



CITY OF DETROIT, MICHIGAN
OMB Circular A-133 Single Audit Report
Year ended June 30, 2013

CITY OF DETROIT, MICHIGAN

Table of Contents

	Page(s)
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 <i>Government Auditing Standards</i>	1 – 2
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	3 – 14
Schedule of Expenditures of Federal Awards	15 – 18
Notes to the Schedule of Expenditures of Federal Awards	19
Schedule of Findings and Questioned Costs	20 – 133



KPMG LLP
Suite 1900
150 West Jefferson
Detroit, MI 48226

**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***

Kevyn Orr, Emergency Financial Manager,
The Honorable Mayor Mike Duggan,
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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 25, 2014. Our report included an emphasis of matter paragraph which states, along with other matters, that the City has filed a voluntary petition under Chapter 9 of the Bankruptcy Code, which raises substantial doubt about the City's ability to continue as a going concern. Other auditors audited the financial statements of the General Retirement System, the Police and Fire Retirement System, and all of the discretely presented component units, as described in our report on the City's basic financial statements. The financial statements of the General Retirement System, Policemen and Firemen Retirement System, and certain discretely presented component units identified in 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 basic 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 responses, we identified certain deficiencies in internal control over financial reporting 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 responses as findings 2013-01, 2013-02, and 2013-03 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's basic 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 and responses as findings 2013-04, 2013-05, 2013-06, 2013-07, 2013-08, 2013-09, and 2013-10.

The City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the basic 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
July 25, 2014



KPMG LLP
Suite 1900
150 West Jefferson
Detroit, MI 48226

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, Audits of States, Local Governments, and Non-Profit Organizations

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, 2013. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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.

The City's basic financial statements include the operations of the Detroit Brownfield Redevelopment Authority, Detroit Public Library, Detroit Transportation Corporation, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Greater Detroit Resource Recovery Authority, Local Development Finance Authority, Museum of African American History, 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, 2013. Our audit, described below, did not include the operations of the Detroit Brownfield Redevelopment Authority, Detroit Public Library, Detroit Transportation Corporation, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Greater Detroit Resource Recovery Authority, Local Development Finance Authority, Museum of African American History, 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.



Except as discussed in the following paragraphs, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that 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 Opinion on the Community Development Block Grant program

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the City with the Community Development Block Grant program (CFDA #14.218) regarding the Procurement and Suspension and Debarment compliance requirements as discussed in Finding 2013-17, nor were we able to satisfy ourselves as to the City's compliance with those requirements by other auditing procedures. Consequently, we were unable to determine whether the City complied with the requirements applicable to the program. Also, as described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the Community Development Block Grant as described in Table 1. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Adverse Opinion on the Community Development Block Grant program

In our opinion, based on the possible effects of the matter described in the Basis for Adverse Opinion paragraph, and because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph and Table I, the City did not comply, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Community Development Block Grant program for the year ended June 30, 2013. As identified in Table IV, the results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133, and which are described in the accompanying schedule of findings and questioned costs as Findings 2013-16, 2013-20, 2013-21, and 2013-22.

Basis for Adverse Opinion on the Public Safety Partnership and Community Policing Grants program

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the City with the Public Safety Partnership and Community Policing Grants program (CFDA #16.710) regarding the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements as discussed in Finding 2013-34, nor were we able to satisfy ourselves as to the City's compliance with those requirements by other auditing procedures. Consequently, we were unable to determine whether the City complied with the requirements applicable to the program. Also, as described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the Public Safety Partnership and Community Policing Grants program as described in Table 1. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.



Adverse Opinion on the Public Safety Partnership and Community Policing Grants program

In our opinion, based on the possible effects of the matter described in the Basis for Adverse Opinion paragraph, and because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph and Table I, the City did not comply, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Community Policing Grants program for the year ended June 30, 2013. As identified in Table IV, the results of our auditing procedures also disclosed another instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133, and which is described in the accompanying schedule of findings and questioned costs as Finding 2013-32.

Basis for Adverse Opinion on the Workforce Investment Act program

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the City with the Workforce Investment Act program (CFDA #17.259, 17.259, 17.278) regarding the Activities Allowed or Unallowed and Allowable Costs/Cost Principles, Cash Management, and Subrecipient Monitoring compliance requirements as discussed in Finding 2013-44, nor were we able to satisfy ourselves as to the City's compliance with those requirements by other auditing procedures. Consequently, we were unable to determine whether the City complied with the requirements applicable to the program. Also, as described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the Workforce Investment Act program as described in Finding 2013-44. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Adverse Opinion on the Workforce Investment Act program

In our opinion, based on the possible effects of the matter described in the Basis for Adverse Opinion paragraph, and because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the City did not comply, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Workforce Investment Act program for the year ended June 30, 2013.

Basis for Adverse Opinion on the Temporary Assistance for Needy Families program

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the City with the Temporary Assistance for Needy Families program (CFDA #93.558) regarding the Cash Management and Subrecipient Monitoring compliance requirements as discussed in Finding 2013-47, nor were we able to satisfy ourselves as to the City's compliance with those requirements by other auditing procedures. Consequently, we were unable to determine whether the City complied with the requirements applicable to the program. Also, as described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the Temporary Assistance for Needy Families program as described in Finding 2013-47. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Adverse Opinion on the Temporary Assistance for Needy Families program

In our opinion, based on the possible effects of the matter described in the Basis for Adverse Opinion paragraph, and because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the City did not comply, in all material respects, with the compliance requirements referred to



above that could have a direct and material effect on the Temporary Assistance for Needy Families program for the year ended June 30, 2013.

Basis for Adverse Opinion on the Community Services Block Grant program

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the City with the Community Services Block Grant program (CFDA #93.569) regarding the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements as discussed in Findings 2013-49 and 2013-50, the Cash Management compliance requirements as discussed in Finding 2013-52, the Reporting compliance requirements as discussed in Findings 2013-52 and 2013-55, and the Subrecipient Monitoring compliance requirements as discussed in Finding 2013-58, nor were we able to satisfy ourselves as to the City's compliance with those requirements by other auditing procedures. Consequently, we were unable to determine whether the City complied with the requirements applicable to the program. Also, as described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the Community Services Block Grant program as described in Table 1. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Adverse Opinion on the Community Services Block Grant program

In our opinion, based on the possible effects of the matter described in the Basis for Adverse Opinion paragraph, and because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph and Table I, the City did not comply, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Community Services Block Grant program for the year ended June 30, 2013.

Basis for Adverse Opinion on the Homeland Security Grant Program

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the City with the Homeland Security Grant Program (CFDA #97.067) regarding the Cash Management compliance requirements as discussed in Findings 2013-63 and 2013-64, the Equipment and Real Property Management compliance requirements as discussed in Finding 2013-66, and the Reporting compliance requirements as discussed in Finding 2013-68, nor were we able to satisfy ourselves as to the City's compliance with those requirements by other auditing procedures. Consequently, we were unable to determine whether the City complied with the requirements applicable to the program. Also, as described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the Homeland Security Grant program as described in Table 1. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Adverse Opinion on the Homeland Security Grant Program

In our opinion, based on the possible effects of the matter described in the Basis for Adverse Opinion paragraph, and because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph and Table I, the City did not comply, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Homeland Security Grant Program for the year ended June 30, 2013.



Basis for Adverse Opinion on the Staffing for Adequate Fire and Emergency Response program

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the City with the Staffing for Adequate Fire and Emergency Response program (CFDA #97.083) regarding the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements as discussed in Finding 2013-69, nor were we able to satisfy ourselves as to the City’s compliance with those requirements by other auditing procedures. Consequently, we were unable to determine whether the City complied with the requirements applicable to the program. Also, as described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the Staffing for Adequate Fire and Emergency Response program as described in Table 1. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Adverse Opinion on the Staffing for Adequate Fire and Emergency Response program

In our opinion, based on the possible effects of the matter described in the Basis for Adverse Opinion paragraph, and because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph and Table I, the City did not comply, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Staffing for Adequate Fire and Emergency Response program for the year ended June 30, 2013. As identified in Table IV, the results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133, and which are described in the accompanying schedule of findings and questioned costs as Finding 2013-71 and 2013-74.

TABLE I – MATERIAL NONCOMPLIANCE NOTED IN PROGRAMS WITH SCOPE LIMITATIONS

Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Housing and Urban Development	14.218	Community Development Block Grant	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-12
Housing and Urban Development	14.218	Community Development Block Grant	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-13
Housing and Urban Development	14.218	Community Development Block Grant	Cash Management	2013-14
Housing and Urban Development	14.218	Community Development Block Grant	Reporting	2013-18
Housing and Urban Development	14.218	Community Development Block	Subrecipient Monitoring	2013-23



Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
		Grant		
Justice	16.710	Public Safety Partnership and Community Policing Grants	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-31
Justice	16.710	Public Safety Partnership and Community Policing Grants	Equipment and Real Property Management	2013-35
Justice	16.710	Public Safety Partnership and Community Policing Grants	Level of Effort – Supplement not Supplant	2013-36
Health and Human Services	93.569	Community Services Block Grant	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-48
Health and Human Services	93.569	Community Services Block Grant	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-51
Health and Human Services	93.569	Community Services Block Grant	Procurement	2013-53
Health and Human Services	93.569	Community Services Block Grant	Reporting	2013-54
Health and Human Services	93.569	Community Services Block Grant	Period of Availability	2013-56
Health and Human Services	93.569	Community Services Block Grant	Activities Allowed or Unallowed and Allowable Costs/Cost Principles and Reporting	2013-57
Homeland Security	97.067	Homeland Security Grant Program	Activities Allowed or Unallowed and	2013-62



Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
			Allowable Costs/Cost Principles	
Homeland Security	97.067	Homeland Security Grant Program	Earmarking	2013-65
Homeland Security	97.083	Staffing for Adequate Fire and Emergency Response	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-70
Homeland Security	97.083	Staffing for Adequate Fire and Emergency Response	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-73
Homeland Security	97.083	Staffing for Adequate Fire and Emergency Response	Reporting	2013-75

Basis for Adverse Opinion on the Edward Byrne Memorial Justice Assistance Grant

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

Adverse Opinion on the Edward Byrne Memorial Justice Assistance Grant

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion 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 the Edward Byrne Memorial Justice Assistance Grant for the year ended June 30, 2013.

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

Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Justice	16.738, 16.803	Edward Byrne Memorial Justice Assistance Grant	Equipment and Real Property Management	2013-40



Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Justice	16.738, 16.803	Edward Byrne Memorial Justice Assistance Grant	Procurement, Suspension and Debarment	2013-41
Justice	16.738, 16.803	Edward Byrne Memorial Justice Assistance Grant	Reporting	2013-42
Justice	16.738, 16.803	Edward Byrne Memorial Justice Assistance Grant	Subrecipient Monitoring	2013-43

Basis for Qualified Opinions on HOME Investment Partnerships Program, Community Development Block Grants – Section 108 Loan Guarantees Program, Federal Transit Cluster, and HIV Emergency Relief

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements identified in Table III. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to each program.

Qualified Opinions on HOME Investment Partnerships Program, Community Development Block Grants – Section 108 Loan Guarantees Program, Federal Transit Cluster, and HIV Emergency Relief

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph and Table III, 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 the Home Investment Partnerships Program, Community Development Block Grants – Section 108 Loan Guarantees Program, Federal Transit Cluster, and HIV Emergency Relief program for the year ended June 30, 2013.

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

Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Procurement, Suspension and Debarment	2013-25
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Reporting	2013-26
Housing and Urban Development	14.248	Community Development Block Grant – Section 108 Loan Guarantees	Activities Allowed or Unallowed and Allowable Costs/Cost	2013-28



		Program	Principles	
Housing and Urban Development	14.248	Community Development Block Grant – Section 108 Loan Guarantees Program	Cash Management	2013-29
Housing and Urban Development	14.248	Community Development Block Grant – Section 108 Loan Guarantees Program	Procurement, Suspension and Debarment	2013-30
Transportation	20.500, 20.507	Federal Transit Cluster	Davis Bacon	2013-45
Transportation	20.500, 20.507	Federal Transit Cluster	Procurement, Suspension and Debarment	2013-46
Health and Human Services	93.914	HIV Emergency Relief	Procurement, Suspension and Debarment	2013-59
Health and Human Services	93.914	HIV Emergency Relief	Procurement, Suspension and Debarment	2013-60
Health and Human Services	93.914	HIV Emergency Relief	Subrecipient Monitoring	2013-61

Unmodified Opinion on the State Revolving Loan program

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 the Capitalization Grants for Clean Water State Revolving Funds program for the year ended June 30, 2013.

Other Matters

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



TABLE IV – OTHER REPORTABLE INSTANCES OF NONCOMPLIANCE

Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Period of Availability	2013-16
Housing and Urban Development	14.253	Community Development Block Grants/Entitlement Grants	Reporting	2013-20
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Reporting	2013-21
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Reporting	2013-22
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Reporting	2013-27
Justice	16.710	Public Safety Partnership and Community Policing Grants	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2013-32
Justice	16.738, 16.803	Edward Byrne Memorial Justice Assistance Grant	Cash Management	2013-39
Homeland Security	97.083	Staffing for Adequate Fire and Emergency Response	Activities Allowed or Unallowed, Allowable Costs/Cost Principles	2013-71
Homeland Security	97.083	Staffing for Adequate Fire and Emergency Response	Reporting	2013-74



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 2013-11, 2013-67, 2013-72, the items in Table I, the items in Table II, and the items in Table III to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-15, 2013-19, 2013-24, 2013-33, 2013-37, 2013-38, and the items in Table IV 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated July 25, 2014. Our report included an emphasis of matter paragraph which states, along with other matters, that the City has filed a voluntary petition under Chapter 9 of the Bankruptcy Code which raises substantial doubt about the City's ability to continue as a going concern. Our report on the basic financial statements was modified to recognize that we did not audit the financial statements of the Detroit Brownfield Redevelopment Authority, Detroit Public Library, Detroit Transportation Corporation, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Greater Detroit Resource Recovery Authority, Local Development Finance Authority, Museum of African American History, Detroit Land Bank Authority, Eight Mile/Woodward Corridor Improvement Authority, and Detroit Employment Solutions Corporation which represent 100% of the assets and expenses of the aggregate discretely presented component units. We also did not audit the financial statements of the General Retirement System and the Police and Fire Retirement System (together the Retirement Systems) and the Detroit Building Authority, which represent 96% and 50% of the assets expenses/expenditures/deductions, respectively, of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon were furnished to us, and our opinions, insofar as they relate to the amount included in the aggregate discretely presented component units and the aggregate remaining fund information, are based solely on the reports of other auditors.

