



**CITY OF DETROIT, MICHIGAN**  
OMB Circular A-133 Single Audit Report  
Year ended June 30, 2015

# 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 Michael E. Duggan  
and the Honorable Members of the City Council  
City of Detroit, Michigan:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Detroit, Michigan (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 31, 2016. Our report included an emphasis of matter paragraph, which states, among other matters, that the City filed a voluntary petition under Chapter 9 of the Bankruptcy Code on July 18, 2013 and exited bankruptcy on December 10, 2014. Our report also includes a reference to other auditors who audited the financial statements of the General Retirement System, the Police and Fire Retirement System, the Public Lighting Authority, and the Detroit Building Authority and all of the discretely presented component units, as described in our report on the City's basic financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the General Retirement System, Police and Fire Retirement System, and certain discretely presented component units identified in note I (a) to the City's basic financial statements were not audited in accordance with *Government Auditing Standards*.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.



A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2015-01, 2015-02, and 2015-03 to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 as items 2015-04, 2015-05, 2015-06, and 2015-07.

### **City's Response to Findings**

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

### **Purpose of this Report**

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

**KPMG LLP**

Detroit, Michigan  
May 31, 2016



KPMG LLP  
Suite 1900  
150 West Jefferson  
Detroit, MI 48226

**Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

The Honorable Mayor Mike Duggan  
and the Honorable Members of the City Council  
City of Detroit, Michigan:

**Report on Compliance for Each Major Federal Program**

We have audited the City of Detroit, Michigan's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Detroit Brownfield Redevelopment Authority, Detroit Public Library, Detroit Transportation Corporation, Detroit Housing Commission, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Greater Detroit Resource Recovery Authority, Local Development Finance Authority, Museum of African American History, Detroit Land Bank Authority Eight Mile/Woodward Corridor Improvement Authority, and Detroit Employment Solutions Corporation 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, 2015. Our audit, described below, did not include the operations of the Detroit Brownfield Redevelopment Authority, Detroit Public Library, Detroit Transportation Corporation, Detroit Housing Commission, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Greater Detroit Resource Recovery Authority, Local Development Finance Authority, Museum of African American History, Detroit Land Bank Authority Eight Mile/Woodward Corridor Improvement Authority, and Detroit Employment Solutions Corporation because these component units engaged other auditors to perform audits in accordance with OMB Circular A-133.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

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



We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and modified audit opinions on compliance. However, our audit does not provide a legal determination of the City’s compliance.

***Basis for Adverse Opinions on Major Federal Programs***

As identified in the finding numbers listed in Table I and described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the following:

**Table I – Material Noncompliance Noted in Programs Resulting in Adverse Opinion**

<b>Federal Awarding Agency</b>	<b>CFDA Number(s)</b>	<b>Federal Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Eligibility	2015-15
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Special Tests and Provisions – Housing Quality Standards	2015-16
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Reporting	2015-17
Housing and Urban Development	14.231	Emergency Solutions Grant	Activities Allowed or Unallowed and Allowable Costs/Cost Principles, Cash Management, Earmarking, and Period of Availability	2015-19
Housing and Urban Development	14.231	Emergency Solutions Grant	Reporting	2015-20



<b>Federal Awarding Agency</b>	<b>CFDA Number(s)</b>	<b>Federal Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
Housing and Urban Development	14.231	Emergency Solutions Grant	Special Tests and Provisions – Maintenance as Homeless Shelters	2015-21
Housing and Urban Development	14.231	Emergency Solutions Grant	Special Tests and Provisions – Obligations and Payments	2015-22
Housing and Urban Development	14.231	Emergency Solutions Grant	Special Tests and Provisions – Obligations and Payments	2015-23
Homeland Security	97.083	Staffing for Adequate Fire and Emergency Response	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2015-28
Homeland Security	97.083	Staffing for Adequate Fire and Emergency Response	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2015-29
Homeland Security	97.083	Staffing for Adequate Fire and Emergency Response	Reporting	2015-31
Homeland Security	97.083	Staffing for Adequate Fire and Emergency Response	Reporting	2015-32
Homeland Security	97.083	Staffing for Adequate Fire and Emergency Response	Reporting	2015-33

Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to the identified major federal programs.



***Adverse Opinions on Major Federal Programs***

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinions on Major Federal Programs paragraph, the City did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the major federal programs listed in the Basis for Adverse Opinions on Major Federal Programs paragraph for the year ended June 30, 2015.

***Basis for Qualified Opinions on Major Federal Programs***

As identified in the finding number listed in Table II and described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the following:

**Table II – Material Noncompliance Noted in Programs Resulting in Qualified Opinion**

<b>Federal Awarding Agency</b>	<b>CFDA Number(s)</b>	<b>Federal Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Subrecipient Monitoring	2015-10
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Procurement, Suspension and Debarment	2015-12
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Reporting	2015-13
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Cash Management	2015-25
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Procurement, Suspension and Debarment	2015-26
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Procurement, Suspension and Debarment	2015-27

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





***Qualified Opinions on Major Federal Programs***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on Major Federal Programs paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the major federal programs listed in the Basis for Qualified Opinions on Major Federal Programs paragraph for the year ended June 30, 2015.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal programs identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

***Other Matters***

As identified in Table III and as described in the accompanying schedule of findings and questioned costs, the results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133. Our opinion on each major federal program is not modified with respect to these matters.

**Table III – Other Instances of Noncompliance**

<b>Federal Awarding Agency</b>	<b>CFDA Number(s)</b>	<b>Federal Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Procurement, Suspension and Debarment	2015-09
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Cash Management	2015-11
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Subrecipient Monitoring	2015-14
Transportation	20.500, 20.507	Federal Transit Cluster	Reporting	2015-24

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



## **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and 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 a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-08, 2015-18, 2015-30, and the items in Tables I and II, 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 described in the accompanying schedule of findings and questioned costs as the items in Table III to be significant deficiencies.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated May 31, 2016, which referred to the use of reports of other auditors and which contained unmodified opinions on those financial statements. Our report included an emphasis of matter paragraph which states, along with other matters, that the City filed a voluntary petition under Chapter 9 of the Bankruptcy Code on



July 18, 2013 and exited bankruptcy on December 10, 2014. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*KPMG LLP*

Detroit, Michigan  
September 28, 2016

**CITY OF DETROIT, MICHIGAN**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2015

Grant title	Catalog of Federal Domestic Assistance	Grant number	2015 Expenditure
Department of Agriculture:			
Via Michigan Department of Community Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children 2015	10.557	IW100342	\$ 3,334,585
Special Supplemental Nutrition Program for Women, Infants, and Children 2013	10.557	IW100342	1,374,998
Special Supplemental Nutrition Program for Women, Infants, and Children Breastfeeding 2013	10.557	W500342	15,992
Special Supplemental Nutrition Program for Women, Infants, and Children Breastfeeding 2015	10.557	W500342	76,798
Total Supplemental Nutritional Assistance Program WIC			4,802,373
2015 Summer Food Program	10.559	N/A	38,257
Total Department of Agriculture			4,840,630
Department of Housing and Urban Development:			
Via Direct Awards:			
Hardest Hit Fund	14.UNK	N/A	42,998
Community Development Block Grant	14.218	B-12-MC-26-0006	19,551,937
Community Development Block Grant	14.218	B-13-MC-26-0006	15,822,282
Entitlement Grant – NSP I	14.218	B-08-MN-26-004	166,506
Entitlement Grant – NSP III	14.218	B-11-MN-26-004	11,489,312
Total CDBG/ Entitlement Grants			47,073,035
Emergency Solutions Grant	14.231	E-11-MC-26-0006	563,133
Emergency Solutions Grant	14.231	E-12-MC-26-0006	2,710,588
Emergency Solutions Grant	14.231	E-13-MC-26-0006	2,057,776
Emergency Solutions Grant	14.231	E-14-MC-26-0006	85,122
Total ESG			5,416,619
Home Investment Partnership (Special Housing)	14.239	M-08-MC-26-0202	1,074,246
Home Investment Partnership (Special Housing)	14.239	M-09-MC-26-0202	2,707,428
Home Investment Partnership (Special Housing)	14.239	M-10-MC-26-0202	6,503,245
Home Investment Partnership (Special Housing)	14.239	M-11-MC-26-0202	977,308
Home Investment Partnership (Special Housing)	14.239	M-12-MC-26-0202	(53,516)
Home Investment Partnership (Special Housing)	14.239	M-13-MC-26-0202	64,829
Home Investment Partnership (Special Housing)	14.239	M-14-MC-26-0202	250,761
Total Home Investment Partnership			11,524,301
Housing Opportunities for Persons with Aids (HOPWA) 6/2014	14.241	MIH13-F001	47,580
Housing Opportunities for Persons with Aids (HOPWA) 6/2015	14.241	MIH14-F001	2,030,490
Total HOPWA			2,078,070
Total Department of Housing and Urban Development			66,092,025
Department of Justice:			
Direct Awards:			
Cease Fire Detroit Community Violence	16.123	2012-PB-FX-K002	663,679
Youth Violence Prevention Capacity	16.123	2012-NY-FX-0027	216,988
Total Community – Based Violence Prevention Program			880,667
Via Michigan Department of Health and Human Services:			
Juvenile Accountability Block Grant 2015	16.523	JAIBG12-820073	50,564
Direct Awards:			
We're Here and We Care Program	16.541	2009-JL-FX-0149	12,035
Via Michigan Department of Health and Human Services:			
Crime Victim Assist – Rape Counseling Center Prog 2013	16.575	20083-17V13	144,441
Crime Victim Assist – Rape Counseling Center Prog 2014	16.575	2015-0074-00	326,289
Total Crime Victim Assistance			470,730
Direct Awards:			
COPS Technology Program	16.710	2010-CK-WX-0506	62,192
2011 COPS Hiring Program Grant	16.710	2011-UL-WX-0018	1,000,292
2013 COPS Hiring Program Grant	16.710	2013-UL-WX-0038	746,500
2013 COPS Micro Bike	16.710	2013-CK-WX-K032	3,212
Total Community Policing Grants			1,812,196
Via The County of Wayne			
2010 Justice Assistance Grant (JAG)	16.738	2010-DJ-BX-1068	1,018,545
2011 Justice Assistance Grant (JAG)	16.738	2011-DJ-BX-2481	548,829
2012 Justice Assistance Grant (JAG)	16.738	2012-DJ-BX-0730	162,559
Total Edward Byrne Memorial JAG			1,729,933
Total Department of Justice			4,956,125

