of the Detroit Health Department by those charged with governance over compliance with requirements regarding Subrecipient Monitoring. City of Detroit did not request Clark & Associates to provide the DUNS number prior to issue the Sub award. As a result, the City did not comply with sub recipient monitoring requirements.

Recommendation

We recommend that Detroit Health Department establish policies and procedures to ensure the documentation of the DUNS number and that the City requests Clark to provide a DUNS number prior to sub awarding.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.