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
December 30, 2014, except for our report on the
Schedule of Expenditures of Federal Awards, for
which the date is July 25, 2014

CITY OF DETROIT, MICHIGAN
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

Grant Title	Catalog of Federal Domestic Assistance	Grant Number	2013 Expenditure
Department of Agriculture:			
Via Michigan Department of Community Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	IW100342	\$ 1,702,010
Special Supplemental Nutrition Program for Women, Infants, and Children Breastfeeding	10.557	W500342	14,119
Total Supplemental Nutritional Assistance Program WIC			<u>1,716,129</u>
Via Michigan Department of Human Services:			
Head Start UCACF	10.558	99-000-0038	6,619
Via Workforce Development Agency State of Michigan:			
FY 2012 Supportive Services	10.561	2MI400100	5,828
FY 2012 Supportive Services	10.561	2MI400100	153
FY 2013 Supportive Services	10.561	2MI400100	11,439
FY 2012 Food Assistance	10.561	2MI420122	24,045
FY 2012 Food Assistance	10.561	2MI420122	327,229
FY 2013 Food Assistance	10.561	2MI420122	541,693
Total Supplemental Nutritional Assistance Program			<u>910,387</u>
Total Department of Agriculture			<u>2,633,135</u>
Department of Defense Federal Voting Assistance:			
Direct Awards:			
Electronic Absentee Systems for Elections (EASE Grant)	12.217	H98210-12-0018	264,220
Total Department of Defense			<u>264,220</u>
Department of Housing and Urban Development:			
Direct Awards:			
Community Development Block Grants/Entitlement Grants	14.218	N/A	384,586
Community Development Block Grant	14.218	B-12-MC-26-0006	28,463,255
Entitlement Grant - NSP Demolition	14.218	B-08-MN-26-0004	12,950,065
NSP III	14.218	N/A	949,983
Total CDBG			<u>42,747,889</u>
Emergency Shelter Grant	14.231	E-11-MC-26-0006	2,246,177
Home Investment Partnership (Special Housing)	14.239	M-12-MC-26-0202	18,436,225
HOPWA Aids Housing 6/2013	14.241	MIH11F001	1,952,821
CDBG Section 108 Loan Guarantees	14.248	N/A	3,734,073
CDBG ARRA	14.253	B-09-MY-0006	2,871,597
NSP2	14.256	N/A	2,674,762
Lead Hazard Reduction Demo - HUD Lead Hazard II	14.905	MILHD0196-09	749,244
Total Department of Housing and Urban Development			<u>75,412,789</u>
Department of History, Arts and Libraries:			
Direct Awards:			
Historic Preservation Fund Grants - Rehabilitation Master Plan	15.904	N/A	20,000
Historic Preservation Fund Grants - Belle Isle Aquarium Building	15.904	CG11-413	45,000
Historic Preservation Fund Grants - National Register of Historic Places	15.904	CG11-412	6,600
Total Department of History, Arts and Libraries			<u>71,600</u>
Department of Justice:			
Direct Awards:			
We're Here and We Care Program	16.541	2009-JL-FX-0149	125,740
Via Michigan Department of Community Health:			
Crime Victim Assist - Rape Counseling Center Prog 2011	16.575	20083-15V10	115,199
Crime Victim Assist - Rape Counseling Center Prog 2011	16.575	20083-16V12	492,906
Total Crime Victim Assistance			<u>608,105</u>
Encourage to Arrest	16.590	2008-WE-AX-0030	151,710
Direct Awards:			
Technology Program Grant	16.710	2009-CK-WX-0549	41,287
Technology Program Grant	16.710	2009-CK-WX-0557	69,389
COPS Hiring Program Grant - ARRA	16.710	2009-RJ-WX-0053	1,330,520
COPS Technology Program	16.710	2010-CK-WX-0506	89,859
2011 COPS Hiring Program Grant	16.710	2011-UL-WX-0018	1,492,820
Total Community Policing Grants			<u>3,023,875</u>
Via Michigan State Police:			
Safe Comm Underage Drinking Grant 2012	16.727	JJ-12-01	8,561
Via The County of Wayne			
2009 Justice Assistance Grant	16.738	2009-DJ-BX-0788	45,000
2009 Justice Assistance Grant - ARRA	16.738	2009-SB-B9-1422	3,307,869
2010 Justice Assistance Grant	16.738	2010-DJ-BX-1068	415,386
2011 Justice Assistance Grant	16.738	2011-DJ-BX-2481	44,000
Total Edward Byrne Memorial JAG			<u>3,812,255</u>
Direct Awards:			
Eastside Districts Firearm Reduction Initiative	16.753	2010-DD-BX-0383	66,343
Via Michigan Department of Community Health:			
Byrne JAG 2009 - ARRA	16.803	50001-1-09-B	52,135
Total Department of Justice			<u>7,848,723</u>

CITY OF DETROIT, MICHIGAN
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

Grant Title	Catalog of Federal Domestic Assistance	Grant Number	2013 Expenditure
Department of Labor:			
Via Workforce Development Agency State of Michigan:			
Wagner Peysers	17.207	ES207561055A26	\$ 38,684
Employment Services Grant	17.207	ES224371155A26	113,093
Employment Serv/Wayne Peysers FY 2012	17.207	N/A	607,259
Employment Serv/Wayne Peysers FY 2013	17.207	N/A	1,671,444
Total Employment Service/Wagner-Peyser Funded Activities			<u>2,430,480</u>
RES/REA EUC Administration	17.225	ES224371155A26	626,062
Employment Services Grant	17.225	ES224371155A26	20,910
Total Employment Service Grant			<u>646,972</u>
Trade Adjustment Assist 2002 FY 2013	17.245	N/A	768,657
Trade Adjustment Assist 2009/2011 FY 2013	17.245	N/A	515,323
Trade Adjustment Assist FY 2012	17.245	N/A	950,692
Employment Services Grant	17.245	N/A	22,624
Total Trade			<u>2,257,296</u>
WIA Adult	17.258	AA214021155A26	5,617,305
Statewide - Earn and Learn	17.258, 17.259, 17.278	AA202001055A26	550,000
Statewide Youth Activity High Concentration	17.258, 17.259, 17.278	AA202001055A26	21,659
Workforce Investment Act	17.258, 17.259, 17.278	AA202001055A26	243,641
Workforce Investment Act (WIA)	17.258, 17.259, 17.278	AA202001055A26	669,912
Administration	17.258, 17.259, 17.278	AA214021155A26	1,427,054
Total WIA Cluster			<u>2,912,266</u>
WIA Youth	17.259	AA221101155A26	5,713,432
One Stop Operation	17.278	AA202001055A26	191,775
WIA Dislocated Worker	17.278	AA214021155A26	3,072,775
Workforce Investment Act	17.278	AA214021155A26	119,913
Total WIA Dislocated Worker			<u>3,384,463</u>
Total Department of Labor			<u>22,962,213</u>
Department of Transportation:			
Via Michigan Department of Transportation - Bureau of Aeronautics:			
Workforce Investment Act	20.205	DWDD11-RCAR4	4,192
Via Federal Transit Administration:			
Federal Transit Capital Investment Grant	20.500	MI-04-0054	1,802,955
Federal Transit Capital Investment Grant	20.500	MI-90-X374	35,561
Total Federal Transit Capital Investment Grants			<u>1,838,516</u>
Via Federal Transit Administration:			
Federal Transit Formula Grant	20.507	MI-90-X563	107,990
Federal Transit Formula Grant	20.507	MI-90-X604	2,242,217
Federal Transit Formula Grant	20.507	MI-90-X605	22,857,459
Federal Transit Formula Grant	20.507	MI-95-X023	645,815
Federal Transit Formula Grant	20.507	MI-95-X062	339,089
Federal Transit Formula Grant - ARRA	20.507	MI-96-X011	406,903
Total Federal Transit Formula Grants			<u>26,599,473</u>
Transportation Grants Fund	20.514	U12-12006	265,555
Via Michigan Department of State Police:			
Det Comprehensive Traffic safety Grant 2011-2012	20.600	CP-12-06	29,001
Safe Communities Grant - DPD 2010-2011	20.600	PT-11-06	7,989
Safe Communities: Underage Drinking Grant 2010	20.600	PT-12-01	148,274
Strategic Traffic Enforcement Prog 2012-2013	20.600	PT-13-02	201,636
Elec Crash Capture & Submission 2012-2012	20.600	TR-12-08	160,853
Total State & Community Highway Safety			<u>547,753</u>
Total Department of Transportation			<u>29,255,489</u>
National Endowment for the Arts:			
Via Michigan Council for Arts and Cultural Affairs:			
2012-13 Mini-Grants Program Awards	45.025	12RR0020RG	52,000
Total National Endowment for the Arts			<u>52,000</u>
Environmental Protection Agency:			
Via Michigan Department of Environmental Quality:			
Capitalization Grants for Clean Water - State Revolving Loan	66.458	5175-06	4,376,217
Capitalization Grants for Clean Water - State Revolving Loan	66.458	5486-01	5,523,024
Capitalization Grants for Clean Water - State Revolving Loan - ARRA	66.458	5175-07	276,442
Capitalization Grants for Clean Water - State Revolving Loan - ARRA	66.458	5175-08	179,398
Total Capitalization Grants for Clean Water State Revolving Funds			<u>10,355,082</u>
Bed Bug	66.716	N/A	3,138
Brownfield Assess & Clean-up: Eastern Market Site Assessment	66.818	N/A	92,382
Brownfield Assess & Clean-up: Eastern Market Site Assessment	66.818	N/A	468,081
Total Brownfield Assessment & Clean-up			<u>560,462</u>
Total Environmental Protection Agency			<u>10,918,682</u>

CITY OF DETROIT, MICHIGAN
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

Grant Title	Catalog of Federal Domestic Assistance	Grant Number	2013 Expenditure
Department of Energy:			
Via Michigan Department of Human Services:			
ARRA Weatherization for Low Income Persons	81.042	DOE- S-09-82007	\$ 858,788
ARRA Emergency Efficiency & Conservation BG	81.128	DE-EE0000747	707,405
Smart Buildings Detroit Program EDC Grant	81.128	DE-EE0003559	101,635
Total Emergency Efficiency Grant			<u>809,040</u>
Total Department of Energy			<u>1,667,828</u>
Department of Health and Human Services:			
Via National Association of County and City Health Officials			
Medical Reserve Corps Small Grant Program	93.008	N/A	9,600
Childhood Lead Prevention	93.069	B1MIMCHS	11,990
Bio-Terrorism Emerg Prep 9/2012	93.069	U90TP000528	69,557
Cities Readiness Initiatives 9/2011	93.069	U90TP517018	75,430
Total Public Health Emergency Preparedness			<u>156,976</u>
Direct Awards:			
TB Prev & Control 12/2012	93.116	U52/CCU500843	252,048
Via Michigan Department of Community Health:			
HIV/AIDS Maternal Care 9/2012	93.153	H12HA24795	11,695
Family Planning 9/2012	93.217	GFPHPA05017341	321,249
Vaccine Replacement & Handling 9/2012	93.268	N/A	1,480
Immunization Vaccines for Children 09/2012	93.268	N/A	254,451
Immunization Reaching More Children & Adults	93.268	H23 CCH522556	177,994
Total CDC Immunization			<u>433,925</u>
Wisewoman Program	93.283	N/A	4,095
Via Workforce Development Agency State of Michigan:			
TANF Supportive Services (FY 2012)	93.558	G-1102MITANF	60,000
TANF WorkFirst (FY 2012)	93.558	G-1102MITANF	3,755,226
TANF Jet	93.558	G-1202MITANF	393,930
TANF Supportive Services (FY 2013)	93.558	G-1202MITANF	365,000
TANF WorkFirst (FY 2013)	93.558	G-1202MITANF	9,751,911
Total TANF			<u>14,326,067</u>
Via Michigan Department of Human Services:			
Community Services Block Grant	93.569	CSBG-10-82007	3,502,213
Direct Awards:			
Head Start	93.600	05CH0113/46	10,865
Early Head Start	93.600	05CH0113/47	70,769
Head Start	93.600	05CH0113/47	592,403
HS Training Technical Assi	93.600	05CH0113/47	5,679
Total Head Start			<u>679,716</u>
Via Workforce Development Agency State of Michigan:			
Chaffee Foster Care Independence Program	93.674	N/A	248,000
Via Michigan Department of Community Health:			
CSHCS Outreach & Advocacy 9/2012	93.778	B1MIMCHS	72,922
Direct Awards:			
HIV emerg Supp Relief 2/2014	93.914	H89HA00021	9,222,150
Healthy Start Imitative	93.926	H49MC00147	61,811
Healthy Start Initiative 5/2012	93.926	H49MC00147	125,000
Healthy Start Initiative 5/2013	93.926	H49MC00147	1,272,683
Total Healthy Start Initiative			<u>1,459,494</u>
Via Michigan Department of Community Health:			
HIV/AIDS Prevention 9/2012	93.940	U62CCU52346401	148,084
HIV/AIDS Rapid Testing 9/2012	93.940	U62CCU52346401	25,553
Total HIV Prevention			<u>173,636</u>
Via Michigan Department of Community Health:			
Childhood Lead (MDCH) 9/2012	93.944	NONE	129,741
Substance Abuse Prevention and Treatment Block Grant	93.959	10B1MISAPT	1,699,074
Laboratory Svcs STD 9/2011	93.977	U90TP517018	164,242
Vision and Hearing - MDCH 9/2012	93.994	N/A	126,929
CSHCS Outreach and Advo BG 9/2012	93.994	B1MIMCHS	41,019
Mat & Infant Care (MIC)	93.994	B1MIMCHS	487,102
Family Planning 9/2012	93.994	GFPHPA05017341	3,744
Total Maternal & Child Health Block Grant			<u>658,794</u>
Total Health and Human Services			<u>33,525,637</u>
Department of Homeland Security:			
Direct Awards:			
2009 Port Authority Grant	97.044	2009-PU-T9-K029	34,598
2010 Assistance to Firefighters Grant - Fire Prevention and Safety	97.044	EMW-2010-FP-01318	4,206
2010 Assistance to Firefighters Grant - Fire Prevention and Safety	97.044	EMW-2010-FP-01318	4,800
2011 Assistance to Firefighters Grant - Fire Prevention and Safety	97.044	EMW-2011-FP-01398	1,018,869
Total Assistance to Firefighters Grant			<u>1,062,473</u>