**CITY OF DETROIT, MICHIGAN**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2015

Grant title	Catalog of Federal Domestic Assistance	Grant number	2015 Expenditure
Department of Transportation:			
Via Michigan Department of Transportation:			
Federal Aviation Admin: Airport Improvement Program_Rehab Parallel Taxiway A, Runway 15/33	20.106	D-26-0027-3610	\$ 2,353,360
Federal Aviation Admin: Airport Improvement Program_Rehab Parallel Taxiway A	20.106	D-26-0027-3508	325,955
Total Federal Aviation Admin: Airport Improvement Program			<u>2,679,315</u>
Via Federal Transit Administration:			
Federal Transit Capital Investment Grant	20.500	MI-03-0241-00	14,851,098
Federal Transit Capital Investment Grant	20.500	MI-04-0070-00	183,744
Federal Transit Capital Investment Grant	20.500	MI-04-0093-00	2,224,648
Federal Transit Capital Investment Grant	20.500	MI-34-0006-02	4,228,786
Federal Transit Capital Investment Grant	20.500	MI-90-X374-00	743,829
Total Federal Transit Formula Grants			<u>22,232,105</u>
Via Federal Transit Administration:			
Federal Transit Formula Grant	20.507	MI-90-X604-00	341,072
Federal Transit Formula Grant	20.507	MI-90-X605-00	10,231,231
Federal Transit Formula Grant	20.507	MI-95-X034-00	20,600
Federal Transit Formula Grant	20.507	MI-90-X642-00	173,759
Federal Transit Formula Grant	20.507	MI-95-X062-00	4,069,027
Total Federal Transit Formula Grants			<u>14,835,689</u>
Unified Work Program – SEMCOG	20.514	U15-006	307,200
Job Access and Reverse Commute Grant	20.516	MI-37-X014-00	74,821
Job Access and Reverse Commute Grant	20.516	MI-37-X020-00	163,963
Job Access and Reverse Commute Grant	20.516	MI-37-X035-00	798,299
Job Access and Reverse Commute Grant	20.516	MI-37-X030-00	733,903
Job Access and Reverse Commute Grant	20.516	MI-37-X041-02	157,444
Total Job Access and Reverse Commute Grants			<u>1,928,430</u>
New Freedom Grant	20.521	MI-57-X005-00	333,006
Via Michigan Department of State Police:			
Strategic Traffic Enforcement Prog 2014-2015 (seat belt)	20.600	PT-15-25	48,042
Strategic Traffic Enforcement Program 2014-2015	20.600	PT-15-26	53,043
Strategic Traffic Enforcement Prog 2013-2014	20.600	PT-14-07	193,125
2014 Youth Alcohol Enforcement	20.601	AL-14-14	27,387
Total State & Community Highway Safety			<u>321,597</u>
Total Department of Transportation			<u>42,637,342</u>
National Endowment for the Arts:			
2014-15 Mini-Grants Program Awards	45.025	15RR0016RG	12,760
2014-15 Mini-Grants Program Awards (Admin)	45.025	15RR0016RG	11,288
Total National Endowment for the Arts			<u>24,048</u>
Environmental Protection Agency:			
Via Michigan Department of Environmental Quality:			
Capitalization Grants for Clean Water-State Revolving Loan	66.458	5175-06	1,865,602
Capitalization Grants for Clean Water-State Revolving Loan	66.458	5486-01	1,432,644
Capitalization Grants for Clean Water-State Revolving Loan	66.458	5619-01	50,243,910
Capitalization Grants for Clean Water-State Revolving Loan	66.458	5619-02	6,845,246
Total Capitalization Grants for Clean Water-State Revolving Loans			<u>60,387,402</u>
Direct Awards:			
2015 Surface Water Intake Protection	66.468	FS975487-13	32,577
Recovery Park Green Infrastructure Work	66.468	GL-00E01279	119,120
Total Environmental Protection Agency			<u>60,539,099</u>
Department of Health and Human Services:			
Via Michigan Department of Health and Human Services:			
Bio-Terrorism Emerg Prep 9/2013	93.069	U90TP000528	17,569
Bio-Terrorism Emerg Prep 9/2015	93.069	U90TP000528	167,623
Cities Readiness Initiatives 9/2015	93.069	U90TP000528	189,479
Cities Readiness Initiatives 9/2013	93.069	U90TP517018	47,723
Total Public Health Emergency Preparedness			<u>422,394</u>
Direct Awards:			
TB Prev & Control 12/2013	93.116	5U52PS500843-31	39,008
TB Prev & Control 12/2014	93.116	5U52PS500843-31	96,718
Total Direct Awards			<u>135,726</u>

**CITY OF DETROIT, MICHIGAN**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2015

Grant title	Catalog of Federal Domestic Assistance	Grant number	2015 Expenditure
Via Michigan Department of Health and Human Services:			
Family Planning 9/2013	93.217	GFPHPA05017341	\$ 242,488
Immunization Vaccines for Children 09/2013	93.268	N/A	51,097
Immunization Vaccines for Children 09/2015	93.268	H23 CCH522556	230,912
Immunization action-Vaccination shipped (in-Kind)	93.268	N/A	587,568
Total CDC Immunization			<u>869,577</u>
Via Michigan Department of Health and Human Services:			
CSHCS Outreach & Advocacy 9/2013	93.778	B1MIMCHS	84,212
CSHCS Outreach & Advocacy 9/2015	93.778	B1MIMCHS	392,260
Total CSHCS Outreach & Advocacy			<u>476,472</u>
Direct Awards:			
HIV Emerg Supp Relief 2/2015	93.914	H89HA00021-22-01	6,856,244
HIV Emerg Supp Relief 2/2016	93.914	H89HA00021-23-01	1,956,980
Total HIV Emerg Supp Relief			<u>8,813,224</u>
Via Michigan Department of Health and Human Services:			
HIV Ryan White Part B	93.917	N/A	37,327
Via Michigan Department of Health and Human Services:			
HIV/Aids Prevention planning 09/2013	93.940	U62CCU52346401	78,339
Substance Abuse Prevention and Treatment Block Grant	93.959	2B08TI010026T	1,845,185
Partnership for Success II	93.243	1U79SP019440	37,514
Laboratory Svcs STD 9/2013	93.977	U90TP517018	53,379
Via Michigan Department of Health and Human Services:			
Fetal Infant Morality Review 9/2015	93.994	B1MIMCHS	1,080
Fetal Infant Mortality Review 9/2013	93.994	B1MIMCHS	2,625
CSHCS Outreach and Advo BG 9/2013	93.994	B1MIMCHS	272,536
Local Maternal & Child Hlth 9/2015	93.994	B1MIMCHS	481,834
Lead Intervention (MDCH) 9/2015	93.994	B1MIMCHS	97,909
Childhood Lead Poisoning Prevention 2013	93.994	B1MIMCHS	57,917
Childhood Lead Poisoning Prevention 2015	93.994	B1MIMCHS	100,000
Lead Intervention (MDCH) 9/2013	93.994	B1MIMCHS	21,732
Total Maternal & Child Health Block Grant			<u>1,035,633</u>
Total Health and Human Services			<u>14,047,258</u>
Department of Homeland Security:			
Direct Awards:			
2015 Emergency Management Performance Grant (EMPG)	97.042	EMW-2015-EP-00029	45,320
Direct Awards:			
2011 Assistance to Firefighter Grant – Fire Prevention and Safety	97.044	EMW-2011-FP-01398	1,243
2012 Assistance to Firefighter Grant – Fire Prevention and Safety	97.044	EMW-2012-FO-07169	172,320
Total Assistance to Firefighter Grant			<u>173,563</u>
Direct Awards:			
2011 Pre-Disaster Mitigation Grant Program	97.047	PDMC-PL-05-MI-2011-007	47,775
Direct Awards:			
2010 Emergency Operation Center Grant	97.052	2010-EO-MX-0003	293,629
Via The County of Macomb:			
2011 HSGP Urban Area Security Initiative Program	97.067	EMW-2011-SS-00103	23,804
2011-HSGP – Metropolitan Medical Response team	97.067	EMW-2011-SS-00103	123,070
2012 HSGP Urban Area Security Initiative Program	97.067	EMW-2012-SS-00055	136,080
2013 HSGP Urban Area Security Initiative Program	97.067	EMW-2013-SS-00049	35,801
2014 HSGP-Urban Area Security Initiative Program	97.067	EMW-2014-SS-00059	34,013
2013 HSGP Urban Area Security Initiative Program	97.067	EMW-2013-SS-00049	797,771
Total HSGP			<u>1,150,539</u>
Direct Awards:			
2011 Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2011-FH-00489	1,447,762
2012 Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2012-FH-00665	1,707,031
2013 Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2013-FH-00613	4,628,444
Total SAFER			<u>7,783,237</u>
Total Department of Homeland Security			<u>9,494,063</u>
Total Federal Awards			<u>\$ 202,630,590</u>

See accompanying independent auditors' report.

## CITY OF DETROIT, MICHIGAN

### Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

**(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, \$40,857,580 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 \$27 million for the year ended June 30, 2015.

**(6) Outstanding Loan Balance**

***Section 108 Loans:***

The U.S. Department of Housing and Urban Development 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 \$80,802,000 at June 30, 2015. There are no new borrowings in fiscal year 2015. In addition, there are no continuing compliance requirements associated with these loans other than the scheduled repayments.

**CITY OF DETROIT, MICHIGAN**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

***Water and Sewage State Revolving Fund Loans:***

The City of Detroit has an outstanding Water and Sewage State Revolving loans payable under the Clean Water State Revolving Loan Fund from the Michigan Department of Environmental Quality, as a pass-through agency for the Environmental Protection Agency (CFDA 66.458). There are no continuing compliance requirements associated with these loans other than the scheduled repayments. As of June 30, 2015, the outstanding loan balances were an aggregate of \$513,089,421.

During the year ended June 30, 2015, the City Sewage Disposal Fund received \$70,967,782 in loans from the State of Michigan Revolving Loan Fund. The proceeds of the loans were used to pay costs of acquiring, constructing extensions, and making certain repairs and improvements to the system. At June 30, 2015, \$47,751,065 in bonds was authorized and unissued.



**CITY OF DETROIT, MICHIGAN**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**1. Summary of Auditors' Results**

***Basic Financial Statements***

- a) An unmodified 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, 2015.
- b) The audit disclosed three material weaknesses 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, 2015. There were no significant deficiencies reported.
- c) The audit disclosed four instances of noncompliance that are material to the basic financial statements of the City as of and for the year ended June 30, 2015.

***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, 2015.
- 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	Qualified
2	Community Development Block Grants/Entitlement Grants	14.218	Qualified
3	Emergency Solutions Grant Program	14.231	Adverse
4	HOME Investment Partnerships Program	14.239	Adverse
5	Federal Transit Cluster	20.500, 20.507	Unmodified
6	Capitalization Grants for Clean Water State Revolving Funds	66.458	Unmodified
7	HIV Emergency Relief Project Grants	93.914	Qualified
8	Staffing for Adequate Fire and Emergency Response	97.083	Adverse

**CITY OF DETROIT, MICHIGAN**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

- 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, 2015.
- g) The major Federal programs of the City for the year ended June 30, 2015 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
3	Emergency Solutions Grant Program	14.231
4	HOME Investment Partnerships Program	14.239
5	Federal Transit Cluster	20.500 and 20.507
6	Capitalization Grants for Clean Water State Revolving Funds	66.458
7	HIV Emergency Relief Project Grants	93.914
8	Staffing for Adequate Fire and Emergency Response	97.083

- 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, 2015.
- i) The City did not qualify as a low-risk auditee for the year ended June 30, 2015.

**CITY OF DETROIT, MICHIGAN**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

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

***Finding 2015-01 – Financial Closing and Reporting***

The City of Detroit (the City) had internal control deficiencies in the financial closing and reporting processes, the processes to evaluate accounts, and in the processes to record entries into the general ledger in a timely, complete, and accurate manner. These deficiencies included the following:

- The process to prepare closing entries and financial statements relied partly upon decentralized accounting staff and software applications other than the City's Detroit Resource Management System (DRMS) general ledger. The process requires a significant amount of manual intervention in order to get information from these other systems into DRMS.
- The process to identify significant transactions throughout the City's fiscal year to determine the appropriate accounting treatment did not result in timely consideration of how to record or report such transactions. Certain of these transactions were not identified until the end of the fiscal year during the financial reporting process. There was inadequate communication between various City departments on transactions and on how they affected 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 was not consistently communicated between certain departments and agencies of the City.
- The process to close the books and prepare financial statements included the recording of a significant number of manual post-closing entries. For the year ended June 30, 2015, there were more than 320 manual journal entries that were made after the books were closed for the year (i.e., after the trial balance was frozen).
- The process to close the books and evaluate accounts occurred only on an annual basis instead of monthly or quarterly. As a result, certain key account reconciliations and account evaluations were not performed timely and required an extended amount of time to complete during the year-end closing process.
- The management review control for review of the financial statements prior to submitting to the auditors did not operate at an appropriate level of precision.
- The procedures to identify and accurately disclose certain information within the notes to the financial statements were not consistently followed.
- Continuing professional education and training was not offered or required to maintain an appropriate level of skills and knowledge of the accounting staff. Additionally, the employee evaluation process was not consistently utilized or enforced to assist the accounting staff in managing their performance.

