

MOTOR CITY MATCH
UNIDENTIFIED DRAWS REPORT
21-0001-INV



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INSPECTOR GENERAL

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I. Recommendation

The Office of Inspector General (OIG) obtained sufficient evidence from the City of Detroit Housing and Revitalization Department (HRD) to confirm the draws submitted to the United States Department of Housing and Urban Development (HUD) were coded incorrectly. Furthermore, HRD notified HUD of the error and corrected their internal files. The OIG should close the investigation with a recommendation to implement regular program audits.

II. Basic Facts

In December of 2020, the OIG was in the final stages of completing the report for the investigation¹ of the costs HRD incurred for the Motor City Match (MCM) program. While reconciling the reimbursement draw requests submitted by HRD to HUD to the invoices from the Detroit Economic Growth Corporation (DEGC)², the OIG identified the following three requests did not have supporting invoices:

- Voucher No. 5838117 from 8/13/2015 totaling \$116,791.45;
- Voucher No. 5838119 from 8/13/2015 totaling \$54,541.73; and
- Voucher No. 5874886 from 12/8/2015 totaling \$77,281.32.

These requests were entered into the HUD Integrated Disbursement and Information System (IDIS) as activity delivery costs³ for the MCM program. The OIG requested additional information from HRD regarding the reimbursement requests.

By way of background, in accordance with the 2012 Charter of the City of Detroit and the OIG's Administrative Hearing Rules, the draft report for OIG Investigation File No. 19-0018-INV on MCM was shared with City officials in HRD and the Office of Development and Grants (ODG). After the OIG shared the draft report with HRD and ODG, the OIG asked for additional clarification on the draws prior to closing the initial MCM investigation. The response from ODG confirmed the draws were not for the MCM program but for a different sub-recipient⁴. It was at this point the OIG decided additional information was required to investigate what exactly happened with the draws in question. However, because the OIG was on strict deadline to close the MCM investigation based on our administrative rules⁵, the OIG decided to open a separate investigation pertaining to the above-referenced three draws.

¹ OIG Investigation No. 19-0018-INV

² DEGC administered the MCM program for the City of Detroit and submitted reimbursement requests to HRD monthly. The City then requested reimbursement for the expenses from HUD through draw requests.

³ HUD defines ADCs as "those allowable costs incurred for implementing and carrying out eligible CDBG activities." <https://www.hud.gov/sites/documents/13-07CPDN.PDF>

⁴ Sub-recipient means a non-federal entity (such as DEGC) that receives a sub-award from a pass-through entity (the City) to carry out part of a federal program (like MCM/MCR), <https://www.hud.gov/sites/documents/CFR200.PDF>

⁵ The City of Detroit Office of Inspector General Rules for the Conduct of Hearing Held Pursuant to Chapter 3 of Article 7.5 of the 2012 Detroit City Charter, as amended April 8, 2020, requires the OIG's file to be closed within 90 days of the receipt of additional information, once the administrative hearing process has started. Once the administrative hearing process has started.

Therefore, this OIG investigation focused on identifying the sub-recipient and how the funds were spent, if not by DEGC for the MCM program. The OIG requested from HRD the supporting documentation used to create the vouchers submitted to HUD to complete the investigation.

III. Discussion

HRD provided the OIG with a detailed explanation and supporting documentation⁶ for the draws in question. From the documentation provided, the OIG found the following:

Voucher No.	Sub-recipient	Amount	Services Provided
5838117	Invest Detroit Foundation	\$116,791.45	Administrative costs for Community Development Block Grant (CDBG) contract
5838119	Invest Detroit Foundation	\$54,541.73	Administrative costs for the CDBG contract
5874886	Invest Detroit Foundation	\$77,281.32	Staff expenses related to administering the CDBG contracts

In addition to the documentation, HRD provided a memorandum explaining the error stating, "...[a] previous program staff [member] inadvertently coded a line item as being Activity Delivery under Economic Development-Technical Assistance. However, this activity should have been coded as CDBG Administration⁷." Based on the OIG's review of the invoices in question, we concur with HRD's position that the invoices wrongly submitted as a result of clerical error. We further find HRD properly notified HUD, and corrected their internal files. In fact, based on our review of the records, HRD was already working with HUD to correct the error prior to the OIG finalizing the MCM report earlier this year.

IV. Conclusion

The OIG has no reason to suspect the improperly coded draw requests was anything more than a clerical error. HRD has taken the steps necessary to correct the error by engaging HUD and correcting their associated records. Now that the OIG has successfully identified the reason for the draws, there is no need for further action.

In the prior MCM report, the OIG recommended HRD audit the MCM program on a quarterly basis. We affirm our prior recommendation, as the draw requests in question are from 2015, however, the error was not discovered until 2020. The error could have remained undetected if there was not an ongoing audit of the program. Regular program audits could be helpful in preventing errors from going undetected for extended periods.

⁶ HRD provided the OIG with the drawdown request forms, check requests, and sub-recipient invoices for the three draws in question.

⁷ Letter from J. Schneider to B. Murray dated March 25, 2021