CITY OF DETROIT, MICHIGAN
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

<u>Grant Title</u>	<u>Catalog of Federal Domestic Assistance</u>	<u>Grant Number</u>	<u>2013 Expenditure</u>
Via Michigan Department of State Police:			
2008 HSGP Metropolitan Medical Response System Program	97.067	N/A	\$ 116,717
2008 HSGP Urban Area Security Initiative Program	97.067	N/A	418,510
2009 HSGP Citizen Corps Program	97.067	2009-SS-T9-0060	29,688
2009 HSGP Metropolitan Medical Response System Program	97.067	2009-SS-T9-0060	117,136
2009 HSGP Urban Area Security Initiative Program	97.067	2009-SS-T9-0060	1,061,438
2010 HSGP Citizen Corps Program	97.067	2010-SS-T0-0009	28,578
2010 HSGP Metropolitan Medical Response System Program	97.067	2010-SS-T0-0009	175,818
Via The County of Macomb:			
2010 HSGP Urban Area Security Initiative Program	97.067	2010-SS-T0-0009	2,166,195
2011 HSGP Urban Area Security Initiative Program	97.067	N/A	18,106
2010 HSGP Urban Area Security Initiative Program	97.067	2010-SS-T0-0009	85
Total HSGP			<u>4,132,272</u>
2010 Bufferzone Protection Plan (BZPP)	97.078	N/A	352,554
Direct Awards:			
2011 Safer Grant	97.083	EMW-2011-FH-00489	8,646,497.45
2012 Safer Grant	97.083	EMW-2012-FH-00665	<u>1,360,592.47</u>
Total Safer Grant			<u>10,007,090</u>
Total Department of Homeland Security			<u>15,554,389</u>
Total Federal Awards			<u>\$ 200,166,706</u>

CITY OF DETROIT, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2013

(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, \$55,102,668 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 \$15.1 million for the year ended June 30, 2013.

(6) Outstanding Loan Balance

The U.S. Department of Housing and Urban Development (HUD) has insured certain mortgage loan borrowings (CFDA #14.248) made by the City of Detroit through the Planning and Development Department in connection with certain development projects. These loans had outstanding principal due of \$88,310,000 at June 30, 2013. There were no new borrowings in fiscal year 2013; however, the outstanding principal on existing loans made in prior years have continuing compliance requirements.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Responses

Year ended June 30, 2013

1. Summary of Auditors' Results

Basic Financial Statements

- a) An unqualified opinion was issued on the governmental activities, the business-type activities, the aggregate discretely presented component units, the budgetary comparison statement, each major fund, and the aggregate remaining fund information of the Government of the City of Detroit Michigan (the City) as of and for the year ended June 30, 2013.
- b) The audit identified three material weaknesses and no significant deficiencies in internal control over financial reporting in connection with the basic financial statements of the City as of and for the year ended June 30, 2013.
- c) The audit disclosed seven instances of noncompliance that are material to the basic financial statements of the City as of and for the year ended June 30, 2013.

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, 2013.
- 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	Community Development Block Grants/Entitlement Grants	14.218, 14.253	Scope Limitation / Adverse
2	HOME Investment Partnerships Program	14.239	Qualified
3	Community Development Block Grants – Section 108 Loan Guarantees Program	14.248	Qualified
4	Public Safety Partnership and Community Policing Grants	16.710	Scope Limitation / Adverse
5	Edward Byrne Memorial Justice Assistance Grant	16.738, 16.803	Adverse
6	Workforce Investment Act	17.258, 17.259, 17.278	Scope Limitation / Adverse
7	Federal Transit Cluster	20.500, 20.507	Qualified
8	Capitalization Grants for Clean Water State Revolving Funds	66.458	Unmodified
9	Temporary Assistance for Needy Families	93.558	Scope Limitation / Adverse

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Responses

Year ended June 30, 2013

#	Major Program/Cluster	CFDA Number(s)	Type of Report Issued
10	Community Services Block Grant	93.569	Scope Limitation / Adverse
11	HIV Emergency Relief	93.914	Qualified
12	Homeland Security Grant Program	97.067	Scope Limitation / Adverse
13	Staffing for Adequate Fire and Emergency Response	97.083	Scope Limitation / Adverse

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, 2013.

g) The major Federal programs of the City for the year ended June 30, 2013, were as follows:

#	Major Program/Cluster	CFDA Number(s)
1	Community Development Block Grants/Entitlement Grants	14.218, 14.253
2	HOME Investment Partnerships Program	14.239
3	Community Development Block Grants – Section 108 Loan Guarantees Program	14.248
4	Public Safety Partnership and Community Policing Grants	16.710
5	Edward Byrne Memorial Justice Assistance Grant	16.738, 16.803
6	Workforce Investment Act	17.258, 17.259, 17.278
7	Federal Transit Cluster	20.500, 20.507
8	Capitalization Grants for Clean Water State Revolving Funds	66.458
9	Temporary Assistance for Needy Families	93.558
10	Community Services Block Grant	93.569
11	HIV Emergency Relief	93.914
12	Homeland Security Grant Program	97.067

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Responses

Year ended June 30, 2013

13	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, 2013.
- i) The City did not qualify as a low-risk auditee for the year ended June 30, 2013.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Responses

Year ended June 30, 2013

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

Finding 2013-01 – 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 DRMS general ledger. The process required 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, 2013, there were 537 manual journal entries that were made after the books were closed for the year (i.e., after frozen trial balance).
- The process to close the books and evaluate accounts 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 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

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Responses

Year ended June 30, 2013

and should reinforce the new and existing policies and procedures to personnel through training and monitoring. The process to close the books and prepare closing entries does not utilize enough adequately trained and appropriately experienced employees to appropriately monitor reporting issues throughout the year. We recommend management evaluate the City's organizational structure and personnel composition to determine the adequacy of the accounting and internal control related skills and knowledge of assigned personnel in relation to their assigned duties.

Views of Responsible Officials

We have reviewed the finding and concur with the recommendations. The City continues to make improvements and is working on a plan to implement the recommendations herein. The revised Financial Stability Agreement requirements with the State of Michigan includes submitting a monthly Budget to Actual Revenues and Expenditures Report (FSA Section 2.1), which has caused the Finance Department to put more effort into overall financial reporting. In addition, the quality of life loan, restructuring initiatives, and the pending bankruptcy plan of adjustment has funding and strategies incorporated to specifically address these internal control deficiencies by reorganizing the accounting staff under the Office of the Chief Financial Officer, increasing training and implementing a new Enterprise Resource Planning (ERP) system. In the interim, we continue to work on improving the monthly financial reports, which will enable the City's management to make informed decisions.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Responses

Year ended June 30, 2013

Finding 2013-02 – Reconciliations, Transaction Processing, Account Analysis, and Document Retention

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

- The City's process to identify necessary expense accruals is not adequate to ensure expenses are recorded in the proper fiscal year. Although the City has implemented a second level review over accruals, the review does not operate at an appropriate level of precision considering the knowledge and skill sets of the operators of the first level accrual control activity.
- 5 out of 40 employee terminations tested contained termination dates in the human resources system that did not match information on documents in the personnel files. Upon researching the discrepancies, the City was unable to provide adequate explanations for the discrepancies.
- The City's controls to ensure only active employees are listed as active with valid data in the human resources and payroll systems were not operating effectively. Based on a test of all employees, the following discrepancies were noted: 15 employees were included as active even though they were deceased prior to fiscal year 2013; 1 employee had the incorrect birth date, 1 employee had the incorrect social security number, and 1 employee was included as active that was terminated in fiscal year 2010.
- Employee census data that is provided by the City to the pension actuaries contained inaccuracies and the City does not have a process in place to ensure the completeness and accuracy of such data prior to submission.
- The City's payroll system, PPS, and the related manual procedures do not provide a mechanism to track paid time off to supporting documents. The paid time off is tracked manually and input into the system, however, the paper timesheet data that supports the actual paid time off used is not maintained.
- The management review control over the calculation of the net pension asset is not designed to operate at the appropriate level of precision. The calculation of the net pension asset is a significant estimate. The management level review of the estimate requires a high degree of judgment. The design of the control did not appropriately consider the criteria or metrics that the operator of the control should consider when conducting their review. Additionally, the design of the control did not appropriately consider whether the criteria are consistently applied, what would constitute an outlier or an exception, or whether the operator has the appropriate knowledge or skill set to operate the control. Additionally, the design of the control did not take into account the process level controls that should have been utilized in compiling the underlying data used in making the estimate.
- The data provided to the actuary for the actuarial determination of the liability for Other Postemployment Benefits (OPEB) was incomplete. Several assumptions related to coverage were required to be made in order to complete the valuation. Information related to spouses was not consistently available for persons identified as having healthcare coverage for multiple people.
- Reconciliations of subsidiary ledgers to general ledgers and other IT systems to DRMS were either not completed, not completed timely, or contained inappropriately aged, unsupported, or unreconciled items.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Responses

Year ended June 30, 2013

- The City used various service organizations to process significant transactions on its behalf such as health and dental claims, payroll, parking operations, fines and fee collections, and EMS fee collections. A listing of internal controls employed by service organizations was not prepared and evaluated for adequacy by the City. The City did not review the service organization auditor reports (SOC1 Reports) to ensure that the service organizations have effective internal controls. Further, the City did not evaluate the user controls (i.e., controls that should be in place at the City) outlined in the SOC1 reports to ensure that the City had these controls in place.
- Certain bank, investment, and imprest cash reconciliations were either not prepared properly, not prepared timely, or not reviewed timely and contained aged or uncorrected reconciling items. Additionally, an error existed related to the recording of a cash account that did not belong to the City. Additionally, certain bank balances were inappropriately excluded from the trial balance until corrected by management. Additionally, the City relied on the investment valuations provided by the custodians without understanding or approving the investment valuation methods utilized by the custodians.
- Interfund and inter-departmental transfers, balances, and other transactions were not reconciled throughout the year on a timely basis or reviewed for accuracy and proper financial statement classification. Additionally, committed fund balance was transferred from the Risk Management Fund to the General Fund without obtaining the approvals required by the City's accounting policies.
- A physical inventory count of fixed assets was not completed by all agencies, as required by the City's asset management policies. Additionally, the City did not record capital assets in the capital asset subledger on a timely basis. Additionally, capital asset impairments were not recorded in the appropriate fiscal year.
- The calculations of average weekly wages as a basis for weekly payments of workers' compensation are a manual calculation that contained errors. No management level review control existed over the calculations.
- The City did not maintain individual claim data typically maintained as insurance statistics for self-insurance programs for its workers compensation program. Additionally, 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 revenues and the related deferred revenues.
- Manual journal entries were not reviewed at the appropriate level of precision. Certain manual journal entries were posted after being reviewed and approved for posting even though they contained errors. Additionally, certain other journal entries were posted before being reviewed and approved.
- The City did not perform a sufficient review of open accounts receivable items and their related collectability for certain revenue streams. The City's accounts receivable write-off policy was not specific enough to explain when and how amounts determined to be uncollectable should be written off. Additionally, the City did not follow its existing policy for the write-off of accounts receivable balances.
- The accounting records related to legal reserve liabilities were not consistently updated in a timely manner when new facts pertaining to the status of cases became available. Additionally, the management review

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Responses

Year ended June 30, 2013

control did not operate at an appropriate level of precision considering the volume of cases and the level of accounting knowledge and skills of the operator of the process level control.

- The City did not have a process for anonymous reporting of ethical or fraud violations to the City Board of Ethics. Additionally, the Office of Inspector General (OIG) was required to submit quarterly reports to the City Council and Mayor regarding the results of open investigations and audits undertaken by the OIG; however, quarterly reports have not been provided.
- Supporting documentation was not retained in accordance with the City's record retention policies.
- The City did not have effectively operating controls in place regarding the recording of financing transactions. Bond proceeds and bond premiums were recorded incorrectly until discovered in the audit and subsequently corrected by management. Additionally, the City's process for monitoring compliance with debt covenants and disclosure requirements did not operate at an appropriate level of precision to identify and track all pertinent requirements.
- 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 did not have a control in place to identify and assess potential related-party relationships including relationships between employees and vendors. During a comparison of street addresses between the vendor file and employee file, there were 65 matches. The City did not have a process in place to assess and monitor the appropriateness of these relationships.