***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

## CITY OF DETROIT, MICHIGAN

### Schedule of Findings and Questioned Costs

Year ended June 30, 2015

completeness of the City's accounting and financial reporting policies and procedures. Management should perform an annual risk assessment process at the entity and process levels to identify and evaluate past internal control deficiencies and any internal and external changes that may impact the design or operating effectiveness of control activities. Based on the results of the assessments, management should determine the need to develop new policies, procedures, and internal controls and should reinforce the new and existing policies and procedures to personnel through training and monitoring.

#### *Views of Responsible Officials*

We have reviewed the findings and concur with the recommendations. In September 2014, pursuant to the Emergency Manager Order No. 41, the City of Detroit created an Office of the Chief Financial Officer (OCFO).

During FY15, the CFO created a new organizational structure for the financial operations of the City through extensive benchmarking of municipal organizational structures and practices, as well as leading practice research and recommendations from private and public publications and institutions. The CFO began centralizing financial management thereby creating an operational environment of financial accountability and provided integrated financial management. This process included conducting extensive job studies to determine the requirements of the new positions in the OCFO, creating and issuing a new salary and grading system for all new positions included in the OCFO, and filling all new positions through a competitive selection process. The fully operational OCFO will create an environment of technical expertise, financial accountability, and data integrity.

In addition, the City of Detroit implemented a new Enterprise Resource Planning (ERP) software. This new Cloud-based software went live in March 2016. The new ERP will enhance our overall productivity and efficiency by focusing on the use of leading practices, automating a significant number of manual processes, and will allow for regular closings and timely reviews. Through the ERP implementation, we are evaluating all software applications and assessing their business value, with the ultimate goal of consolidating a number of systems if deemed necessary. We feel the execution of these two projects will allow us to address the issues outlined by our external auditors. While the implementation is ongoing, we will continue to work diligently and find more effective ways to manage the current environment.

In addition, the CFO has established performance objectives for each OCFO division and each division is establishing performance objectives for staff. The OCFO is also developing a comprehensive training and development program for its staff and has budgeted resources for training opportunities.

#### **Finding 2015-02 – 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, 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

## CITY OF DETROIT, MICHIGAN

### Schedule of Findings and Questioned Costs

Year ended June 30, 2015

transaction processing, account analysis, data integrity, reconciliation performance, and document retention. Those deficiencies include the following:

- Bank reconciliations were not completed timely throughout the year.
- Reconciliations of subsidiary ledgers to general ledgers and other IT systems to DRMS for key accounts were either not completed, not completed timely, or contained inappropriately aged, unsupported, or unreconciled items (e.g., Cash, grants receivable, interfunds, accounts receivable, accounts payable, etc.)
- The City did not have appropriate user entity controls implemented for data provided to third-party service providers. Additionally, the City did not review the internal controls employed by its third-party service providers including AccuMed, Duncan Solutions, Global, Park-Rite, ECI, IPS, Pierce Monroe, and Blue Cross Blue Shield.
- Interfund and interdepartmental transfers, balances, and other transactions were not reconciled throughout the year on a timely basis or reviewed for accuracy and proper financial statement classification.
- The City did not have an appropriate process or controls in place to properly calculate accrued compensated absences. As a result of various system limitations preventing the application of new payroll policies, the actual compensated absences amount paid to employees was calculated manually with the use of internally generated reports created with unreliable source data.
- A physical inventory count of capital assets was not completed by all agencies, as required by the City's asset management policies. Additionally, due to lack of proper source documents from various City agencies as well as the lack of a formal policy, capital assets were not adequately tracked, capitalized, or recorded in Capital Asset System (the City's subledger) in a timely manner.
- The City did not have an adequate process in place to identify properties that are subject to pollution remediation obligations throughout the year nor timely after year-end (per Governmental Accounting Standards Board (GASB) 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*). Also, the City does not have a process established to assess capital asset impairment (GASB 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*) at each City agency throughout the year or in a timely manner after year-end.
- Data provided by the City to the actuaries for estimating workers' compensation liabilities was not reviewed by the City for accuracy nor reconciled by the City to supporting data prior to submission.
- The City's process to follow up and resolve prior audit findings was not operating effectively.
- The City did not have effectively operating controls in place to record, administer, and monitor grant revenue and the related deferred inflows throughout the year.
- Manual journal entries were not consistently reviewed and approved by an appropriate supervisor in a timely manner. Additionally, for those journal entries that were reviewed, the

## CITY OF DETROIT, MICHIGAN

### Schedule of Findings and Questioned Costs

Year ended June 30, 2015

review was not always conducted at an appropriate level of precision to detect errors or was approved with limited or no proper supporting documentation retained in the file.

- The City's accounts receivable write-off policy was not specific enough to explain when and how amounts determined uncollectible should be written off. In addition, the City was not following their current accounts receivable write-off policy.
- The City does not have a process in place to analyze collection trends on accounts receivable balances to appropriately develop an estimate of collectibility.
- The City did not perform a sufficient review of the projects within the construction work-in-progress accounts balance to properly capitalize or expense costs within a timely manner.
- The City's process to identify necessary expense and revenue accruals was not adequate to ensure expenses and revenue were recorded in the proper fiscal year.
- 3 out of 40 employee new hires selected for testing contained hire dates in the human resources system that did not match information on documents in the personnel files. Upon researching, the City was unable to provide adequate explanations for the discrepancies. In addition, the City was unable to provide new hire documentation for 7 out of 40 new hires selected for testing.
- 27 out of 40 employee terminations selected for testing were not supported by complete, authorized termination documentation or sufficient explanation as to why the documentation was not available.

#### ***Recommendation***

We recommend management develop or improve existing policies and procedures related to reconciliations and account analysis. We recommend the City undertakes a comprehensive risk assessment process that would consider risks to organizational and operational objectives. Such an approach should take place at both the entity-wide and the individual activity level. The risk assessment should be undertaken not as a theoretical exercise but instead as a practical means to identify actions required by management to mitigate risks and to identify areas that require the establishment or strengthening of control activities.

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. Also, an electronic filing system should be created with file locations and file naming conventions specified so that all reconciliations and reports are saved to well-organized file servers instead of just desktop computers.

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, specific parameters should be developed for how to conduct an appropriate management level review for each reconciliation. Each reconciliation needs to have its own review parameters that take into consideration the level of judgment required in the operation of the control activities, the underlying process level

**CITY OF DETROIT, MICHIGAN**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

controls, and the skills and knowledge of the reviewer and the operator of the process level controls. Additionally, we recommend training staff how to prepare reconciliations that are thorough and well documented and how to conduct effective reviews of the work of others.

***Views of Responsible Officials***

We have reviewed the findings and concur with the recommendations. In addition to our statements made in response to 2015-01, the OCFO is implementing other reform measures. Subsequent to FY15, the following was implemented to address some of the auditors' comments:

- The City conducted city-wide physical inventory of capital assets, which will allow the City to effectively capture all assets within the Capital Asset System.
- In order to facilitate pollution remediation properties and capital asset impairments, the City has developed questionnaires to identify pollution remediation obligations and capital asset impairments at each City Agency.
- The City has continued to centralize the bank reconciliation process in order to facilitate timeliness, validity, accuracy, and completeness.

The Office of the Treasury is also establishing a streamlined accounts receivable write-off policy and process.

## CITY OF DETROIT, MICHIGAN

### Schedule of Findings and Questioned Costs

Year ended June 30, 2015

#### **Finding 2015-03– 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 existed in the areas of general and application controls. Those deficiencies include the following for some or all systems:

- Administrative access was granted to unauthorized accounts.
- Segregation of duties conflicts existed between the database administration function and the back-end database administration function.
- Adequate procedures were not in place to remove and review segregation of duties conflicts.
- Automated methods were not in place for tracking of the changes and customizations made to certain applications.
- Program developers had access to move program changes into production for certain applications.

#### ***Recommendation***

We recommend the following:

- Access to the back-end 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 back-end 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 back-end 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***

The following responses are based on the implementation of Oracle Cloud and PBCS (Planning and Budgeting Cloud Services) in March 2016. Oracle Cloud and PBCS are hosted by Oracle Corporation.



## CITY OF DETROIT, MICHIGAN

### Schedule of Findings and Questioned Costs

Year ended June 30, 2015

The City has engaged AST Corporation to assist in the support of the Oracle Cloud and PBCS environments. As a part of this engagement, the City and AST are developing strategies and procedures for the proper management and migration of the changes that are made to the environment. It is expected that the outcome of the transition to managed services will include a strategy for Change Management (includes testing, migration, and approvals), Training and Services Desk Management. It is also expected that a tracker for migrated Interfaces, BI Reports and configured Roles, a Change Control Log, and requested changes log will be developed. In addition, the transition process is expected to deliver forms for requesting changes.

- Administrative access was granted to unauthorized accounts.

**Response:** In Oracle Cloud, Administrative access is only granted to a limited number of employees.

- Segregation of duties conflicts existed between the database administration function and the back-end database administration function.

**Response:** Oracle Cloud is a cloud environment that is hosted by Oracle Corporation. The City does not have access to the database from the application end or back end. No database segregation of duties conflicts exist.

- Adequate procedures were not in place to remove and review segregation of duties conflicts.

**Response:** Roles created within Oracle Cloud were reviewed and validated that within a role no segregation of duties conflicts exist. It is possible that with the combination of multiple roles a segregation of duty conflict could exist. DoIT has requested that OCFO develop rules for combined roles that would cause a conflict of duties. DoIT has also requested that a regular review of role assignment take place to ensure enforcement of these rules.

- Automated methods were not in place for tracking of the changes and customizations made to certain applications.

**Response:** Oracle Cloud, as a hosted cloud environment, does not allow for customization implemented by the City. All customizations have to go through an enhancement request submitted to Oracle Corporation. Any approved enhancements are built, tested, and implemented by Oracle Corporation. This limits the City's ability to make changes to the Oracle Cloud and PBCS environments to interfaces, using Oracle provided templates, BI reports, Approval rules, personalization, and custom Roles. These changes will be tracked via a process to be defined as a part of the Oracle Cloud Managed Services transition.

- Program developers had access to move program changes into production for certain applications.

**CITY OF DETROIT, MICHIGAN**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Response:** The process for implementing (moving) the limited changes allowed by Oracle Corporation will be defined as a part of the Oracle Cloud Managed Services transition.

- Access to the back-end 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 back-end levels.

**Response:** All access to the back-end database is restricted.

- 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 back-end levels.

**Response:** Administrative access to the front-end is restricted to application administrators. A process will be put in place to review administrative access on a quarterly basis.

- 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.

**Response:** DoIT will work with OCFO to create a matrix to identify roles that when granted together could cause a segregation of duties conflict. This matrix will be used by the System Administrator to identify requests that would violate the segregation of duties rules. DoIT and OCFO will review roles assignments on a regular basis to ensure the rules are being applied properly.

- Create and enforce a policy to log all confirmation changes, obtain approval from authorized individuals for all configuration changes, and perform appropriate testing on all confirmation changes prior to promoting changes to production.

**Response:** A policy will be defined as a part of the Oracle Cloud Managed Services transition.

- 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.

**Response:** A policy will be defined as a part of the Oracle Cloud Managed Services transition.

**CITY OF DETROIT, MICHIGAN**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Finding 2015-04– Public Act 206 Property Tax Act**

The City is required by the Michigan Compiled Laws Chapter 211, specifically Act 206 of 1893 related to Real Estate Exemptions, to maintain documentation regarding tax exempt parties. The City was unable to provide documentation supporting the tax exempt status for 5 of 65 properties selected.