Recommendation

We recommend management develop or improve existing policies and procedures related to reconciliations and account analysis such that transactions are recorded in the general ledger completely, accurately, and in a timely manner. We 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 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.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Responses

Year ended June 30, 2013

Views of Responsible Officials

Accounting

We have reviewed the finding and concur with the recommendations. We have been evaluating the City's diverse accounting systems and operations to consolidate and improve the City's accounting. As a result, the quality of life loan, restructuring initiatives, and the pending bankruptcy plan of adjustment has funding and strategies incorporated to specifically address the accounting deficiencies by adding new accounting staff, increasing training and implementing a new ERP. Additionally, in concert with this process, the Finance Department will continue to develop and enforce bank/general ledger account reconciliation policies and procedures to ensure reconciling differences are identified and researched in a timely manner. We will also continue to improve the City's accounting including implementing the recommendations herein.

Human Resources

The City is looking at a new integrated Human Resource Management Information System to replace our current legacy system. This will result in increased efficiencies and a reduction in the current error rates, as a result of manual processes. In addition, HR conducted a dependent verification audit in 2013, which required employees/retirees to provide proper support documentation of covered dependents/spouses to ensure the validity and completeness of data.

Office of Inspector General

We have reviewed the finding and concur. The OIG is currently implementing a new software based case management system, which will allow them to track the progress of their caseload. This new system will enable the OIG to meet all of its quarterly reporting requirements going forward.

Treasury

We have reviewed the finding and concur with the recommendation. Treasury is currently performing a comprehensive analysis of delinquent accounts receivable to determine the likelihood of collectability. Any accounts receivable deemed uncollectible or exceeding the statute of limitations for debt collection, will be presented to the Law Department and City Council for write-off as prescribed by the City Charter. In addition, Treasury will work with Finance Administration and the Accounts Division to develop a bad debt write-off policy/Finance Directive that details the accounts receivable write-off methodology; this will augment the delinquent account collection requirements defined by the City Charter.

Legal

We have reviewed the finding and concur with the recommendation. The Law Department is currently engaged in a restructuring initiative, using quality of life funds that addresses case, time, and data management issues outlined herein.

Grants

We have reviewed the finding and concur with the recommendation. The City is in the process of creating an Office of Grants Management that will be responsible for all aspects of Grants, which includes Grant accounting, reporting, and compliance.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Responses

Year ended June 30, 2013

Risk Management

We have reviewed the finding and concur with the recommendation. These manual processes are being replaced through the engagement of a Third-Party Administrator (TPA) for workers' compensation.

Procurement

We have reviewed the finding and concur with the recommendation. Purchasing will implement a process to identify potential related-party relationships by periodically vouching vendor data against employee information. Any matches will be reviewed and analyzed for appropriateness. In addition, a new future state model of the procurement process has been designed and is in the process of being implemented.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Responses

Year ended June 30, 2013

Finding 2013-03 – 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.
- The City's payroll system inappropriately included nonpay hours in the calculation of overtime pay, resulting in overpayment to City employees.

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 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.
- 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.
- Correct the calculation used by the City's payroll system to excluded nonpay hours in order to properly calculate overtime pay.

Views of Responsible Officials

We have reviewed the findings and concur with the recommendations. The Information Technology Services Department (ITSD) is implementing the recommendations for those systems supported by ITSD. Additionally, ITSD is working with technology staff in other agencies to implement the recommendations for findings related

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Responses

Year ended June 30, 2013

to the systems supported directly by the agencies themselves. The City identified legacy systems where technology does not support the parameters recommended and the systems are scheduled for retirement.

Separation of duties and Administrative/System Access

Procedures used by the central IT staff are being developed and will be shared with technology staff in other agencies to facilitate consistency in compliance. The lack of human resources will create challenges for improving separation of duties. However, the City will continue to work toward improving IT controls by implementing a standard IT governance model via embedded system controls when possible. For legacy systems, ITSD will work with the system owners to develop standard operating procedures and policies for compliance with the new policies. Chief among these will be the implementation of a formal process for periodic review of user access, the development of a technical "Separation of Duties" matrix, a role based access control matrix, and the implementation of change management and technical review process. Policies and procedures already exist that require such authorization prior to granting/changing access and implementing configuration changes. The ITSD will also develop a method for ensuring that documentation of authorizations is maintained and retrievable for audit reviews.

The City is exploring the implementation of a new Cloud based ERP and HRMIS that will include automated controls to aid the system owners and administrators in enforcing access and security policies. The new Cloud based system(s) along with security policies will aid ITSD with mitigating the conflicting and concurrent access issues by database and application administrators. Moving to a cloud based managed service environment will force the City to comply with standard security and application protocols including the tracking of application changes, customization, promotion of applications to production, and maintaining back-up job logs.

The City will also provide more centralization of IT functions to improve consistency in development and enforcement of policies, which will help with those systems currently outside of centralized IT control.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Responses

Year ended June 30, 2013

Finding 2013-04 – Escheatment Law

The City filed the required annual report of unclaimed property to the State of Michigan; however, it was inaccurate as it did not include property tax overpayments. Additionally, the City did not remit escheatable property to the State.

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

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

Recommendation

We recommend 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 recommendation. Treasury is currently developing a process to identify and remit property tax overpayments to the State of Michigan in accordance with annual required deadlines. In addition, as part of the property tax refund process, Treasury will routinely review tax payer overpayments and issue overpayment refunds in a timely manner. This measure will mitigate the likelihood of any escheatable items. Treasury is also coordinating efforts with Income Tax, A/P, Payroll, and the Accounts Division to identify other potential escheatable items that will need to be addressed.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Responses

Year ended June 30, 2013

Finding 2013-05 – Act 451

The City's Solid Waste fund was not in compliance with Michigan Public Act 451 Part 115. The General Fund borrowed cash from the Solid Waste fund, which should be restricted for a specific purpose.

Public Act 451 Part 115 Section 324.11520 states that Solid Waste fees collected under the Part shall be deposited in a special fund designated for the use in implementing this Part.

Recommendation

We recommend the City assesses which funding has restricted purposes and create individual bank accounts for those cash and investments and restrict access to appropriate personnel who are aware of the restrictions.

Views of Responsible Officials

Treasury has opened a new account for the Solid Waste fund and will cease comingling restricted Solid Waste funds with the General Fund.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Responses

Year ended June 30, 2013

Finding 2013-06 – Uniform Budgeting and Accounting Act

The City was not in compliance with Michigan Compiled Laws Act 2 of 1968, Uniform Budgeting and Accounting Act. For certain appropriations stated in note 2(d), the City's actual expenditures were more than budgeted expenditures.

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."

Additionally, the City was not in compliance with State of Michigan Public Act 2 of 1968, which requires a local unit to pass a general appropriations act for all funds except trust or agency, internal service, enterprise, debt service, or capital projects funds for which the legislative body may pass a special appropriation act. Specifically, the Public Lighting Authority (PLA) a special revenue fund and blended component unit of the City that was established during FY13 did not adopt a budget prior to year-end.

Recommendation

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

Views of Responsible Officials

We concur with the finding and City management has taken steps to prevent recurring violations of the Uniform Budgeting and Accounting Act. The Chief Financial Officer issued a budget directive to all city departments in August 2012 that reminded employees of City Charter prohibitions on actions that would violate this act and the severe penalties to individuals who violate these Charter provisions. The directive also clarified and narrowed the types of transactions that the City would consider legal obligations going forward. The Budget Department had meetings with departments in FY 2014 to assist in compliance with the budget. This resulted in amendments to better align the budget with actual spending. The Budget Department is in the process of restructuring our operations and adding additional staff to continue this effort. The Budget Department will begin preparing monthly budget to actual reports that will be shared with the department, the CFO, and the Mayor to maintain compliance with the budget.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Responses

Year ended June 30, 2013

Finding 2013-07 – Act 346

The City participates in PILOT (Payment in Lieu of Taxes) programs governed under the Michigan State Housing Development Act of 1966 (MSHDA p.A. 346). Under this act, developers may propose a building project to the City's Assessment Division to be approved for the PILOT program, which would allow the developer to pay a service fee instead of property taxes. The development project must meet several requirements to be approved, including providing a portion of housing to low-income or a disadvantaged group of persons and the City will bill the development owner (customer) once a year for the PILOT service fee.

Per MSHDA p.A.346, the City must distribute PILOT service fee collections to Wayne County, the State of Michigan, and to Detroit Public Schools (DPS). The MSHDA Fee Annual Return is provided to the City each year by the State, indicating the millage rates to be used to determine the allocation for distribution to the three entities. The City did not distribute the 2010 and 2012 PILOT collections to the State of Michigan in a timely manner and, therefore, is not in compliance with the State of Michigan Public Act 346 of 1966.

Recommendation

We recommend the City identify all compliance related regulations and implement control processes to ensure compliance is maintained and monitored.

Views of Responsible Officials

We have reviewed the finding and concur with the recommendation. We will monitor and implement controls to ensure PILOT compliance is maintained.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Responses

Year ended June 30, 2013

Finding 2013-08 – Retirement Pension Contributions

The City is required by State of Michigan law to fund its minimally required pension contributions for the fiscal year ended June 30, 2013, prior to said date. The City failed to remit its complete contribution prior to June 30, 2013.

Recommendation

We recommend the City identify all compliance related regulations and implement control processes to ensure compliance is maintained and monitored.

Views of Responsible Officials

The City acknowledges noncompliance with the State of Michigan law to fund its minimally required pension contributions. However, this is indicative of the City's overall liquidity issue and the eventual filing for Chapter 9 bankruptcy on July 18, 2013. The pending bankruptcy plan of adjustment submitted to the court details the City's intent post-bankruptcy to make all required pension payments to ensure compliance with the State law.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Responses

Year ended June 30, 2013

Finding 2013-09 – Public Act 206 Property Tax Act

The City is required by the State of Michigan Public Act 2005 and the General Property Tax Act, MCL 211.43(3)(a) to deliver within 10 business days after the 1st and 15th of each month, the tax collections on hand to the county treasurer and other tax assessing units. The City did not deliver within 10 days, and thus, was noncompliant with PA 206 related to property tax collections and disbursements.

Recommendation

We recommend Management assesses the process in place to distribute General Property Tax Act collections to the county treasurer and other tax assessing units and implement control procedures to ensure timely distribution of collections subject to the General Property Tax Act.

Views of Responsible Officials

We have reviewed the finding and concur with the recommendation. Treasury has completely revamped the property tax distribution process and has hired adequate staff to ensure that property tax collections for the appropriate taxing authorities are remitted by the PA 206 statutory distribution deadline. In addition, a process and procedure is being implemented to monitor all General Property Tax transactions using discrete bank and general ledger accounts to ensure compliance with State of Michigan Public Act 2005 and General Property Tax Act, MCL 211.43(3)(a).

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Responses

Year ended June 30, 2013

Finding 2013-10 – 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, 2013. 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 and 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 related to each of its Federal programs.”

Recommendation

The City should implement a comprehensive grants management program that addresses risks of noncompliance with the terms of grant agreements and other related laws and regulations.

Views of Responsible Officials

We have reviewed the finding and concur with the recommendation. The City has created an Office of Grants Management within the office of the CFO and implemented a new grants management system. The Office of Grants Management will be responsible for all nonprogrammatic aspects of the grants process, which includes grant management, accounting, reporting, and compliance.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

3. Findings and Questioned Costs Relating to Federal Awards:

<i>Finding Number</i>	2013-11
<i>Finding Type</i>	Material weakness
<i>Prior Year Finding</i>	2012-07
<i>Federal Program</i>	All
<i>Federal Award Number</i>	Various
<i>Federal Agency</i>	N/A
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	N/A
<i>Compliance Requirement</i>	Various

Criteria

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

Condition

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

Possible Asserted Cause and Effect

The internal control procedures were not adequately designed to identify all sources of federal funds on a timely basis. The 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 draw down 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

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

<i>Finding Number</i>	2013-12
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2012-11
<i>Federal Program</i>	Community Development Block Grant (CDBG) (CFDA #14.218)
<i>Federal Award Number</i>	B-12-MC-26-0006
<i>Federal Award Year</i>	July 1, 2012 - June 30, 2013
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

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

Condition

We reviewed the Indirect Cost Rate Proposal submitted on 12/20/13 and noted that the City used an indirect cost rate of 71.81% instead of the 57.15% rate that was approved. We also noted that the rate of 57.15% was not approved by HUD until 5/21/14 (the rate was subsequently approved by the Planning and Development Department on 6/17/14). In addition, the Department was unable to reconcile the indirect costs per the general ledger to the expenditures included in the SEFA. As a result, all indirect costs charged to CDBG, totaling \$5,772,034, are questioned costs.

Possible Asserted Cause and Effect

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

Recommendation

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

Questioned Costs

\$5,772,034

Views of Responsible Officials

HUD's approval was delayed, therefore the rate used was based on a prior year's approval at the time of this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

<i>Finding Number</i>	2013-13
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2012-12
<i>Federal Program</i>	Community Development Block Grant (CDBG) (CFDA #14.218)
<i>Federal Award Number</i>	B-12-MC-26-0006, B-08-MN-26-0004
<i>Federal Award Year</i>	July 1, 2012 - June 30, 2013
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

According to A-87, Attachment B (8)(h), where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonable ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

PAR forms were submitted for some employees working on multiple grants, however, payroll costs were not distributed to the applicable grants as required. Also, as described below, time and effort reports and/or semi-annual certifications were missing for 8 of 19 employees selected for testing. Additionally, the City was unable to reconcile fringe benefits charged to the grant to the general ledger. As a result, 100% of payroll and fringe costs charged to the Block Grant are questioned costs, amounting to \$6,500,328.

Of the 19 employee files tested, the following results were obtained:

- No time and effort reports (PAR forms) were provided for 8 of the employees
- Neither PAR forms nor semi-annual certifications were provided for 8 employees who reportedly worked 100% of their time on CDBG
- 1 employee's timesheet did not agree to the hours worked per the PAR form
- 3 employees' timesheets did not agree to the hours paid per the payroll detail
- 3 employees' gross wages did not agree to the gross wages calculated based on rate and hours worked
- No employee history report was provided for 1 of the employees
- 9 employees' history reports were not updated with the most current salary and one employee's history report was not updated with the most current salary or position

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Possible Asserted Cause and Effect

Ineffective oversight of compliance with payroll documentation requirements and cost allocations resulted in non-compliance with the requirements of OMB Circular A-87.

Recommendation

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

Questioned Costs

\$6,500,328

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2013

<i>Finding Number</i>	2013-14
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2012-13
<i>Federal Program</i>	Community Development Block Grant (CDBG) (CFDA #14.218, 14.253 - ARRA)
<i>Federal Award Number</i>	B-12-MC-26-0006, B-09-MY-0006, B-08-MN-26-0004
<i>Federal Award Year</i>	July 1, 2012 - June 30, 2013
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Cash Management

Criteria

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

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

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

Condition

60 subrecipient payments totaling \$6,560,987 were selected for testing. The City did not minimize the time lapse between draw down and payment to 3 days or less as required for 13 of the 60 expenditures, totaling \$2,800,948. 3 of the expenditures exceeded the time lapse by 1 to 5 days, 5 of the expenditures exceeded the time lapse by 6 to 10 days, and 5 of the expenditures exceeded the time lapse by 11 or more days.

40 OTPS payments totaling \$2,280,982 were selected for testing. The City did not minimize the time lapse between draw down and payment to 3 days or less as required for 14 of the expenditures totaling \$634,660. 5 of the expenditures exceeded the time lapse by 1 to 5 days, 3 of the expenditures exceeded the time lapse by 6 to 10 days, and 6 of the expenditures exceeded the time lapse by 11 or more days

Additionally, Block Grant funds were inappropriately used to pay vendors when fire insurance funds and refunds were available. As such, eight out of 115 payments totaling \$988,067 should not have been paid using Block Grant funds. The Block Grant funds were reimbursed by the City on a monthly basis over a period of time for the amounts used for fire demolition costs. We were unable to determine the date on which these funds were originally drawn down and therefore, were unable to determine whether the time lapse was minimized.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

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, 2013

<i>Finding Number</i>	2013-15
<i>Finding Type</i>	Significant Deficiency
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Community Development Block Grant (CDBG) (CFDA #14.218, 14.253 - ARRA)
<i>Federal Award Number</i>	B-12-MC-26-0006, B-09-MY-0006, B-08-MN-26-0004
<i>Federal Award Year</i>	July 1, 2011 - June 30, 2012
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Davis Bacon

Criteria

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

Condition

1 of 8 samples reviewed did not contain evidence of review and approval of the contractor's certified payrolls by an authorized reviewer.

Possible Asserted Cause and Effect

Procedures to ensure certified payrolls are reviewed and approved were not operating effectively.

Recommendation

We recommend that internal control monitoring procedures are developed to ensure compliance with the City's existing policies that are designed to ensure compliance with the Davis Bacon 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, 2013

<i>Finding Number</i>	2013-16
<i>Finding Type</i>	Noncompliance / significant deficiency
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Community Development Block Grant (CDBG) (CFDA #14.218)
<i>Federal Award Number</i>	B-12-MC-26-0006
<i>Federal Award Year</i>	July 1, 2012 - June 30, 2013
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Period of Availability

Criteria

Per 24 CFR 570.902(a)(i), HUD will consider an entitlement recipient... to be failing to carry out its CDBG activities in a timely manner if, sixty days prior to the end of the grantee's current program year, the amount of entitlement grant funds available to the recipient under grant agreements but undisbursed by the U.S. Treasury is more than 1.5 times the entitlement grant amount for its current program year.

Condition

As previously noted in the HUD Timeliness Alert dated May 9, 2013, the City received notification that they did not meet the timely expenditure requirements of the CDBG program. At May 2, 2013, the City of Detroit had a balance in its line of credit that was 1.65 times its annual grant amount.

Possible Asserted Cause and Effect

Management was not in compliance with the period of availability requirements.

Recommendation

We recommend policies are developed, implemented, and monitored to ensure grant funds are expended timely in accordance with regulations and 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, 2013

<i>Finding Number</i>	2013-17
<i>Finding Type</i>	Scope limitation / material noncompliance / material weakness
<i>Prior Year Finding</i>	2012-15
<i>Federal Program</i>	Community Development Block Grant (CDBG) (CFDA #14.218, 14.253 - ARRA)
<i>Federal Award Number</i>	B-12-MC-26-0006, B-09-MY-0006, B-08-MN-26-0004
<i>Federal Award Year</i>	July 1, 2012 - June 30, 2013
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Procurement, Suspension and Debarment

Criteria

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

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

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

Condition

We selected a total of 48 samples for procurement testing and received no contract files or support for 40 of 48 samples. Of the 8 procurement files tested, we noted the following:

- 7 files did not include any suspension and debarment certification or evidence of an EPLS/SAM search.
- 5 of the vendors could not be located in the SAM website.
- 3 contracts provided covered the period of July 2010-June 2012 and did not include any amendments that covered fiscal year 2013 (i.e. the year under audit).

Possible Asserted Cause and Effect

Management did not comply with procurement, suspension and debarment requirements.

Recommendation

We recommend policies are developed, implemented, and monitored to ensure procurement documentation is maintained and retained in accordance with regulations and the terms and conditions of the award.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

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, 2013

<i>Finding Number</i>	2013-18
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2012-16
<i>Federal Program</i>	Community Development Block Grant (CDBG) (CFDA #14.218, 14.253 - ARRA)
<i>Federal Award Number</i>	B-12-MC-26-0006, B-09-MY-0006, B-08-MN-26-0004
<i>Federal Award Year</i>	July 1, 2012 - June 30, 2013
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Reporting

Criteria

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

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

Condition

Per review of the HUD 60002, Section 3, Summary Report for CDBG, CDBG-R, and NSP, the reports were submitted 18 calendar days late (the reports were due on 9/30/13 and were submitted on 10/18/13). Also, there was no information reported in Part I for any of the three programs.

Per review of the HUD 60002, Section 3, Summary Report for CDBG-R, the information in Part II of the report did not agree with the underlying support (the total contract amount was reported as \$7,343,499 instead of the correct amount of \$7,613,500, the total Section 3 contract amount was reported as \$740,767 instead of the correct amount of \$296,041, the percentage of Section 3 contracts was incorrectly calculated due to the incorrect figures used, and the number of Section 3 businesses receiving contracts was reported as 4 instead of the correct amount of 3).

Per review of the HUD 60002, Section 3, Summary Report for NSP-1, the total Section 3 contracts awarded and the associated number of Section 3 businesses awarded contracts were not sufficiently supported by documentation. As such, the percentage of Section 3 contracts awarded could not be verified.

Possible Asserted Cause and Effect

Existing policies and procedures to ensure reports are prepared accurately and on time did not operate effectively.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Recommendation

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

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

<i>Finding Number</i>	2013-19
<i>Finding Type</i>	Significant Deficiency
<i>Prior Year Finding</i>	2012-17
<i>Federal Program</i>	Community Development Block Grant (CDBG) (CFDA #14.218)
<i>Federal Award Number</i>	B-12-MC-26-0006, B-08-MN-26-0004
<i>Federal Award Year</i>	July 1, 2012 - June 30, 2013
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Reporting

Criteria

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

Condition

There were no identifiable controls in place over the preparation and submission of the data included in the Transparency Act Reports.

Possible Asserted Cause and Effect

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

Recommendation

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

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2013

<i>Finding Number</i>	2013-20
<i>Finding Type</i>	Noncompliance / significant deficiency
<i>Prior Year Finding</i>	2012-18
<i>Federal Program</i>	Community Development Block Grant (CDBG) (CFDA #14.253 - ARRA)
<i>Federal Award Number</i>	B-09-MY-0006
<i>Federal Award Year</i>	July 1, 2012 - June 30, 2013
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Reporting

Criteria

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

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

Condition

Per review of the Sec 1512 ARRA Report, the following results were obtained:

- The Sub Award Information on the physical report does not agree to the report submitted in reporting.gov (for one subrecipient the congressional district was reported as 14 when it should have been reported as 13, and for another subrecipient the Sub Award Date in the website is listed as 6/1/11 while the supporting documentation shows the date as 3/29/11).
- Additionally, we were unable to test the operating effectiveness of the controls in place over the preparation and submission of the Section 1512 ARRA report.

Possible Asserted Cause and Effect

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

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Recommendation

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

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

<i>Finding Number</i>	2013-21
<i>Finding Type</i>	Noncompliance / significant deficiency
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Community Development Block Grant (CDBG) (CFDA #14.218)
<i>Federal Award Number</i>	B-12-MC-26-0006
<i>Federal Award Year</i>	July 1, 2012 - June 30, 2013
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Reporting

Criteria

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

Per the reporting requirements found in A-102 Common Rule, 2 CFR section 215.52 - Financial Reporting, and 2 CFR section 215.51 - Monitoring and reporting program performance, financial, performance, and special reports should be complete and accurate.

Condition

In the CAPER report, there was a variance between the program income per the general ledger (\$2,110,011) and the PR 26 CDBG Financial Summary report (\$1,780,242). Per review of the supporting documents, there were two journal entries that should have been accounted for in the PR 26 report totaling \$328,245. In addition, there is an unreconciled difference of \$1,524.

Possible Asserted Cause and Effect

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

Recommendation

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

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

<i>Finding Number</i>	2013-22
<i>Finding Type</i>	Noncompliance / significant deficiency
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Community Development Block Grant (CDBG) (CFDA #14.218)
<i>Federal Award Number</i>	B-12-MC-26-0006
<i>Federal Award Year</i>	July 1, 2012 - June 30, 2013
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Reporting

Criteria

Per the Federal Financial Report Instructions, cash receipts and cash disbursements should be reported on a cumulative basis as of the reporting period end date.

Condition

The SF-425 Federal Financial Report erroneously reported quarter to date information instead of cumulative to date information.

Possible Asserted Cause and Effect

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

Recommendation

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

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

<i>Finding Number</i>	2013-23
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2012-19
<i>Federal Program</i>	Community Development Block Grant (CDBG) (CFDA #14.218, 14.253 - ARRA)
<i>Federal Award Number</i>	B-12-MC-26-0006, B-09-MY-0006, B-08-MN-26-0004
<i>Federal Award Year</i>	July 1, 2012 - June 30, 2013
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Subrecipient Monitoring

Criteria

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

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

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

Condition

We selected 35 subrecipient monitoring files for testing. We reviewed 33 non-ARRA funded subrecipient monitoring files and noted the following:

- 11 files did not contain evidence of annual performance or financial monitoring
- 6 files contained agreements that did not include the grant's CFDA number or title
- 9 files contained agreements that did not include the subrecipient's DUNS number.

We reviewed 2 ARRA-funded subrecipient monitoring files and noted the following:

- 1 file did not contain evidence of a CCR registration

Of the total 35 subrecipients selected, we noted 14 did not show up as registered in the SAM website.

Possible Asserted Cause and Effect

Management did not comply with subrecipient monitoring requirements.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Recommendation

We recommend that appropriate subrecipient monitoring take place and that documentation that provides evidence of compliance is maintained according to the City's document retention policies.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

<i>Finding Number</i>	2013-24
<i>Finding Type</i>	Significant deficiency
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Home Investment Partnerships Program (HOME) (CFDA #14.239)
<i>Federal Award Number</i>	M-12-MC-26-0202
<i>Federal Award Year</i>	July 1, 2012 - June 30, 2013
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Davis Bacon

Criteria

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

Condition

For 4 of 4 certified payrolls selected, the review and approval by management could not be verified.

Possible Asserted Cause and Effect

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

Recommendation

We recommend that existing policies are internally monitored to ensure compliance with the Davis Bacon 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, 2013

<i>Finding Number</i>	2013-25
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Home Investment Partnerships Program (HOME) (CFDA #14.239)
<i>Federal Award Number</i>	M-12-MC-26-0202
<i>Federal Award Year</i>	July 1, 2012 - June 30, 2013
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Procurement, Suspension and Debarment

Criteria

Per 2 CFR section 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. Per the Federal Service Desk (www.fsd.gov), "any government, business, grantee or organization (known as an "Entity" in SAM) wishing to do business with the federal government under a Federal Acquisition Regulation (FAR)-based contract, or anyone applying for federal grants, cooperative agreements or other forms of federal financial assistance through Grants.gov, must be registered in SAM."

Condition

For 1 of 8 items tested, an incorrect EPLS search certification was included in the procurement file. The certification in the file was for a different company than the developer responsible for the project. Additionally, we noted 2 of 8 contractors could not be located in the System for Award Management (SAM) website.

Possible Asserted Cause and Effect

Management did not comply with suspension and debarment requirements.

Recommendation

We recommend that policies and procedures are monitored to ensure compliance with suspension and debarment 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, 2013

<i>Finding Number</i>	2013-26
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2012-24
<i>Federal Program</i>	Home Investment Partnerships Program (HOME) (CFDA #14.239)
<i>Federal Award Number</i>	M-12-MC-26-0202
<i>Federal Award Year</i>	July 1, 2012 - June 30, 2013
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Reporting

Criteria

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

Condition

We obtained the HUD 60002, Section 3, Summary Report, and noted the following: 1) the total amount of the award does not agree to the amount in the grant agreement; 2) Part I Employment and Training was not completed; 3) Part II Contracts Awarded, 1.B. total dollar amount of construction contracts awarded to Section 3 businesses was not entered correctly; 4) the report was submitted 18 calendar days late (report was submitted on October 18, 2013 and the final submission due date was September 30, 2013) .