***Recommendation***

We recommend management implement a process to monitor tax exempt status of properties. 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.

***Views of Responsible Officials***

The Office of the Assessor is aware of its responsibilities under the General Property Tax Act (Act 206 of 1893 as amended) as it relates to the exemption status of all real properties within the City of Detroit. We are aware that deficiencies currently exist within the Office of the Assessor that has contributed to the problems of the Assessment Roll in general and Exempt Properties in particular. We have taken several steps in the last 3 years to ensure that the Office of the Assessor becomes compliant with Act 206. These steps include:

An audit by city staff of all religious and charitable exemptions during 2014 and 2015 will result in 47% of previous exempt properties being returned to the tax roll in fiscal year 2016.

Division policy now states that each exempt property will be reviewed once every two years to determine if the exemption is still warranted.

Dedicated staff has now been assigned to follow up on all requests for property tax exemption for religious or charitable reasons.

The citywide reappraisal, due for completion in 2018, will determine the taxable status and condition of all real property within the City of Detroit.

We are working with various city departments and agencies to identify their property holdings.

We believe these steps will alleviate the existing problems and provide a way forward to ensure these issues, once resolved, will remain resolved.

**CITY OF DETROIT, MICHIGAN**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Finding 2015-05– Public Act 29 of 1995 Uniform Unclaimed Property Act**

The City filed the required annual report of unclaimed property to the State of Michigan; however, it was inaccurate as it did not include payroll and accounts payable amounts. Additionally, the City did not remit these escheatable properties to the State.

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

Any holder of unclaimed property 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 the City conduct an assessment and evaluation of unclaimed property held and file the required report within the annual required deadlines and remit all property required to be remitted.

***Views of Responsible Officials***

We have reviewed the findings and concur with the recommendations. Subsequent to fiscal year 2015, with proper staffing, City departments have assigned a dedicated team to manually review the files of both Accounts Payable and Payroll for accuracy in order to facilitate timely action. The City is also in the process of implementing a new payroll system, which will help to ensure data integrity for purposes of escheatment. In this way, escheatment will be accurate and timely.

**CITY OF DETROIT, MICHIGAN**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Finding 2015-06 – Uniform Budget 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 note II (d) to the basic financial statements, the City's actual expenditures exceeded their corresponding appropriation.

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."

***Views of Responsible Officials***

The City acknowledges there are excess of expenditures over some appropriations. However, the City also reports an unrestricted General Fund surplus in excess of appropriation deficits and, as a whole, was not in a deficit position at the end of FY 2015. In addition, the City notes that a major portion of those appropriation deficits are the result of various bankruptcy-related adjustments that were recorded at the end of the year as part of the closing of the financial records.

**CITY OF DETROIT, MICHIGAN**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Finding 2015-07 – OMB Circular A-133 Section 300**

The City did not appropriately track grant activities in the general ledger for the fiscal year ended June 30, 2015. The general ledger records are not accurate at the individual grant level, as required by OMB Circular A-133, Section 300.

OMB Circular A-133, Section 300 states, “The auditee shall:

- 1) Identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable the CFDA title number, award number and year, name of the federal agency, and name of the pass-through entity.
- 2) Maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.
- 3) Comply with laws, regulations, and the provisions of contracts or grant agreements to each of its federal programs.”

***Recommendation***

The City should maintain records to allow it to identify all federal awards received and expended and the federal programs under which they were received.

***Views of Responsible Officials***

The City has established an Office of Grants Management (OGM) to monitor programmatic and financial grant transactions and a centralized grants accounting division as a part of the Office of the Controller. Grants accounting will perform all accounting and reconciliation functions. Grants Accounting and OGM will continue to work together to ensure coordination and holistic focus on the grants management process. The City now sets up each newly awarded grant as a separate appropriation. In addition, a component of the new ERP system, implemented in March 2016, is a Projects Portfolio Management (PPM) subledger that includes grants management functionality. Protocols on award setup and PPM will improve the City’s award-by-award tracking capabilities.

**CITY OF DETROIT, MICHIGAN**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

**3. Findings and Questioned Costs Relating to Federal Awards:**

<i>Finding Number</i>	<b>2015-08</b>
<i>Finding Type</i>	<b>Material weakness</b>
<i>Prior Year Finding</i>	<b>2013-11</b>
<i>Federal Program</i>	<b>All</b>
<i>Federal Award Number</i>	<b>Various</b>
<i>Federal Agency</i>	<b>N/A</b>
<i>Pass-Through Entity</i>	<b>N/A</b>
<i>City of Detroit Department</i>	<b>N/A</b>
<i>Compliance Requirement</i>	<b>Various</b>

***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 12 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 existing internal control policies and procedures of the City 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 processes including the process for monitoring internal compliance with existing policies. 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 drawdown requests, grant agreements, deposits of federal funds, etc.) to the recorded information in the general ledger for completeness and consistency throughout the year.

***Questioned Costs***

None

**CITY OF DETROIT, MICHIGAN**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

*Views of Responsible Officials*

Management concurs with this finding.



**CITY OF DETROIT, MICHIGAN**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

<b><i>Finding Number</i></b>	<b>2015-09</b>
<b><i>Finding Type</i></b>	<b>Noncompliance/significant deficiency</b>
<b><i>Prior Year Finding</i></b>	<b>2014-12</b>
<b><i>Federal Program</i></b>	<b>Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA #10.557)</b>
<b><i>Federal Award Number</i></b>	<b>IW100342, W500342</b>
<b><i>Federal Award Year</i></b>	<b>October 1, 2014-September 30, 2015</b>
<b><i>Federal Agency</i></b>	<b>U.S. Department of Agriculture</b>
<b><i>Pass-Through Entity</i></b>	<b>Michigan Department of Community Health</b>
<b><i>City of Detroit Department</i></b>	<b>Department of Health and Wellness Promotion</b>
<b><i>Compliance Requirement</i></b>	<b>Procurement, Suspension, and Debarment</b>

***Criteria***

The A-102 common rule requires non-federal entities receiving federal awards to 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. You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person.

***Condition***

We selected all 5 contracts and noted that for 1 of 5 contracts selected did not contain a certification that the vendor was not suspended or debarred, nor was there evidence that the City verified that the contractor was not suspended or debarred by checking the SAM Web site.

***Possible Asserted Cause and Effect***

Management did not consistently comply with the suspension and debarment requirements.

***Recommendation***

We recommend that management follows established policies and procedures for all contractors to ensure compliance with the suspension and debarment compliance requirements are maintained.

**CITY OF DETROIT, MICHIGAN**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

***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, 2015

<b><i>Finding Number</i></b>	<b>2015-10</b>
<b><i>Finding Type</i></b>	<b>Material noncompliance/material weakness</b>
<b><i>Prior Year Finding</i></b>	<b>2014-13</b>
<b><i>Federal Program</i></b>	<b>Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA #10.557)</b>
<b><i>Federal Award Number</i></b>	<b>IW100342 and W500342</b>
<b><i>Federal Award Year</i></b>	<b>October 1, 2013-September 30, 2014; October 1, 2014-September 30, 2015</b>
<b><i>Federal Agency</i></b>	<b>U.S. Department of Agriculture</b>
<b><i>Pass-Through Entity</i></b>	<b>Michigan Department of Community Health</b>
<b><i>City of Detroit Department</i></b>	<b>Department of Health and Wellness Promotion</b>
<b><i>Compliance Requirement</i></b>	<b>Subrecipient Monitoring</b>

***Criteria***

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

Per 31 USC 7502(f)(2) each pass-through entity shall – (A) provide such subrecipient the program names (and any identifying numbers) from which such assistance is derived, and the federal requirements that govern the use of such awards and the requirements of this chapter;

(B) monitor the subrecipient’s 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***

We reviewed the subrecipient monitoring files for all 5 subrecipients and noted that for 1 of 5 subrecipients selected the City did not maintain an adequate subrecipient monitoring file. The City did not perform any on-site review showing the monitoring of the subrecipient’s use of Federal Awards for the fiscal year.

***Possible Asserted Cause and Effect***

Management monitored new subrecipients under the grant program but not legacy subrecipients. Failure to monitor the subrecipient may result in the subrecipient not properly administering federal programs in accordance with laws, regulations, and the grant agreement.

**CITY OF DETROIT, MICHIGAN**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

***Recommendation***

We recommend that management follows established policies and procedures for all subrecipients to ensure that Subrecipient Monitoring is performed and pertinent monitoring documents are 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, 2015

<b><i>Finding Number</i></b>	<b>2015-11</b>
<b><i>Finding Type</i></b>	<b>Noncompliance/significant deficiency</b>
<b><i>Prior Year Finding</i></b>	<b>2014-17</b>
<b><i>Federal Program</i></b>	<b>Community Development Block Grant (CDBG)/Entitlement Grant (CFDA #14.218)</b>
<b><i>Federal Award Number</i></b>	<b>B-11-MN-26-004</b>
<b><i>Federal Award Year</i></b>	<b>March 10, 2011-June 30, 2015</b>
<b><i>Federal Agency</i></b>	<b>U.S. Department of Housing and Urban Development (HUD)</b>
<b><i>Pass-Through Entity</i></b>	<b>N/A</b>
<b><i>City of Detroit Department</i></b>	<b>Housing and Revitalization Department</b>
<b><i>Compliance Requirement</i></b>	<b>Cash Management</b>

***Criteria***

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

2 CFR 200.514 (c) requires non-federal entities receiving federal awards to establish and maintain internal controls over federal programs based upon the guidance in Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States and the *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Per 2 CFR 200.305 (b) For non-federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the U.S. Treasury or the pass-through entity and the disbursement by the non-federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means.

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 drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.”

**CITY OF DETROIT, MICHIGAN**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

***Condition***

39 nonpayroll expenditures totaling \$4,376,341 were selected for testing. The City did not minimize the time lapse between drawdown and payment to 3 days or fewer as required for 4 of 39 expenditures, totaling \$4,376,341. The 4 expenditures exceeded the time lapse by 4 to 7 days.

14 subrecipient payments totaling \$1,903,854 were selected for testing. The City did not minimize the time lapse between drawdown and payment to 3 days or fewer as required for 2 of 14 expenditures, totaling \$257,377. The 2 expenditures exceeded the time lapse by 13 days.

***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.

**CITY OF DETROIT, MICHIGAN**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

<i>Finding Number</i>	<b>2015-12</b>
<i>Finding Type</i>	<b>Material noncompliance/material weakness</b>
<i>Prior Year Finding</i>	<b>2014-19</b>
<i>Federal Program</i>	<b>Community Development Block Grant (CDBG)/Entitlement Grant (CFDA #14.218)</b>
<i>Federal Award Number</i>	<b>B-12-MC-26-0006, B-13-MC-26-0006, B-11-MN-26-004</b>
<i>Federal Award Year</i>	<b>July 1, 2012-June 30, 2015; July 1, 2013-June 30, 2015; March 10, 2011-June 30, 2015; March 19, 2008-June 30, 2015</b>
<i>Federal Agency</i>	<b>U.S. Department of Housing and Urban Development (HUD)</b>
<i>Pass-Through Entity</i>	<b>N/A</b>
<i>City of Detroit Department</i>	<b>Housing and Revitalization Department</b>
<i>Compliance Requirement</i>	<b>Procurement, Suspension and Debarment</b>
<i>Criteria</i>	

The A-102 common rule requires non-federal entities receiving federal awards to establish and maintain internal controls 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 certify that the person with whom you intend to do business is not excluded or disqualified.

Per 2 CFR 215.46, 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 of contractor selection and the basis for the award cost.

***Condition***

19 contract files were selected for procurement testing and we noted the following:

- 1 of 19 samples did not include evidence that the entity followed its procedures to ensure a vendor is not debarred, suspended, or otherwise excluded.
- 2 of 19 samples did not include documentation of the rationale and method of procurement, evidence of full and open competition, documentation of rationale to limit full and open competition, and evidence of cost or price analysis.
- 3 of 19 samples did not have evidence that request for proposals were created.
- 13 of 19 samples did not contain evidence that the procurement went through the proper approval process, as required by the City's procurement policy.

**CITY OF DETROIT, MICHIGAN**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

***Possible Asserted Cause and Effect***

Management did not comply with the Procurement, Suspension and Debarment requirements.

***Recommendation***

We recommend that existing policies are internally monitored to ensure compliance with Procurement, Suspension and Debarment requirements.

***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, 2015

<b><i>Finding Number</i></b>	<b>2015-13</b>
<b><i>Finding Type</i></b>	<b>Material noncompliance/material weakness</b>
<b><i>Prior Year Finding</i></b>	<b>N/A</b>
<b><i>Federal Program</i></b>	<b>Community Development Block Grant (CDBG)/Entitlement Grant (CFDA #14.218)</b>
<b><i>Federal Award Number</i></b>	<b>B-12-MC-26-0006, B-13-MC-26-0006, B-11-MN-26-004, and B-08-MN-26-004</b>
<b><i>Federal Award Year</i></b>	<b>July 1, 2012 – June 30, 2015; July 1, 2013 – June 30, 2015; March 10, 2011 – June 30, 2015; March 19, 2008 – June 30, 2015</b>
<b><i>Federal Agency</i></b>	<b>U.S. Department of Housing and Urban Development (HUD)</b>
<b><i>Pass-Through Entity</i></b>	<b>N/A</b>
<b><i>City of Detroit Department</i></b>	<b>Housing and Revitalization Department</b>
<b><i>Compliance Requirement</i></b>	<b>Reporting</b>

***Criteria***

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

2 CFR 200.514 (c) requires non-federal entities receiving federal awards to establish and maintain internal controls over federal programs based upon the guidance in Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States and the *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Per 24 CFR Section 92.508 (a) General. Each participating jurisdiction must establish and maintain sufficient records to enable HUD to determine whether the participating jurisdiction has met the requirements of this part. At a minimum, the following records are needed: (7) Records concerning other federal requirements – (i) Equal opportunity and fair housing records. (B) Documentation of actions undertaken to meet the requirements of 24 CFR part 135, which implements Section 3 of the Housing Development Act of 1968, as amended.

***Condition***

The HUD 60002 Report requires that the City monitors and reports the number of jobs and assistance provided to low-income persons. The City did not complete the portion of this report relating to agency hires. On the submitted 60002 report, the City stated, “No monitoring of contracts for Section 3 compliance occurred for FY 2014-15.” The City did not perform this required monitoring to properly complete the HUD 60002 report for the year ended June 30, 2015.

**CITY OF DETROIT, MICHIGAN**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

***Possible Asserted Cause and Effect***

Management did not have effective controls in place over the filing of the HUD 60002 report to ensure compliance with the Reporting compliance requirement.

***Recommendation***

We recommend that existing policies are internally monitored to ensure compliance with the Reporting requirement.

***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, 2015

<b><i>Finding Number</i></b>	<b>2015-14</b>
<b><i>Finding Type</i></b>	<b>Noncompliance/significant deficiency</b>
<b><i>Prior Year Finding</i></b>	<b>N/A</b>
<b><i>Federal Program</i></b>	<b>Community Development Block Grant (CDBG)/Entitlement Grant (CFDA #14.218)</b>
<b><i>Federal Award Number</i></b>	<b>B-12-MC-26-0006 and B-13-MC-26-0006</b>
<b><i>Federal Award Year</i></b>	<b>July 1, 2012-June 30, 2015; July 1, 2013-June 30, 2015</b>
<b><i>Federal Agency</i></b>	<b>U.S. Department of Housing and Urban Development (HUD)</b>
<b><i>Pass-Through Entity</i></b>	<b>N/A</b>
<b><i>City of Detroit Department</i></b>	<b>Housing and Revitalization Department</b>
<b><i>Compliance Requirement</i></b>	<b>Subrecipient Monitoring</b>

***Criteria***

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

2 CFR 200.514 (c) requires non-federal entities receiving federal awards to establish and maintain internal controls over federal programs based upon the guidance in Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States and the *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

2 CFR section 25.110 and Appendix A to 2 CFR part 25 require a pass-through entity to determine whether an applicant for a subaward has provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as a part of its subaward application or before award.

2 CFR 200.331(a)(ii) requires all pass-through entities ensure the subrecipient’s unique identifier is clearly identified.

***Condition***

KPMG selected 19 subrecipient monitoring files for testing and noted that for 3 of 19 subrecipients, a DUNS number was not provided by the subrecipient prior to receiving federal award funds.

***Possible Asserted Cause and Effect***

Procedures were not operating effectively to review subrecipient award contracts to verify a DUNS number has been provided prior to awarding funding.

**CITY OF DETROIT, MICHIGAN**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

***Recommendation***

We recommend that existing policies are internally monitored to ensure compliance with the Subrecipient Monitoring 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, 2015

<b><i>Finding Number</i></b>	<b>2015-15</b>
<b><i>Finding Type</i></b>	<b>Material noncompliance/material weakness</b>
<b><i>Prior Year Finding</i></b>	<b>2014-22</b>
<b><i>Federal Program</i></b>	<b>HOME Investment Partnerships Program (CFDA #14.239)</b>
<b><i>Federal Award Number</i></b>	<b>M-08-MC-26-0006, M-09-MC-26-0006, M-10-MC-26-0006, M-11-MC-26-0006, M-12-MC-26-0006, M-13-MC-26-0006, and M-14-MC-26-0006</b>
<b><i>Federal Award Year</i></b>	<b>July 1, 2008-June 30, 2015</b>
<b><i>Federal Agency</i></b>	<b>U.S. Department of Housing and Urban Development (HUD)</b>
<b><i>Pass-Through Entity</i></b>	<b>N/A</b>
<b><i>City of Detroit Department</i></b>	<b>Housing and Revitalization Department</b>
<b><i>Compliance Requirement</i></b>	<b>Eligibility</b>

***Criteria***

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

2 CFR 200.514 (c) requires non-federal entities receiving federal awards to establish and maintain internal controls over federal programs based upon the guidance in Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States and the *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Per 24 CFR Section 92.508 (a) General. Each participating jurisdiction must establish and maintain sufficient records to enable HUD to determine whether the participating jurisdiction has met the requirements of this part. At a minimum, the following records are needed: (3) Project records. (vii) Records demonstrating that each rental housing project meets the affordability and income targeting requirements of §92.252 for the required period. Records must be kept for each family assisted.

***Condition***

The City outsources the eligibility monitoring to a third party. The City is responsible for conducting in-depth on-site inspections for a sample of projects during the year. The City is unable to provide support that any on-site inspections occurred.

***Possible Asserted Cause and Effect***

The City is not in compliance with the Eligibility compliance requirements.

**CITY OF DETROIT, MICHIGAN**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

***Recommendation***

We recommend that existing policies are internally monitored to ensure compliance with the Eligibility requirements.

***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, 2015

<b><i>Finding Number</i></b>	<b>2015-16</b>
<b><i>Finding Type</i></b>	<b>Material noncompliance/material weakness</b>
<b><i>Prior Year Finding</i></b>	<b>2014-25</b>
<b><i>Federal Program</i></b>	<b>HOME Investment Partnerships Program (CFDA #14.239)</b>
<b><i>Federal Award Number</i></b>	<b>M-08-MC-26-0006, M-09-MC-26-0006, M-10-MC-26-0006, M-11-MC-26-0006, M-12-MC-26-0006, M-13-MC-26-0006, and M-14-MC-26-0006</b>
<b><i>Federal Award Year</i></b>	<b>July 1, 2008-June 30, 2015</b>
<b><i>Federal Agency</i></b>	<b>U.S. Department of Housing and Urban Development (HUD)</b>
<b><i>Pass-Through Entity</i></b>	<b>N/A</b>
<b><i>City of Detroit Department</i></b>	<b>Housing and Revitalization Department</b>
<b><i>Compliance Requirement</i></b>	<b>Special Tests and Provisions – Housing Quality Standards</b>

***Criteria***

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

2 CFR 200.514 (c) requires non-federal entities receiving federal awards to establish and maintain internal controls over federal programs based upon the guidance in Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States and the *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Per 24 CFR Section 92.508 (a) General. Each participating jurisdiction must establish and maintain sufficient records to enable HUD to determine whether the participating jurisdiction has met the requirements of this part. At a minimum, the following records are needed: (3) Project records. (iv) Records (e.g., inspection reports) demonstrating that each project meets the property standards of §92.251 at project completion. In addition, during the period of affordability, records for rental projects demonstrating compliance with the property standards and financial reviews and actions pursuant to §92.504(d).

***Condition***

The City is unable to provide support that monitoring of housing quality standards occurred for the year ended June 30, 2015.

***Possible Asserted Cause and Effect***

The City did not comply with the Housing Quality Standards requirement.

**CITY OF DETROIT, MICHIGAN**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

***Recommendation***

We recommend that existing policies are internally monitored to ensure compliance with the Housing Quality Standards requirements.

***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, 2015

<b><i>Finding Number</i></b>	<b>2015-17</b>
<b><i>Finding Type</i></b>	<b>Material noncompliance/material weakness</b>
<b><i>Prior Year Finding</i></b>	<b>N/A</b>
<b><i>Federal Program</i></b>	<b>HOME Investment Partnerships Program (CFDA #14.239)</b>
<b><i>Federal Award Number</i></b>	<b>M-08-MC-26-0006, M-09-MC-26-0006, M-10-MC-26-0006, M-11-MC-26-0006, M-12-MC-26-0006, M-13-MC-26-0006, and M-14-MC-26-0006</b>
<b><i>Federal Award Year</i></b>	<b>July 1, 2008-June 30, 2015</b>
<b><i>Federal Agency</i></b>	<b>U.S. Department of Housing and Urban Development (HUD)</b>
<b><i>Pass-Through Entity</i></b>	<b>N/A</b>
<b><i>City of Detroit Department</i></b>	<b>Housing and Revitalization Department</b>
<b><i>Compliance Requirement</i></b>	<b>Reporting</b>

***Criteria***

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

2 CFR 200.514 (c) requires non-federal entities receiving federal awards to establish and maintain internal controls over federal programs based upon the guidance in Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States and the *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Per 24 CFR Section 92.508 (a) General. Each participating jurisdiction must establish and maintain sufficient records to enable HUD to determine whether the participating jurisdiction has met the requirements of this part. At a minimum, the following records are needed: (7) Records concerning other federal requirements – (i) Equal opportunity and fair housing records. (B) Documentation of actions undertaken to meet the requirements of 24 CFR part 135, which implements Section 3 of the Housing Development Act of 1968, as amended.

***Condition***

The HUD 60002 Report requires that the City monitors and reports the number of jobs and assistance provided to low-income persons. The City did not complete the portion of this report relating to agency hires. On the submitted 60002 report, the City stated, “No monitoring of contracts for Section 3 compliance occurred for FY 2014-15.” The City did not perform this required monitoring to properly complete the HUD 60002 report for the year ended June 30, 2015.

***Possible Asserted Cause and Effect***

Management did not have effective controls in place over the filing of the HUD 60002 report to ensure compliance with the Reporting compliance requirement.

**CITY OF DETROIT, MICHIGAN**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

***Recommendation***

We recommend that existing policies are internally monitored to ensure compliance with the Reporting requirement.