Possible Asserted Cause and Effect

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

Recommendation

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

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

<i>Finding Number</i>	2013-27
<i>Finding Type</i>	Noncompliance / significant deficiency
<i>Prior Year Finding</i>	2012-25
<i>Federal Program</i>	Home Investment Partnerships Program (HOME) (CFDA #14.239)
<i>Federal Award Number</i>	M-12-MC-26-0202
<i>Federal Award Year</i>	July 1, 2012 - June 30, 2013
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Reporting

Criteria

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. 2 CFR 170, Appendix A and Federal Funding Accountability and Transparency Act Subaward Reporting System- FSRS.gov website states: 1) the following data about sub-awards greater than \$25,000 must be reported: a) name of entity receiving award b) amount of award c) funding agency d) NAICS code for contracts/ CFDA program number for grants e) program source f) award title descriptive of the purpose of the funding action g) location of the entity (including congressional district) h) place of performance (including congressional district) i) unique identifier of the entity and its parent; and j) total compensation and names of top five executives (same thresholds as for primes). 2) The total compensation and names of top five executives must be reported if: a) more than 80% of annual gross revenues from the Federal government and those revenues are greater than \$25M annually and b) compensation information is not already available through reporting to the SEC.

Condition

The Transparency Act Report field for Subaward Number under the Subawardee Data section was incorrectly stated. Further, there were no identifiable controls in place over the preparation and submission of the data included in the Transparency Act Report.

Possible Asserted Cause and Effect

Procedures to ensure reports are prepared accurately and on time did not exist or did not operate effectively.

Recommendation

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

Questioned Costs

None

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

<i>Finding Number</i>	2013-28
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Community Development Block Grant - Section 108 Loan Guarantees Program (Section 108) (CFDA #14.248)
<i>Federal Award Number</i>	N/A
<i>Federal Award Year</i>	July 1, 2012 - June 30, 2013
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Per 24 CFR 570.703, "guaranteed loan funds may not be used to reimburse the CDBG program account or line of credit for costs incurred by the public entity or designated public agency and paid with CDBG grant funds or program income."

Condition

In June 2013, in relation to the New Amsterdam project, the remaining unused private lender funds of \$352,856 originally awarded to New Amsterdam were used to repay a portion of the outstanding loan amount due to the City.

Possible Asserted Cause and Effect

Management was not in compliance with activities allowed/allowable cost principles.

Recommendation

We recommend that management review expenditures to ensure that they are allowable prior to approving them.

Questioned Costs

\$352,856

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

<i>Finding Number</i>	2013-29
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Community Development Block Grant - Section 108 Loan Guarantees Program (Section 108) (CFDA #14.248)
<i>Federal Award Number</i>	N/A
<i>Federal Award Year</i>	July 1, 2012 - June 30, 2013
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Cash Management

Criteria

Per the Loan Guarantee contract entered into between the City and HUD, advance funds received by the City in excess of the FDIC insurance limit must be loaned to a developer or "fully and continuously invested in Government Obligations" (a "safekeeping" account) within 3 days of receiving the funds.

Condition

We reviewed the bank statements related to Section 108 Loan Funds and noted that funds held by the City were at-risk, violating cash management requirements. The City continuously failed to invest these funds in a safekeeping account within the required period of time. Some funds remained in the checking account for several months at a time.

Possible Asserted Cause and Effect

The City did not comply with cash management requirements.

Recommendation

We recommend that management establish policies and procedures to ensure compliance with cash management 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, 2013

<i>Finding Number</i>	2013-30
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Community Development Block Grant - Section 108 Loan Guarantees Program (Section 108) (CFDA #14.248)
<i>Federal Award Number</i>	N/A
<i>Federal Award Year</i>	July 1, 2012 - June 30, 2013
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development (HUD)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Planning & Development Department
<i>Compliance Requirement</i>	Procurement, Suspension and Debarment

Criteria

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

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

Condition

Per review of the Woodward Garden Theater Phase III loan agreement, we noted that a suspension and debarment clause was included, however the clause did not contain language related to the suspension and debarment status of the main developer. Additionally, we noted that Section 108 staff does not perform formal procedures to verify that a developer in a new contract is not suspended or debarred. Based on review of the SAM website, we noted that the vendor in question was not suspended or debarred.

Possible Asserted Cause and Effect

Policies and procedures are not designed in a manner to ensure compliance with requirements.

Recommendation

We recommend that policies and procedures are developed to ensure compliance with suspension and debarment 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, 2013

<i>Finding Number</i>	2013-31
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2012-37
<i>Federal Program</i>	Public Safety Partnership and Community Policing Grants (COPS) (CFDA #16.710 - ARRA)
<i>Federal Award Number</i>	2009-RJ-WX-0053, 2009-CK-WX-0549, 2009-CK-WX-0557, 2010-CK-WX-0506, 2011-UL-WX-0018
<i>Federal Award Year</i>	July 1, 2009 – December 31, 2013
<i>Federal Agency</i>	U.S. Department of Justice (DOJ)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Police Department
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

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

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 semi annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Additionally, to be allowable under Federal awards, costs must meet the following general criteria: be necessary and reasonable for proper and efficient performance and administration of Federal awards, be allocable to Federal awards under the provisions of this Circular, be authorized or not prohibited under State or local laws or regulations, conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items, be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit, be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost. Except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation. Be the net of all applicable credits. Be adequately documented. (OMB Cost Circular A-87, attachment A, paragraph C).

Condition

77 employees were selected for testing. The results of the tests are as follows:

- The City did not require employees to perform the required Time Certifications.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

- for 1 of 77 employees, the City could not provide the required I-9 form.
- DPD requested reimbursement for payroll charges that were greater than the amount paid to officers. This was due to DPD overpaying officers and overcharging the grant in prior years, and subsequently recouping the amount from officers. Although DPD determined to recover \$100 per pay period from the officers, the entire amount that would have been paid out (including the \$100) was requested for reimbursement. We reviewed an interoffice payroll memorandum noting that officers were overpaid between December 2010 and January 2012. The costs were to be recouped in \$100 increments per pay period. The City was unable to quantify the amount of this difference.
- We selected a total of 9 officers for testing of the overtime charged to the COPS Technology Grant, testing one pay period for each officer. The City could not provide support for the overtime charged to the grant for 3 of the 9 officers selected.

Possible Asserted Cause and Effect

Ineffective oversight existed of the COPS program by those charged with governance over compliance with Activities Allowed /Allowable Costs requirements. Policies and procedures were not designed to ensure compliance with the requirements of the grant and Circular A-87.

Recommendation

We recommend that management understand the grant requirements and develop policies and procedures for grant administration that would result in compliance.

Questioned Costs

\$1,751,500

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2013

<i>Finding Number</i>	2013-32
<i>Finding Type</i>	Noncompliance / significant deficiency
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Public Safety Partnership and Community Policing Grants (COPS) (CFDA #16.710 - ARRA)
<i>Federal Award Number</i>	2009-RJ-WX-0053, 2009-CK-WX-0549, 2009-CK-WX-0557, 2010- CK-WX-0506, 2011-UL-WX-0018
<i>Federal Award Year</i>	July 1, 2009 – December 31, 2013
<i>Federal Agency</i>	U.S. Department of Justice (DOJ)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Police Department
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

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

Per 28 CFR 66.30. (a) General. Grantees and subgrantees are permitted to rebudget within the approved direct cost budget to meet unanticipated requirements and may make limited program changes to the approved project. However, unless waived by the awarding agency, certain types of post-award changes in budgets and projects shall require the prior written approval of the awarding agency. (c) Budget changes-

(1) Nonconstruction projects. Except as stated in other regulations or an award document, grantees or subgrantees shall obtain the prior approval of the awarding agency whenever any of the following changes is anticipated under a nonconstruction award: (i) Any revision which would result in the need for additional funding (ii) Unless waived by the awarding agency, cumulative transfers among direct cost categories, or, if applicable, among separately budgeted programs, projects, functions, or activities which exceed or are expected to exceed ten percent of the current total approved budget, whenever the awarding agency's share exceeds \$100,000. (iii) Transfer of funds allotted for training allowances (i.e., from direct payments to trainees to other expense categories).

Condition

The City did not obtain prior approval from the COPS office before moving dollars that exceeded ten percent of the total approved budget between approved budget categories.

Possible Asserted Cause and Effect

Internal controls did not operating effectively to ensure that the City is in compliance with the Allowable Costs/Cost Principles compliance requirements and the grant agreement.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Recommendation

We recommend that policies and procedures are developed and monitored to ensure approvals and budget adherence in accordance with regulations and with the terms and conditions of the award.

Questioned Costs

\$70,632

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

<i>Finding Number</i>	2013-33
<i>Finding Type</i>	Significant Deficiency
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Public Safety Partnership and Community Policing Grants (COPS) (CFDA #16.710 - ARRA)
<i>Federal Award Number</i>	2009-RJ-WX-0053, 2009-CK-WX-0549, 2009-CK-WX-0557, 2010- CK-WX-0506, 2011-UL-WX-0018
<i>Federal Award Year</i>	July 1, 2009 – December 31, 2013
<i>Federal Agency</i>	U.S. Department of Justice (DOJ)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Police Department
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

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

Condition

We selected 5 payments to vendors, totaling \$99,000, and noted that for 2 payments, totaling \$98,040, the associated journal entry was prepared and reviewed and approved by the same employee without an appropriate segregation of duties.

Possible Asserted Cause and Effect

Internal control policies and procedures were not designed to ensure an appropriate segregation of duties.

Recommendation

We recommend that a management level review of journal entries is performed by a knowledgeable supervisor with an appropriate segregation of duties.

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, 2013

<i>Finding Number</i>	2013-34
<i>Finding Type</i>	Scope limitation / material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Public Safety Partnership and Community Policing Grants (COPS) (CFDA #16.710 - ARRA)
<i>Federal Award Number</i>	2009-RJ-WX-0053, 2009-CK-WX-0549, 2009-CK-WX-0557, 2010-CK-WX-0506, 2011-UL-WX-0018
<i>Federal Award Year</i>	July 1, 2009 – December 31, 2013
<i>Federal Agency</i>	U.S. Department of Justice (DOJ)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Police Department
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

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

Additionally, to be allowable under Federal awards, costs must meet the following general criteria: be necessary and reasonable for proper and efficient performance and administration of Federal awards, be allocable to Federal awards under the provisions of this Circular, be authorized or not prohibited under State or local laws or regulations, conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items, be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit, be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost. Except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation. Be the net of all applicable credits. Be adequately documented. (OMB Cost Circular A-87, attachment A, paragraph C).

Condition

The City was unable to provide supporting documentation for the fringe benefits charged to the grant.

Possible Asserted Cause and Effect

Management relied on amounts charged to the general ledger for fringe benefits charged to the grant but were unable to provide supporting documentation for the associated fringe benefit costs to be audited.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Recommendation

We recommend that policies and procedures are developed that would result in all costs charged to the grant to be evidenced by supporting documentation.

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, 2013

<i>Finding Number</i>	2013-35
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2012-38
<i>Federal Program</i>	Public Safety Partnership and Community Policing Grants (COPS) (CFDA #16.710 - ARRA)
<i>Federal Award Number</i>	2009-RJ-WX-0053, 2009-CK-WX-0549, 2009-CK-WX-0557, 2010- CK-WX-0506, 2011-UL-WX-0018
<i>Federal Award Year</i>	July 1, 2009 – December 31, 2013
<i>Federal Agency</i>	U.S. Department of Justice (DOJ)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Police Department
<i>Compliance Requirement</i>	Equipment and Real Property Management

Criteria

According to 28 CFR section 66.32 (d) Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements: (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated. (4) Adequate maintenance procedures must be developed to keep the property in good condition.

Per the March 2013 OMB Circular A-133 Compliance Supplement and the COPS Tech compliance requirement, "Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every 2 years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained."

Condition

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

Possible Asserted Cause and Effect

Equipment listings were not maintained in accordance with compliance requirements and physical inventory counts were not performed. Existing policies of the City were not appropriately followed.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Recommendation

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

Questioned Costs

None

Views of Responsible Officials

The central Finance department does have written policies and procedures for Capital Assets Monitoring.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

<i>Finding Number</i>	2013-36
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Public Safety Partnership and Community Policing Grants (COPS) (CFDA #16.710 - ARRA)
<i>Federal Award Number</i>	2009-RJ-WX-0053, 2009-CK-WX-0549, 2009-CK-WX-0557, 2010- CK-WX-0506, 2011-UL-WX-0018
<i>Federal Award Year</i>	July 1, 2009 – December 31, 2013
<i>Federal Agency</i>	U.S. Department of Justice (DOJ)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Police Department
<i>Compliance Requirement</i>	Level of Effort - Supplement not supplant

Criteria

The A-102 common rule and OMB Circular A-110 (2 CFR part 215) requires non-Federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Per the 2011 Hiring grant agreement(2011-UL-WX-0018), State, local, or BOA funds budgeted to pay for sworn officer positions irrespective of CHP grant funds may not be reallocated to other purposes or refunded as a result of a CHP grant being awarded. Per the COPS Tech grant agreements, COPS Tech (2010-CK-EX-0506), COPS Tech (2009-CK-WX-0549), COPS Tech (2009-CK-WX-0557), State, local, and tribal governments must use Technology Program grant funds to supplement, and not supplant, state, local, or Bureau of Indian Affairs (BIA) funds that are already committed or otherwise would have been committed for grant purposes (hiring, training, purchases, and/or activities) during the grant period.

Condition

The City does not have a process or procedures in place to address the Supplement not Supplant requirement for the COPS grants.

Possible Asserted Cause and Effect

The Supplement not Supplant requirement is a significant requirement of the grant for which a process to ensure compliance was not put in place by the City.

Recommendation

We recommend the city put into place policies and procedures that ensure compliance with the supplement not supplant 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, 2013

<i>Finding Number</i>	2013-37
<i>Finding Type</i>	Significant deficiency
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Public Safety Partnership and Community Policing Grants (COPS) (CFDA #16.710 - ARRA)
<i>Federal Award Number</i>	2009-RJ-WX-0053, 2009-CK-WX-0549, 2009-CK-WX-0557, 2010- CK-WX-0506, 2011-UL-WX-0018
<i>Federal Award Year</i>	July 1, 2009 – December 31, 2013
<i>Federal Agency</i>	U.S. Department of Justice (DOJ)
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Police Department
<i>Compliance Requirement</i>	Reporting

Criteria

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

Condition

Although DPD submitted the ARRA 1512 and performance reports in a timely manner, no verifiable evidence of approval before submission was maintained in the files for audit.

Possible Asserted Cause and Effect

Existing document retention policies by the City were not followed.

Recommendation

We recommend that management review controls are auditable through the retention of documentation.

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, 2013

<i>Finding Number</i>	2013-38
<i>Finding Type</i>	Significant deficiency
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Edward Byrne Memorial Justice Assistance Grant (JAG) (CFDA #16.738 – ARRA, 16.803 – ARRA)
<i>Federal Award Number</i>	2009-SB-B9-1422, 2009-DJ-BX-0788, 2010-DJ-BX-1068, 2011-DJ-BX-2481, and 50001-1-09-B
<i>Federal Award Year</i>	October 1, 2008 - September 30, 2013
<i>Federal Agency</i>	U.S. Department of Justice (DOJ)
<i>Pass-Through Entity</i>	Michigan Department of Community Health
<i>City of Detroit Department</i>	Detroit Police Department and Detroit Fire Department
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

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

Condition

For 5 of 34 expenditures selected for testing, the City was unable to provide evidence that the invoice and purchase order was reviewed by the Program Director.

Possible Asserted Cause and Effect

The internal control was not properly executed to ensure effectiveness and compliance with A-102.

Recommendation

We recommend that internal controls policies are followed as designed and that appropriate documentation is maintained to support the operation of the control.

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, 2013

<i>Finding Number</i>	2013-39
<i>Finding Type</i>	Noncompliance / significant deficiency
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Edward Byrne Memorial Justice Assistance Grant (JAG) (CFDA #16.738 – ARRA, 16.803 – ARRA)
<i>Federal Award Number</i>	2009-SB-B9-1422, 2009-DJ-BX-0788, 2010-DJ-BX-1068, 2011-DJ-BX-2481, and 50001-1-09-B
<i>Federal Award Year</i>	October 1, 2008 - September 30, 2013
<i>Federal Agency</i>	U.S. Department of Justice (DOJ)
<i>Pass-Through Entity</i>	Michigan Department of Community Health
<i>City of Detroit Department</i>	Detroit Police Department and Detroit Fire Department
<i>Compliance Requirement</i>	Cash Management

Criteria

The A-102 common rule and OMB Circular A-110 (2 CFR Part 215) requires that non-Federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Per section 3.02 of the JAG grant agreement, "The Municipality must establish a trust fund to deposit its share of JAG funds."

Condition

The City did not create separate trust fund to deposit its share of JAG funds.

Possible Asserted Cause and Effect

Grant rules required separate accounts to be used for JAG funds, however JAG funds were comingled with other funds.

Recommendation

We recommend the City analyze grant terms upon the acceptance and establishment of a grant to ensure appropriate accounts are established.

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, 2013

<i>Finding Number</i>	2013-40
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2012-40
<i>Federal Program</i>	Edward Byrne Memorial Justice Assistance Grant (JAG) (CFDA #16.738 – ARRA, 16.803 – ARRA)
<i>Federal Award Number</i>	2009-SB-B9-1422, 2009-DJ-BX-0788, 2010-DJ-BX-1068, 2011-DJ-BX-2481, and 50001-1-09-B
<i>Federal Award Year</i>	October 1, 2008 - September 30, 2013
<i>Federal Agency</i>	U.S. Department of Justice (DOJ)
<i>Pass-Through Entity</i>	Michigan Department of Community Health
<i>City of Detroit Department</i>	Detroit Police Department and Detroit Fire Department
<i>Compliance Requirement</i>	Equipment and Real Property Management

Criteria

Per 28 CFR 66.32 (d) and (e),

(d) Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

(2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

(3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.

(4) Adequate maintenance procedures must be developed to keep the property in good condition.

(5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

(e) Disposition. When original or replacement equipment acquired under a grant or subgrant is no longer needed for the original project or program or for other activities currently or previously supported by a Federal agency, disposition of the equipment will be made as follows:

(1) Items of equipment with a current per-unit fair market value of less than \$5,000 may be retained, sold or otherwise disposed of with no further obligation to the awarding agency.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

(2) Items of equipment with a current per unit fair market value in excess of \$5,000 may be retained or sold and the awarding agency shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the awarding agency's share of the equipment.

Condition

The City did not maintain an equipment listing containing description, sources, who holds title, acquisition date and cost, percentage of federal participation in the cost, location, condition, and any ultimate disposition data including the date of disposal and sale price or method used to determine current fair market value (if applicable). Additionally, no physical inventory counts were performed. Also, City tag numbers were not assigned or affixed to 12 out of the 49 items selected for testing.

Possible Asserted Cause and Effect

Existing City policies were not followed. Additionally, no internal monitoring took place to ascertain whether policies were being followed.

Recommendation

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

Questioned Costs

None

Views of Responsible Officials

The central Finance department does have written policies and procedures for Capital Assets Monitoring.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

<i>Finding Number</i>	2013-41
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2012-41
<i>Federal Program</i>	Edward Byrne Memorial Justice Assistance Grant (JAG) (CFDA #16.738 – ARRA, 16.803 – ARRA)
<i>Federal Award Number</i>	2009-SB-B9-1422, 2009-DJ-BX-0788, 2010-DJ-BX-1068, 2011-DJ-BX-2481, and 50001-1-09-B
<i>Federal Award Year</i>	October 1, 2008 - September 30, 2013
<i>Federal Agency</i>	U.S. Department of Justice (DOJ)
<i>Pass-Through Entity</i>	Michigan Department of Community Health
<i>City of Detroit Department</i>	Detroit Police Department and Detroit Fire Department
<i>Compliance Requirement</i>	Procurement, Suspension and Debarment

Criteria

Per 2 CFR 180.300, when you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. Additionally, per 2 CFR 215.4, procurement records and files for purchase in excess of the small purchase threshold shall include the following at a minimum: (a) Basis for contractor selection; (b) Justification for lack of competition when competitive bids or offers are not obtained; and (c) Basis for award cost or price.

Condition

For 2 of 2 contracts selected for testwork, the City did not contain a certification within the contract that the vendor and its principals were not suspended or debarred nor was there evidence that the City verified that the contractor was not suspended or debarred by checking the EPLS website. Also, the City could not provide a complete contract file including documentation for the basis of contractor selection and the basis for the award cost.

Possible Asserted Cause and Effect

Procedures did not exist to ensure that appropriate steps were taken in regard to suspension and debarment. Also, procurement files were not maintained in accordance with the City's record retention policies.

Recommendation

We recommend that management obtain suspension and debarment certifications from all subrecipients and vendors. Additionally, procurement files should be maintained in accordance with record retention policies.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

<i>Finding Number</i>	2013-42
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Edward Byrne Memorial Justice Assistance Grant (JAG) (CFDA #16.738 – ARRA, 16.803 – ARRA)
<i>Federal Award Number</i>	2009-SB-B9-1422, 2009-DJ-BX-0788, 2010-DJ-BX-1068, 2011-DJ-BX-2481, and 50001-1-09-B
<i>Federal Award Year</i>	October 1, 2008 - September 30, 2013
<i>Federal Agency</i>	U.S. Department of Justice (DOJ)
<i>Pass-Through Entity</i>	Michigan Department of Community Health
<i>City of Detroit Department</i>	Detroit Police Department and Detroit Fire Department
<i>Compliance Requirement</i>	Reporting

Criteria

Per the grant agreement Part II (IV)(E): A Final Obligation report, based on annual guidelines, must be submitted by the due date using the format provided by the Department's Accounting Division. The Contractor must provide an estimate of total expenditures for the entire agreement period. The information on the report will be used to record the Department's year-end accounts payable and receivables for this agreement.

Condition

The City did not prepare or submit the Final obligation report for Grant 50001-1-09.

Possible Asserted Cause and Effect

Because the City was unable to provide the report it is not in compliance with this requirement.

Recommendation

We recommend that the City establish policies and procedures to ensure that the City is in compliance with all agreed upon contract terms.

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, 2013

<i>Finding Number</i>	2013-43
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2012-42
<i>Federal Program</i>	Edward Byrne Memorial Justice Assistance Grant (JAG) (CFDA #16.738 – ARRA, 16.803 – ARRA)
<i>Federal Award Number</i>	2009-SB-B9-1422, 2009-DJ-BX-0788, 2010-DJ-BX-1068, 2011-DJ-BX-2481, and 50001-1-09-B
<i>Federal Award Year</i>	October 1, 2008 - September 30, 2013
<i>Federal Agency</i>	U.S. Department of Justice (DOJ)
<i>Pass-Through Entity</i>	Michigan Department of Community Health
<i>City of Detroit Department</i>	Detroit Police Department and Detroit Fire Department
<i>Compliance Requirement</i>	Subrecipient Monitoring

Criteria

The A-102 common rule requires non-federal entities receiving federal awards 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 which 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

- The City did not have a formal policy for monitoring subrecipients.
- For 2 of 2 subrecipients tested the City did not have documentation of the review of A-133 reports received from the subrecipients
- The City did not maintain adequate documentation of its process to track and follow-up with subrecipients when the OMB Circular A-133 reports have not been received in a timely manner.
- The City did not have procedures to perform or document the monitoring of subrecipients through site visits and regular contact.

Possible Asserted Cause and Effect

Failure to obtain and adequately review subrecipient OMB Circular A-133 audit reports, and issue management decisions on subrecipient findings within the required timeframe results in noncompliance with OMB Circular A-133 and may result in subrecipients 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, 2013

Recommendation

We recommend the City establish procedures to ensure that: (1) expenditures passed through to subrecipients per the City's records are reconciled to the schedule of expenditures of federal awards submitted in the subrecipients' OMB Circular A-133 audit reports, (2) follow-up procedures are performed for all delinquent OMB Circular A-133 reports, (3) desk reviews are performed on a timely basis, and (4) management decisions are issued within six months after receipt of the subrecipients' OMB Circular A-133 audit reports and corrective action plans are obtained. Additionally, the City should establish procedures to formally document the monitoring process over subrecipients to ensure that subrecipients are using the Federal awards for authorized purposes in compliance with laws, regulations, and the provisions of grant agreements.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

<i>Finding Number</i>	2013-44
<i>Finding Type</i>	Scope limitation / material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Workforce Investment Act (WIA) (CFDA #17.258, 17.259, 17.278)
<i>Federal Award Number</i>	AA214021155A26, AA202001055A26, AA221101155A26, AA186470955
<i>Federal Award Year</i>	July 1, 2012 – June 30, 2013
<i>Federal Agency</i>	U.S. Department of Labor
<i>Pass-Through Entity</i>	Workforce Development Agency State of Michigan
<i>City of Detroit Department</i>	Detroit Workforce Development Department
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles, Cash Management, and Subrecipient Monitoring

Criteria

Per the Governance Agreement between the Mayor of the City of Detroit, The City of Detroit Workforce Development Board, and Detroit Employment Solutions Corporation (DESC), effective June 28, 2012, paragraph 3.1 states, “The City of Detroit is the Grant Recipient under the Act and will carry out the roles and responsibilities associated with this function for the local workforce development area.” Further, paragraph 3.2 states, “The City of Detroit as the Grant Recipient is financially responsible and accountable for the management of all workforce funds available to the Board.”

Also, per the Workforce Development Agency, State of Michigan (WDASOM) policy issues located at http://web.michworks.org/OWD/index_wp.htm, the City of Detroit is the grant recipient for the WIA program. These policy issuances are considered grant agreements for all intents and purposes of the Single Audit.

OMB Circular A-87 establishes principles and standards for determining costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and local governments and federally recognized Indian tribal governments (governmental units). Per OMB Circular A-87, Section 2(a), “The application of these principles is based on the fundamental premises that:

- 1) Governmental units are responsible for the efficient and effective administration of Federal awards through the application of sound management practices.
- 2) Governmental units assume responsibility to administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.
- 3) Each governmental unit, in recognition of its own unique combination of staff, facilities, and experience, will have the primary responsibility for employing whatever form of organization and management techniques may be necessary to assure proper and efficient administration of Federal awards.”

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 and number, award number and year, name of the Federal agency, and name of the pass-through entity.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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 related to each of its Federal programs.”

OMB Circular A-87 (A-87) establishes principles and standards for determining allowable direct and indirect costs for Federal awards.

Per the WDASOM policy issuance dated July 1, 2012, “The Michigan Works Agency must have on file appropriate documentation to support each cash draw.”

Per OMB Circular A-133, “A pass-through entity is responsible for:

1) Award Identification - At the time of the award, identifying to the subrecipient the Federal award information (e.g., CFDA title and number, award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements.