***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, 2015

<b><i>Finding Number</i></b>	<b>2015-18</b>
<b><i>Finding Type</i></b>	<b>Material weakness</b>
<b><i>Prior Year Finding</i></b>	<b>2014-23</b>
<b><i>Federal Program</i></b>	<b>HOME Investment Partnerships Program (CFDA #14.239)</b>
<b><i>Federal Award Number</i></b>	<b>M-08-MC-26-0006, M-09-MC-26-0006, M-10-MC-26-0006, M-11-MC-26-0006, M-12-MC-26-0006, M-13-MC-26-0006, and M-14-MC-26-0006</b>
<b><i>Federal Award Year</i></b>	<b>July 1, 2008-June 30, 2015</b>
<b><i>Federal Agency</i></b>	<b>U.S. Department of Housing and Urban Development (HUD)</b>
<b><i>Pass-Through Entity</i></b>	<b>N/A</b>
<b><i>City of Detroit Department</i></b>	<b>Housing and Revitalization Department</b>
<b><i>Compliance Requirement</i></b>	<b>Special Tests and Provisions – Wage Rate Requirements</b>

***Criteria***

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

2 CFR 200.514 (c) requires non-federal entities receiving federal awards to establish and maintain internal controls over federal programs based upon the guidance in Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States and the *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Per 29 CFR section 5.5(a)(3)(ii)(A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the appropriate federal agency if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the agency.

Per 29 CFR section 5.6(a)(1) Furthermore, no payment, advance, grant, loan, or guarantee of funds shall be approved by the federal agency after the beginning of construction unless there is on file with the agency a certification by the contractor that the contractor and its subcontractors have complied with the provisions of § 5.5 or unless there is on file with the agency a certification by the contractor that there is a substantial dispute with respect to the required provisions.

***Condition***

For 18 of 25 samples selected, there was no evidence of review and approval of the contractor’s certified payrolls by an authorized reviewer on some or all of the weekly payrolls.

***Possible Asserted Cause and Effect***

Procedures to ensure certified payrolls are reviewed and approved did not operate effectively.

**CITY OF DETROIT, MICHIGAN**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

***Recommendation***

We recommend that existing policies are internally monitored to ensure compliance with the Wage Rate compliance requirement.

***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, 2015

<b><i>Finding Number</i></b>	<b>2015-19</b>
<b><i>Finding Type</i></b>	<b>Material noncompliance/material weakness</b>
<b><i>Prior Year Finding</i></b>	<b>N/A</b>
<b><i>Federal Program</i></b>	<b>Emergency Solutions Grant (CFDA# 14.231)</b>
<b><i>Federal Award Number</i></b>	<b>E-11-MC-26-0006</b>
<b><i>Federal Award Year</i></b>	<b>July 1, 2011-June 30, 2015</b>
<b><i>Federal Agency</i></b>	<b>U.S. Department of Housing and Urban Development</b>
<b><i>Pass-Through Entity</i></b>	<b>N/A</b>
<b><i>City of Detroit Department</i></b>	<b>Housing and Revitalization Department</b>
<b><i>Compliance Requirement</i></b>	<b>Activities Allowed/Allowable Costs, Cash Management, Earmarking, and Period of Availability</b>

***Criteria***

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

2 CFR 200.514 (c) requires non-federal entities receiving federal awards to establish and maintain internal controls over federal programs based upon the guidance in Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States and the *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Per 2 CFR 200.400 Subpart E – Cost Principles, (d) The application of these cost principles should require no significant changes in the internal accounting policies and practices of the non-federal entity. However, the accounting practices of the non-federal entity must be consistent with these cost principles and support the accumulation of costs as required by the principles, and must provide for adequate documentation to support costs charged to the federal award.

Per 48 CFR 52.216–7 Allowable Cost and Payment. (b) Reimbursing costs. (1) For the purpose of reimbursing allowable costs, the term costs includes only – (ii) When the Contractor is not delinquent in paying costs of contract performance in the ordinary course of business, costs incurred, but not necessarily paid, for – (A) Supplies and services purchased directly for the contract and associated financing payments to subcontractors, provided payments determined due will be made – (1) In accordance with the terms and conditions of a subcontract or invoice; and (2) Ordinarily within 30 days of the submission of the Contractor’s payment request to the Government.

Per 24 CFR Section 576.100 General provisions and expenditure limits. (b) The total amount of the recipient’s fiscal year grant that may be used for street outreach and emergency shelter activities cannot exceed the greater of: (1) 60% of the recipient’s fiscal year grant; or (2) The amount of Fiscal Year 2010 grant funds committed for homeless assistance activities. (c) The total amount of ESG funds that may be used for administrative activities cannot exceed 7.5% of the recipient’s fiscal year grant.

**CITY OF DETROIT, MICHIGAN**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Per 2 CFR 215.28, where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any preaward costs authorized by the federal awarding agency.

Per 2 CFR 200.309, a non-federal entity may charge to the federal award only allowable costs incurred during the period of performance and any costs incurred before the federal awarding agency or pass-through entity made the federal award that were authorized by the federal awarding agency or pass-through entity.

***Condition***

The City provided an advance of \$114,100 funding to a subrecipient, and was unable to provide support as to what the advance was ultimately expended on, that the advance did not result in funding in advance of more than 30 days, that the expense was properly classified for earmarking purposes, or that the expense(s) was ultimately incurred in the proper period of availability.

***Possible Asserted Cause and Effect***

Management did not have effective controls in place to ensure compliance with the Activities Allowed/Allowable Costs, Cash Management, Earmarking, or Period of Availability requirements.

***Recommendation***

We recommend that existing policies are internally monitored to ensure compliance with the Activities Allowed/Allowable Costs, Cash Management, Earmarking, and Period of Availability requirements.

***Questioned Costs***

\$114,100

***Views of Responsible Officials***

Management concurs with this finding.

**CITY OF DETROIT, MICHIGAN**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

<b><i>Finding Number</i></b>	<b>2015-20</b>
<b><i>Finding Type</i></b>	<b>Material noncompliance/material weakness</b>
<b><i>Prior Year Finding</i></b>	<b>N/A</b>
<b><i>Federal Program</i></b>	<b>Emergency Solutions Grant (CFDA #14.231)</b>
<b><i>Federal Award Number</i></b>	<b>E-14-MC-26-0006, E-13-MC-26-0006, E-12-MC-26-0006, and E-11-MC-26-0006</b>
<b><i>Federal Award Year</i></b>	<b>July 1, 2010-June 30, 2015</b>
<b><i>Federal Agency</i></b>	<b>U.S. Department of Housing and Urban Development</b>
<b><i>Pass-Through Entity</i></b>	<b>N/A</b>
<b><i>City of Detroit Department</i></b>	<b>Housing and Revitalization Department</b>
<b><i>Compliance Requirement</i></b>	<b>Reporting</b>

***Criteria***

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

2 CFR 200.514 (c) requires non-federal entities receiving federal awards to establish and maintain internal controls over federal programs based upon the guidance in Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States and the *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Per 24 CFR Section 92.508 (a) General. Each participating jurisdiction must establish and maintain sufficient records to enable HUD to determine whether the participating jurisdiction has met the requirements of this part. At a minimum, the following records are needed: (7) Records concerning other federal requirements – (i) Equal opportunity and fair housing records. (B) Documentation of actions undertaken to meet the requirements of 24 CFR part 135, which implements Section 3 of the Housing Development Act of 1968, as amended.

***Condition***

The HUD 60002 Report requires that the City monitors and reports the number of jobs and assistance provided to low-income persons. The City did not complete the portion of this report relating to agency hires. On the submitted 60002 report, the City stated, “No monitoring of contracts for Section 3 compliance occurred for FY 2014-15.” The City did not perform this required monitoring to properly complete the HUD 60002 report for the year ended June 30, 2015.

***Possible Asserted Cause and Effect***

Management did not have effective controls in place over the filing of the HUD 60002 report to ensure compliance with the Reporting compliance requirement.

**CITY OF DETROIT, MICHIGAN**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

***Recommendation***

We recommend that existing policies are internally monitored to ensure compliance with the Reporting requirement.

***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, 2015

<b><i>Finding Number</i></b>	<b>2015-21</b>
<b><i>Finding Type</i></b>	<b>Material Noncompliance/Material Weakness</b>
<b><i>Prior Year Finding</i></b>	<b>N/A</b>
<b><i>Federal Program</i></b>	<b>Emergency Solutions Grant (CFDA #14.231)</b>
<b><i>Federal Award Number</i></b>	<b>E-12-MC-26-0006</b>
<b><i>Federal Award Year</i></b>	<b>July 1, 2012-June 30, 2015</b>
<b><i>Federal Agency</i></b>	<b>U.S. Department of Housing and Urban Development</b>
<b><i>Pass-Through Entity</i></b>	<b>N/A</b>
<b><i>City of Detroit Department</i></b>	<b>Housing and Revitalization Department</b>
<b><i>Compliance Requirement</i></b>	<b>Special Tests and Provisions – Maintenance as Homeless Shelters</b>

***Criteria***

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

2 CFR 200.514 (c) requires non-federal entities receiving federal awards to establish and maintain internal controls over federal programs based upon the guidance in Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States and the *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Per 2 CFR 576.102 (a) General. Subject to the expenditure limit in § 576.100(b), ESG funds may be used for costs of providing essential services to homeless families and individuals in emergency shelters, renovating buildings to be used as emergency shelter for homeless families and individuals, and operating emergency shelters. (c) Minimum period of use. (1) Renovated buildings. Each building renovated with ESG funds must be maintained as a shelter for homeless individuals and families for not less than a period of 3 or 10 years, depending on the type of renovation and the value of the building.

***Condition***

For 1 of 2 locations selected for testing, the City provided \$100,000 in rehabilitation funding to a subrecipient. As the date of this report, the homeless shelter at the location was no longer in operation, and thus did not meet the 3 year requirement of being maintained as a homeless shelter.

***Possible Asserted Cause and Effect***

Management did not have effective controls in place over nor were they in compliance with the Maintenance as Homeless Shelter requirements.

**CITY OF DETROIT, MICHIGAN**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

***Recommendation***

We recommend that existing policies are internally monitored to ensure compliance with the Maintenance as Homeless Shelter requirement.

***Questioned Costs***

\$100,000

***Views of Responsible Officials***

Management concurs with this finding.

**CITY OF DETROIT, MICHIGAN**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

<b><i>Finding Number</i></b>	<b>2015-22</b>
<b><i>Finding Type</i></b>	<b>Material Noncompliance/Material Weakness</b>
<b><i>Prior Year Finding</i></b>	<b>N/A</b>
<b><i>Federal Program</i></b>	<b>Emergency Solutions Grant (CFDA #14.231)</b>
<b><i>Federal Award Number</i></b>	<b>E-12-MC-26-0006, E-11-MC-26-0006</b>
<b><i>Federal Award Year</i></b>	<b>July 1, 2011-June 30, 2013</b>
<b><i>Federal Agency</i></b>	<b>U.S. Department of Housing and Urban Development</b>
<b><i>Pass-Through Entity</i></b>	<b>N/A</b>
<b><i>City of Detroit Department</i></b>	<b>Housing and Revitalization Department</b>
<b><i>Compliance Requirement</i></b>	<b>Special Tests and Provisions – Obligations and Payments</b>

***Criteria***

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

2 CFR 200.514 (c) requires non-federal entities receiving federal awards to establish and maintain internal controls over federal programs based upon the guidance in Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States and the *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Per 24 CFR 572.203, (a) Obligation of funds. (2) Funds allocated to metropolitan cities, urban counties, and territories. Within 180 days after the date that HUD signs the grant agreement (or a grant amendment for reallocation of funds) with the metropolitan city, urban county, or territory, the recipient must obligate all the grant amount, except the amount for its administrative costs. This requirement is met by an agreement with, or a letter of award requiring payment to, a subrecipient; a procurement contract; or a written designation of a department within the government of the recipient to directly carry out an eligible activity.

***Condition***

For 12 of 17 contracts selected for testing, funding was not obligated within 180 days of HUD signing the grant agreement.

***Possible Asserted Cause and Effect***

Management did not have effective controls in place to ensure they were in compliance with the Obligation and Payment requirement.

**CITY OF DETROIT, MICHIGAN**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

***Recommendation***

We recommend that existing policies are internally monitored to ensure compliance with the Obligation and Payment requirement.

***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, 2015

<b><i>Finding Number</i></b>	<b>2015-23</b>
<b><i>Finding Type</i></b>	<b>Material noncompliance/material weakness</b>
<b><i>Prior Year Finding</i></b>	<b>N/A</b>
<b><i>Federal Program</i></b>	<b>Emergency Solutions Grant (CFDA #14.231)</b>
<b><i>Federal Award Number</i></b>	<b>E-14-MC-26-0006, E-13-MC-26-0006, E-12-MC-26-0006, and E-11-MC-26-0006</b>
<b><i>Federal Award Year</i></b>	<b>July 1, 2010-June 30, 2015</b>
<b><i>Federal Agency</i></b>	<b>U.S. Department of Housing and Urban Development</b>
<b><i>Pass-Through Entity</i></b>	<b>N/A</b>
<b><i>City of Detroit Department</i></b>	<b>Housing and Revitalization Department</b>
<b><i>Compliance Requirement</i></b>	<b>Special Tests and Provisions – Obligations and Payments</b>

***Criteria***

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

2 CFR 200.514 (c) requires non-federal entities receiving federal awards to establish and maintain internal controls over federal programs based upon the guidance in Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States and the *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Per 24 CFR 572.203, (c) Payments to subrecipients. The recipient must pay each subrecipient for allowable costs within 30 days after receiving the subrecipient’s complete payment request. This requirement also applies to each subrecipient that is a unit of general purpose local government.

***Condition***

For 28 of 40 expenditures selected for testing, payment was not made to the subrecipient within 30 days of receiving the payment request as required.

***Possible Asserted Cause and Effect***

Management did not have effective controls in place to ensure they were in compliance with the Obligation and Payment requirement.

***Recommendation***

We recommend that existing policies are internally monitored to ensure compliance with the Obligation and Payment requirement.

**CITY OF DETROIT, MICHIGAN**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

***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, 2015

<b><i>Finding Number</i></b>	<b>2015-24</b>
<b><i>Finding Type</i></b>	<b>Noncompliance/significant deficiency</b>
<b><i>Prior Year Finding</i></b>	<b>N/A</b>
<b><i>Federal Program</i></b>	<b>Federal Transit Cluster (CFDA #20.500 and 20.507)</b>
<b><i>Federal Award Number</i></b>	<b>MI-90-X604, MI-90-X605</b>
<b><i>Federal Award Year</i></b>	<b>July 1, 2014-June 30, 2015</b>
<b><i>Federal Agency</i></b>	<b>U.S. Department of Transportation</b>
<b><i>Pass-Through Entity</i></b>	<b>Federal Transit Administration</b>
<b><i>City of Detroit Department</i></b>	<b>Detroit Department of Transportation</b>
<b><i>Compliance Requirement</i></b>	<b>Reporting</b>

***Criteria***

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

Per the Federal Financial Report (FFR) instructions, cash disbursements are the sum of actual cash disbursements (of federally authorized funds) for direct charges for goods and services, the amount of indirect expenses charged to the award, and the amount of cash advances and payments (of federally authorized funds) made to subrecipients and contractors.

***Condition***

The total expenditures that the City reported during the year in their 4 quarterly FFRs for grant MI-90-X605 was \$10,343,577; however, the General Ledger reflected \$10,231,231 resulting in a difference of \$112,346. Additionally the total expenditures the City reported during the fiscal year in their 4 quarterly FFRs for grant MI-90-X604 was \$345,675; however the General Ledger reflected \$341,072, resulting in a difference of \$4,603. The total difference between what was reported and what is included in the General Ledger is \$116,949. The City was unable to resolve the difference.

***Possible Asserted Cause and Effect***

Procedures to ensure reports are prepared accurately did not operate effectively.

***Recommendation***

We recommend that policies and procedures are monitored to ensure compliance with the Reporting requirement that reports are produced timely and accurately.

***Questioned Costs***

None

**CITY OF DETROIT, MICHIGAN**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

*Views of Responsible Officials*

Management concurs with this finding.



**CITY OF DETROIT, MICHIGAN**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

<b><i>Finding Number</i></b>	<b>2015-25</b>
<b><i>Finding Type</i></b>	<b>Material noncompliance/material weakness</b>
<b><i>Prior Year Finding</i></b>	<b>2014-32</b>
<b><i>Federal Program</i></b>	<b>HIV Emergency Relief Project Grants (CFDA #93.914)</b>
<b><i>Federal Award Number</i></b>	<b>H89HA00021-22, H89HA00021-23</b>
<b><i>Federal Award Year</i></b>	<b>March 1, 2014-February 29, 2015; March 1, 2015-February 28, 2016</b>
<b><i>Federal Agency</i></b>	<b>U.S. Department of Health and Human Services</b>
<b><i>Pass-Through Entity</i></b>	<b>N/A</b>
<b><i>City of Detroit Department</i></b>	<b>Department of Health &amp; Wellness Promotion</b>
<b><i>Compliance Requirement</i></b>	<b>Cash Management</b>

***Criteria***

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

Per 45 CFR 92.20(7), 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 recipients' need for the funds.

***Condition***

We selected a sample of 8 drawdowns for 7 of the 8 draws, the City did not minimize the time lapse between drawdown and payment to 3 days or less as required. Two draws exceeded time lapse by 5-10 days and five draws exceeded time lapse by 11-20 days.

***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.

**CITY OF DETROIT, MICHIGAN**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

***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.

**CITY OF DETROIT, MICHIGAN**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

<b><i>Finding Number</i></b>	<b>2015-26</b>
<b><i>Finding Type</i></b>	<b>Material noncompliance/material weakness</b>
<b><i>Prior Year Finding</i></b>	<b>2014-33</b>
<b><i>Federal Program</i></b>	<b>HIV Emergency Relief Project Grants (CFDA #93.914)</b>
<b><i>Federal Award Number</i></b>	<b>H89HA00022 and H89HA00023</b>
<b><i>Federal Award Year</i></b>	<b>March 1, 2012-February 29, 2013; March 1, 2013-February 28, 2014</b>
<b><i>Federal Agency</i></b>	<b>U.S. Department of Health and Human Services</b>
<b><i>Pass-Through Entity</i></b>	<b>N/A</b>
<b><i>City of Detroit Department</i></b>	<b>Department of Health and Wellness Promotion</b>
<b><i>Compliance Requirement</i></b>	<b>Procurement, Suspension and Debarment</b>

***Criteria***

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

Per 45 CFR Part 36(b)(9) and 2 CFR section 215.46, 45 CFR Part 92.36(b)(1) and (d)(4); and 2 CFR sections 215.43 and 215.44(e), and 45 CFR 92.36(f) and 2 CFR section 215.45, contract files should contain documentation that includes the significant history of the procurement, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, the basis of contract price, the rationale to limit competition in those cases where competition was limited and ascertain if the limitation was justified, and cost or price analyses performed in connection with procurement actions, including contract modifications supporting the procurement action.

***Condition***

We reviewed procurement of the sole contract greater than \$25,000 for the HIV program, which is the contract between the City and its subrecipient covering fiscal year 2015 to determine whether there was an adequate level of competition, or that there was justification for lack thereof. The City was unable to provide a contract file including the justification for the lack of competition related to the subcontractor.

***Possible Asserted Cause and Effect***

Because no documentation was provided, we were not able to verify that there was no bias in the selection of the subrecipient and that the appropriate procurement procedures were followed.

***Recommendation***

We recommend that policies and procedures are monitored to ensure compliance with procurement requirements.

**CITY OF DETROIT, MICHIGAN**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

***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, 2015

<i><b>Finding Number</b></i>	<b>2015-27</b>
<i><b>Finding Type</b></i>	<b>Material noncompliance/material weakness</b>
<i><b>Prior Year Finding</b></i>	<b>2014-34</b>
<i><b>Federal Program</b></i>	<b>HIV Emergency Relief Project Grants (CFDA #93.914)</b>
<i><b>Federal Award Number</b></i>	<b>H89HA00022</b>
<i><b>Federal Award Year</b></i>	<b>March 1, 2012-February 29, 2013; March 1, 2013-February 28, 2014</b>
<i><b>Federal Agency</b></i>	<b>U.S. Department of Health and Human Services</b>
<i><b>Pass-Through Entity</b></i>	<b>N/A</b>
<i><b>City of Detroit Department</b></i>	<b>Department of Health and Wellness Promotion</b>
<i><b>Compliance Requirement</b></i>	<b>Procurement, Suspension and Debarment</b>

***Criteria***

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

CFR 92.37(b) requires that subgrantees be subject to federal statutes and regulations and that those provisions are included in the subgrant agreement.

***Condition***

We reviewed procurement of the sole contract greater than \$25,000 for the HIV program, the contract between the City and its subcontractor covering fiscal year 2015. We noted that the contract was approved at least two months after the effective date of the contract. The contract for the grant year March 1, 2013-February 28, 2016 was approved on May 1, 2013.

***Possible Asserted Cause and Effect***

The contract between the City and its subcontractor was approved in May 2013, which is after the start of the grant year. This allowed the subcontractor to operate without an approved contract for more than 2 months.

***Recommendation***

We recommend that policies and procedures are monitored to ensure compliance with procurement requirements.

***Questioned Costs***

Indeterminable

**CITY OF DETROIT, MICHIGAN**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

*Views of Responsible Officials*

Management concurs with this finding.

**CITY OF DETROIT, MICHIGAN**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

<i><b>Finding Number</b></i>	<b>2015-28</b>
<i><b>Finding Type</b></i>	<b>Material noncompliance/material weakness</b>
<i><b>Prior Year Finding</b></i>	<b>2014-37</b>
<i><b>Federal Program</b></i>	<b>Staffing for Adequate Fire and Emergency Response (SAFER) (CFDA #97.083)</b>
<i><b>Federal Award Number</b></i>	<b>EMW-2011-FH-00489, EMW-2012-FH-00665, and EMW-2013-FH-00613</b>
<i><b>Federal Award Year</b></i>	<b>September 22, 2012-March 29, 2015; December 28, 2012- October 21, 2015; February 22, 2014-February 21, 2016</b>
<i><b>Federal Agency</b></i>	<b>U.S. Department of Homeland Security</b>
<i><b>Pass-Through Entity</b></i>	<b>N/A</b>
<i><b>City of Detroit Department</b></i>	<b>Detroit Fire Department</b>
<i><b>Compliance Requirement</b></i>	<b>Activities Allowed or Unallowed, and Allowable Costs/Cost Principles</b>

***Criteria***

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

Code of Federal Regulations Part 225 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 semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

***Condition***

We noted that all employees charged to the grant were not originally supported with the required semiannual time certification. However, 14 months after year-end, management certified that these employees worked solely on the SAFER grant. The required certifications were not performed semiannually or timely for employees charged to the SAFER grant.

Additionally we were originally provided with a time certification for SAFER 2013, which certified time from February 22, 2014 through February 21, 2016. The individual that signed the certification signed on December 1, 2015 and thereby certified future periods.

***Possible Asserted Cause and Effect***

Management was unaware of the requirement to prepare time certifications.

**CITY OF DETROIT, MICHIGAN**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

***Recommendation***

We recommend that management attains a full understanding of the grant requirements and completes payroll certifications in a timely manner.

***Questioned Costs***

None

***Views of Responsible Officials***

Management concurs with this finding, noting that the original documents submitted were completed erroneously.



**CITY OF DETROIT, MICHIGAN**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

<b><i>Finding Number</i></b>	<b>2015-29</b>
<b><i>Finding Type</i></b>	<b>Material noncompliance/material weakness</b>
<b><i>Prior Year Finding</i></b>	<b>2014-38</b>
<b><i>Federal Program</i></b>	<b>Staffing for Adequate Fire and Emergency Response (CFDA #97.083)</b>
<b><i>Federal Award Number</i></b>	<b>EMW-2011-FH-00489, EMW-2012-FH-00665, and EMW-2013-FH-00613</b>
<b><i>Federal Award Year</i></b>	<b>September 22, 2012-March 29, 2015; December 28, 2012-October 21, 2015; February 22, 2014-February 21, 2016</b>
<b><i>Federal Agency</i></b>	<b>U.S. Department of Homeland Security</b>
<b><i>Pass-Through Entity</i></b>	<b>N/A</b>
<b><i>City of Detroit Department</i></b>	<b>Detroit Fire Department</b>
<b><i>Compliance Requirement</i></b>	<b>Activities Allowed or Unallowed, and Allowable Costs/Cost Principles</b>

***Criteria***

The A-102 common rule requires non-federal entities receiving federal awards to 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, and be adequately documented (2 CFR Part 225 Appendix A).

***Condition***

The City was unable to provide adequate supporting documentation for the fringe benefits charged for individual firefighters related to the SAFER grant.

***Possible Asserted Cause and Effect***

Management charged the grant for budgeted fringe rate percentages that did not represent individual firefighter fringe benefits, nor had the City obtained approval from the awarding agency to use a cost allocation plan related to fringe benefits. As a result, the City was unable to substantiate the amount of fringe benefits charged to the grant.

**CITY OF DETROIT, MICHIGAN**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

***Recommendation***

We recommend implementing a cost allocation plan regarding fringe benefits or obtaining approval from the awarding agency to utilize budgeted fringe rates for grant expenses.

***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, 2015

<b><i>Finding Number</i></b>	<b>2015-30</b>
<b><i>Finding Type</i></b>	<b>Material weakness</b>
<b><i>Prior Year Finding</i></b>	<b>2014-39</b>
<b><i>Federal Program</i></b>	<b>Staffing for Adequate Fire and Emergency Response (CFDA #97.083)</b>
<b><i>Federal Award Number</i></b>	<b>EMW-2011-FH-00489, EMW-2012-FH-00665, and EMW-2013-FH-00613</b>
<b><i>Federal Award Year</i></b>	<b>September 22, 2012-March 29, 2015; December 28, 2012-October 21, 2015; February 22, 2014-February 21, 2016</b>
<b><i>Federal Agency</i></b>	<b>U.S. Department of Homeland Security</b>
<b><i>Pass-Through Entity</i></b>	<b>N/A</b>
<b><i>City of Detroit Department</i></b>	<b>Detroit Fire Department</b>
<b><i>Compliance Requirement</i></b>	<b>Activities Allowed or Unallowed, and Allowable Costs/Cost Principles; Cash Management, Period of Performance, Reporting</b>

***Criteria***

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

***Condition***

The City implemented internal control procedures related to the SAFER program related to management review and segregation of duties during the 2015 fiscal year. We reviewed documentation indicating that segregation of duties existed. We obtained and reviewed the "Salary and Fringe" spreadsheet utilized to track grant expenditures and calculate reimbursement requests to the Federal Emergency Management Agency (FEMA), reimbursement requests and financial and performance reports submitted to FEMA and noted no evidence of management review or approval. KPMG inquired of the individual responsible for management review who indicated that review was performed but the review was not documented.

***Possible Asserted Cause and Effect***

Internal controls were not properly designed or implemented to ensure effectiveness.

***Recommendation***

We recommend that policies and procedures are implemented to leave an appropriate audit trail regarding evidence of review.

**CITY OF DETROIT, MICHIGAN**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

***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, 2015

<b><i>Finding Number</i></b>	<b>2015-31</b>
<b><i>Finding Type</i></b>	<b>Material noncompliance/material weakness</b>
<b><i>Prior Year Finding</i></b>	<b>2014-40</b>
<b><i>Federal Program</i></b>	<b>Staffing for Adequate Fire and Emergency Response (CFDA #97.083)</b>
<b><i>Federal Award Number</i></b>	<b>EMW-2011-FH-00489</b>
<b><i>Federal Award Year</i></b>	<b>September 22, 2012-March 29, 2015</b>
<b><i>Federal Agency</i></b>	<b>U.S. Department of Homeland Security</b>
<b><i>Pass-Through Entity</i></b>	<b>N/A</b>
<b><i>City of Detroit Department</i></b>	<b>Detroit Fire Department</b>
<b><i>Compliance Requirement</i></b>	<b>Reporting</b>

***Criteria***

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

Per Appendix II Part 1 (B)(3) of the SAFER 2011 Grant Guidance and Application Kit, Grantees under the Hiring of Firefighters Activity must agree to maintain the SAFER funded positions as well as the number of positions declared at the time of award throughout the two-year commitment unless the grantee has been afforded a waiver of this requirement.

***Condition***

The Detroit Fire Department (DFD) did not maintain the 909 operational/frontline positions declared at the time of the award for the 2011 SAFER grant. The most recent 2011 SAFER quarterly performance report (period ended March 21, 2015) indicates only 873 operational/frontline positions were employed. The department did not obtain a waiver related to this requirement.

***Possible Asserted Cause and Effect***

Internal controls were not properly designed, executed, or monitored to ensure compliance with reporting requirements. As a result, management did not comply.

***Recommendation***

We recommend that DFD maintains the number of operational/frontline positions or obtains a waiver for this requirement if DFD cannot maintain the positions.

***Questioned Costs***

None

**CITY OF DETROIT, MICHIGAN**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

*Views of Responsible Officials*

Management concurs with this finding.

**CITY OF DETROIT, MICHIGAN**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

<b><i>Finding Number</i></b>	<b>2015-32</b>
<b><i>Finding Type</i></b>	<b>Material noncompliance/material weakness</b>
<b><i>Prior Year Finding</i></b>	<b>2014-41</b>
<b><i>Federal Program</i></b>	<b>Staffing for Adequate Fire and Emergency Response (CFDA #97.083)</b>
<b><i>Federal Award Number</i></b>	<b>EMW-2011-FH-00489 and EMW-2013-FH-00613</b>
<b><i>Federal Award Year</i></b>	<b>September 22, 2012-March 29, 2015; February 22, 2014-February 21, 2016</b>
<b><i>Federal Agency</i></b>	<b>U.S. Department of Homeland Security</b>
<b><i>Pass-Through Entity</i></b>	<b>N/A</b>
<b><i>City of Detroit Department</i></b>	<b>Detroit Fire Department</b>
<b><i>Compliance Requirement</i></b>	<b>Reporting</b>

***Criteria***

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

Per Section VI of the SAFER 2013 Grant Guidance and Application Kit, the applicant is responsible for completing and submitting a programmatic performance report using the e-Grants system. The programmatic performance report is due within 30 days of the end of each of the grant's quarters.

Per Appendix II (D)(1) of the SAFER 2013 Grant Guidance and Application Kit, and Appendix II (D)(5) of the SAFER 2011 Grant Guidance and Application Kit, recipients of any SAFER grants awarded on or after October 1, 2009 are required to submit a semiannual Federal Financial Report (FFR, SF-425). The FFR, to be submitted using the online e-Grant system, will be due semiannually based on the calendar year beginning with the period after the award is made. Grant recipients will be required to submit an FFR throughout the entire period of performance of the grant.

Reporting periods and due dates are January 1-June 30; due July 30; and July 1-December 31; due January 30.

Per Appendix II (D)(8) of the SAFER 2011 Grant Guidance and Application Kit, within 90 days after the end of the period of performance, grantees must submit a final FFR and final progress report detailing all accomplishments throughout the period of performance.

***Condition***

During our testwork over the Reporting compliance requirements we selected 3 SF-425s and 3 quarterly performance reports for testing and noted the following:

**CITY OF DETROIT, MICHIGAN**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

The 2013 SAFER (EMW-2012-FH-00613) quarterly performance report for the grant quarter ended May 21, 2015 was due on June 20, 2015; it was submitted on June 30, 2015.

The 2011 SAFER (EMW-2011-FH-00489) federal financial report for the period ended December 31, 2014 was due on January 30, 2015; it was submitted on March 29, 2015.

The DFD did not submit the final FFR and final progress report for the 2011 SAFER grant within 90 days of the end of the period of performance. The period of performance ended March 29, 2015 and the final reports were submitted approximately 16 months later.

***Possible Asserted Cause and Effect***

The City's policy to submit reports timely was not followed.

***Recommendation***

We recommend that DFD/Grants management implement procedures to submit the reports by the required date.

***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, 2015

<b><i>Finding Number</i></b>	<b>2015-33</b>
<b><i>Finding Type</i></b>	<b>Material noncompliance/material weakness</b>
<b><i>Prior Year Finding</i></b>	<b>N/A</b>
<b><i>Federal Program</i></b>	<b>Staffing for Adequate Fire and Emergency Response (CFDA #97.083)</b>
<b><i>Federal Award Number</i></b>	<b>EMW-2011-FH-00489, EMW-2012-FH-00665, and EMW-2013-FH-00613</b>
<b><i>Federal Award Year</i></b>	<b>September 22, 2012-March 29, 2015; December 28, 2012-October 21, 2015; February 22, 2014-February 21, 2016</b>
<b><i>Federal Agency</i></b>	<b>U.S. Department of Homeland Security</b>
<b><i>Pass-Through Entity</i></b>	<b>N/A</b>
<b><i>City of Detroit Department</i></b>	<b>Detroit Fire Department</b>
<b><i>Compliance Requirement</i></b>	<b>Reporting</b>

***Criteria***

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

Per the Federal Financial Report (FFR) instructions, Cash Disbursements (line 10(b)) and the Federal Share of Expenditures (line 10(e)) should be reported cumulatively from the date of the inception of the award through the end date of the reporting period specified in line 9.

***Condition***

During our testwork over the Reporting compliance requirements, we selected the June 30, 2015 FFR for the 2012 SAFER grant and the 2013 SAFER grant and the December 31, 2014 FFR for the 2011 SAFER Grant, which is the last FFR submitted under the 2011 SAFER grant. During our review, we noted that line 10(b) of the 2011 SAFER FFR did not correctly state the cumulative cash disbursements spent from the amounts the City drew down. Additionally, the City did not provide a reconciliation of the total expenditures noted on line 10(e) of each FFR to the SEFA. The table below shows the total cumulative expenditures on the prior year FFR, the total expenditures on the current year FFR, and the total expenditures on the current year SEFA and general ledger.

**CITY OF DETROIT, MICHIGAN**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Grant	PY Cumulative Expenditures from FFR	CY Cumulative Expenditures from FFR	FY15 Expenditures per GL/SEFA
2011 SAFER	\$13,340,733	\$4,380,365	\$1,447,762
2012 SAFER	\$2,206,954	\$2,206,954	\$1,707,031
2013 SAFER	\$0	\$0	\$4,628,444

***Possible Asserted Cause and Effect***

Internal controls were not properly designed, executed, or monitored to ensure compliance with reporting requirements.

***Recommendation***

We recommend that policies and procedures are implemented and monitored to ensure compliance with reporting requirements.

***Questioned Costs***

None

***Views of Responsible Officials***

Management concurs with this finding, noting that the Schedule of Expenditures of Federal Awards is accurate.