2) During-the-Award Monitoring - Monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

3) Subrecipient Audits – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipient’s audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

4) Pass-Through Entity Impact - Evaluating the impact of subrecipient activities on the pass-through entity’s ability to comply with applicable Federal regulations.”

Condition

The Detroit Employment Solutions Corporation (DESC) is a legally separate entity from the City of Detroit. Its bylaws were adopted on June 14, 2012. Per the Governance Agreement noted above, The City of Detroit was the Grant Recipient, and DESC was the Administrative and Fiscal Agent that was responsible for the management and administration of the grants identified above for fiscal year 2013. DESC was a subrecipient to the City of Detroit for the WIA grants. City of Detroit management was aware that the grants were being managed by DESC starting July 1, 2012; however, they were unaware that the City was still the Grant Recipient until after the end of fiscal year 2013. During fiscal year 2013, DESC drew down the federal funds directly from WDASOM; the federal funds did not flow through the City of Detroit. The funds requested by DESC from WDASOM were directly deposited into DESC’s bank account. This process was still in place as of Dec. 4, 2014.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

The City of Detroit did not perform any subrecipient monitoring procedures during fiscal year 2013. Subsequent to fiscal year 2013, the City of Detroit began limited subrecipient monitoring procedures. City of Detroit management began following up with DESC in order to obtain their audited financial statements and audited OMB A-133 report. Once the reports were obtained, City management reviewed the reports and noted no findings or questioned costs related to the WIA grants.

The Governance Agreement between the City of Detroit and DESC did not clearly communicate the CFDA title and number; amount of award; award name; name of Federal agency; requirements imposed by laws, regulations, and the provisions of the contract or grant agreements; allowable activities; and the requirement to have OMB Circular A-133 audit. Further, the City of Detroit did not perform any During-the-Award Monitoring, as defined above.

In addition to the expenditures of \$16,594,000 that were spent by DESC, the City of Detroit also had \$1,033,466 of close out costs during fiscal year 2013 related to the WIA grants. The City of Detroit was unable to provide documents to support the allowability of the close out expenditures.

Possible Asserted Cause and Effect

Procedures did not exist at the City to appropriately identify its responsibilities as a pass through agency.

Recommendation

We recommend that all grant agreements that the City is a party to be assessed for compliance requirements pertinent to the City.

Questioned Costs

\$1,033,466

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

<i>Finding Number</i>	2013-45
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2012-55
<i>Federal Program</i>	Federal Transit Cluster (FTC) (CFDA #20.500, 20.507 - ARRA)
<i>Federal Award Number</i>	MI-04-0054, MI-90-X374, MI-90-X563, MI-90-X604, MI-90-X605, MI-95-X023, MI-95-X062, MI-96-X011
<i>Federal Award Year</i>	October 1, 2011 - September 30, 2013
<i>Federal Agency</i>	U.S. Department of Transportation
<i>Pass-Through Entity</i>	Federal Transit Administration
<i>City of Detroit Department</i>	Detroit Department of Transportation
<i>Compliance Requirement</i>	Davis Bacon

Criteria

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

Condition

We performed test work over three contracts, noting the payrolls were not submitted each week by the vendors for all three contracts. Further, we noted the payrolls submitted had no evidence of review performed to ensure compliance with the Davis Bacon requirements.

Possible Asserted Cause and Effect

Internal controls were not properly designed, executed, or monitored to ensure effectiveness. As a result, management did not comply with the Davis Bacon requirement.

Recommendation

We recommend internal controls be evaluated to prevent future noncompliance.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

<i>Finding Number</i>	2013-46
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2012-56
<i>Federal Program</i>	Federal Transit Cluster (FTC) (CFDA #20.500, 20.507 - ARRA)
<i>Federal Award Number</i>	MI-04-0054, MI-90-X374, MI-90-X563, MI-90-X604, MI-90-X605, MI-95-X023, MI-95-X062, MI-96-X011
<i>Federal Award Year</i>	October 1, 2011 - September 30, 2013
<i>Federal Agency</i>	U.S. Department of Transportation
<i>Pass-Through Entity</i>	Federal Transit Administration
<i>City of Detroit Department</i>	Detroit Department of Transportation
<i>Compliance Requirement</i>	Procurement, Suspension and Debarment

Criteria

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

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

Condition

We performed test work over eight procurement files, noting six did not contain a certification that the vendor was not suspended or debarred, nor was there evidence that the City verified the contractor was not suspended or debarred by checking the EPLS website.

Possible Asserted Cause and Effect

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

Recommendation

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

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

<i>Finding Number</i>	2013-47
<i>Finding Type</i>	Scope limitation / material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Temporary Assistance for Needy Families (TANF) (CFDA #93.558)
<i>Federal Award Number</i>	G-1102MITANF, G-1202MITANF
<i>Federal Award Year</i>	October 1, 2011 - September 30, 2012, October 1, 2012 - September 30, 2013
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Workforce Development Agency State of Michigan
<i>City of Detroit Department</i>	Detroit Workforce Development Department
<i>Compliance Requirement</i>	Cash Management and Subrecipient Monitoring

Criteria

Per the Governance Agreement between the Mayor of the City of Detroit, The City of Detroit Workforce Development Board, and Detroit Employment Solutions Corporation, effective June 28, 2012, paragraph 3.1 states, "The City of Detroit is the Grant Recipient under the Act and will carry out the roles and responsibilities associated with this function for the local workforce development area." Further, paragraph 3.2 states, "The City of Detroit as the Grant Recipient is financially responsible and accountable for the management of all workforce funds available to the Board."

Also, per the Workforce Development Agency, State of Michigan (WDASOM) policy issues located at http://web.michworks.org/OWD/index_wp.htm, the City of Detroit is the grant recipient for the TANF grants. These policy issuances are considered grant agreements for all intents and purposes of the Single Audit.

Criteria

OMB Circular A-87 establishes principles and standards for determining costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and local governments and federally recognized Indian tribal governments (governmental units). Per OMB Circular A-87, Section 2(a), "The application of these principles is based on the fundamental premises that:

- 1) Governmental units are responsible for the efficient and effective administration of Federal awards through the application of sound management practices.
- 2) Governmental units assume responsibility to administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.
- 3) Each governmental unit, in recognition of its own unique combination of staff, facilities, and experience, will have the primary responsibility for employing whatever form of organization and management techniques may be necessary to assure proper and efficient administration of Federal awards."

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 and number, award number and year, name of the Federal agency, and name of the pass-through entity.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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 related to each of its Federal programs.”

Per OMB Circular A-133, “A pass-through entity is responsible for:

1) Award Identification - At the time of the award, identifying to the subrecipient the Federal award information (e.g., CFDA title and number, award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements.

2) During-the-Award Monitoring - Monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

3) Subrecipient Audits – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipient’s audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

4) Pass-Through Entity Impact - Evaluating the impact of subrecipient activities on the pass-through entity’s ability to comply with applicable Federal regulations.”

Condition

Detroit Employment Solutions Corporation (DESC) is a legally separate entity from the City of Detroit. Its bylaws were adopted on June 14, 2012. Per the Governance Agreement noted above, The City of Detroit was the Grant Recipient, and DESC was the Administrative and Fiscal Agent that was responsible for the management and administration of the grants identified above for fiscal year 2013. DESC was a subrecipient to the City of Detroit for the TANF grants. City of Detroit management was aware that the grants were being managed by DESC starting July 1, 2012; however, they were unaware that the City was still the Grant Recipient until after the end of fiscal year 2013. As such, the City of Detroit was not in compliance with applicable laws and regulations during fiscal year 2013. During fiscal year 2013, DESC drew down the federal funds directly from WDASOM; the federal funds did not flow through the City of Detroit. The funds requested by DESC from WDASOM were directly deposited into DESC’s bank account. This process was still in place as of Dec. 4, 2014. The City of Detroit did not perform any subrecipient monitoring procedures during fiscal year 2013. Subsequent to fiscal year 2013, the City of Detroit began limited subrecipient monitoring procedures. City of Detroit management began following up with DESC in order to obtain their audited financial statements and audited OMB A-133 report. Once the reports were obtained, City management reviewed the reports and noted no findings or questioned costs related to the TANF grants. The Governance Agreement between the City of Detroit and DESC did not clearly communicate the CFDA title and number; amount of award; award name; name of Federal agency; requirements imposed by laws, regulations, and the provisions of the contract or grant agreements;

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

allowable activities; and the requirement to have OMB Circular A-133 audit. Further, the City of Detroit did not perform any During-the-Award Monitoring, as defined above.

Possible Asserted Cause and Effect

Procedures did not exist at the City to appropriately identify its responsibilities as a pass through agency.

Recommendation

We recommend that all grant agreements that the City is a party to be assessed for compliance requirements pertinent to the City.

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, 2013

<i>Finding Number</i>	2013-48
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2012-76
<i>Federal Program</i>	Community Services Block Grant (CFDA #93.569)
<i>Federal Award Number</i>	CSBG-10-82007
<i>Federal Award Year</i>	October 1, 2009 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Michigan Department of Human Services
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

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

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

Condition

For 11 of 35 employees selected for testing, salaries were not within the appropriate range from the City approved White Book. For annual salaries that exceeded the maximum White Book range, the total variance was \$103,548. Of the \$103,548, \$56,378 is also included in the \$586,517 amount below. Therefore, the questioned costs for the White Book exceptions equal \$47,170. Also, the City did not provide 11 of 35 required payroll certifications. The total annual salary for those employees was \$586,517. Lastly, for 1 out of 35 selections, the City unable to provide the personnel file for an employee who received a pay check in the amount of \$3,215 that was charged to the grant.

Possible Asserted Cause and Effect

Procedures were not established and followed consistently to ensure compliance with A-87.

Recommendation

We recommend that Department of Human Services establish policies and procedures to ensure that time certifications are signed for the appropriate pay periods, personnel files are maintained, and employees' salaries fall within the White Book guidelines.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Questioned Costs

\$139,028

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

<i>Finding Number</i>	2013-49
<i>Finding Type</i>	Scope limitation / material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Community Services Block Grant (CFDA #93.569)
<i>Federal Award Number</i>	CSBG-10-82007
<i>Federal Award Year</i>	October 1, 2009 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Michigan Department of Human Services
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

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

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

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

Condition

We performed test work over 43 vendor payment expenditures totaling \$84,808. The City was unable to provide supporting documentation (invoice, check request form, and/or cancelled checks/bank statements) for 6 of the expenditures sampled, for a total amount of \$1,883.

Possible Asserted Cause and Effect

Existing policies and procedures of the City were not followed and therefore appropriate documentation supporting the expenditures was not retained.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Recommendation

We recommend that document retention policies are followed.

Questioned Costs

\$1,883

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

<i>Finding Number</i>	2013-50
<i>Finding Type</i>	Scope limitation / material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Community Services Block Grant (CFDA #93.569)
<i>Federal Award Number</i>	CSBG-10-82007
<i>Federal Award Year</i>	October 1, 2009 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Michigan Department of Human Services
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. According to OMB Circular A-87, attachment B, charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit. No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity. Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Condition

The City was unable to provide adequate documentation in order to sufficiently support the population of fringe benefits in the amount of \$467,609.

Possible Asserted Cause and Effect

Management relied on amounts charged to the general ledger for fringe benefits charged to the grant but were unable to provide supporting documentation for the associated fringe benefit costs to be audited.

Recommendation

We recommend that policies and procedures are developed that would result in all costs charged to the grant to be evidenced by supporting documentation.

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, 2013

<i>Finding Number</i>	2013-51
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2012-75
<i>Federal Program</i>	Community Services Block Grant (CFDA #93.569)
<i>Federal Award Number</i>	CSBG-10-82007
<i>Federal Award Year</i>	October 1, 2009 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Michigan Department of Human Services
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

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

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

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

Condition

During testwork we noted differences between the general ledger and Statement of Expenditures (SOE). The amount reported on the SOE's to the State of Michigan totaled \$3,502,213, which is greater than the \$3,341,883 reported in the general ledger. The City was unable to reconcile the two amounts, and as such, the \$160,330 difference that was over reported to the State are questioned costs.

Possible Asserted Cause and Effect

Existing control processes were not followed to ensure federal grant expenditures are based on amounts in the general ledger.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Recommendation

We recommend that amounts charged to grants are reconciled completely and timely to the general ledger.

Questioned Costs

\$160,330

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

<i>Finding Number</i>	2013-52
<i>Finding Type</i>	Scope limitation / material noncompliance / material weakness
<i>Prior Year Finding</i>	2012-77
<i>Federal Program</i>	Community Services Block Grant (CFDA #93.569)
<i>Federal Award Number</i>	CSBG-10-82007
<i>Federal Award Year</i>	October 1, 2009 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Michigan Department of Human Services
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Cash Management and Reporting

Criteria

31 CFR 205.12 (b)(5) states that reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes. Additionally, 24 CFR 85.21 (d), sub part C- Post Award Requirements, notes that reimbursement shall be the preferred method of payment. OMB Circular A-133 documents that when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.

Condition

The City of Detroit was unable to provide adequate documentation to evidence whether payments made were incurred before the cash drawdown date for 7 of 9 samples selected. Per review of documentation and correspondence in relation to the State of Michigan review process, unpaid invoices in the amount of \$27,125 were included on the Statement of Expenditures, but were not reimbursed by the State of Michigan as they had deemed the costs unsupported. This indicates that DHS had not paid the expense before requesting reimbursement. Additionally, 3 of 18 subrecipient payments samples, in the amount of \$21,871, were requested for reimbursement from the State prior to being paid by the City of Detroit.

Possible Asserted Cause and Effect

Procedures designed to ensure compliance with cash management principles are not effective.

Recommendation

We recommend the City establish effective control activities over compliance with cash management requirements.

Questioned Costs

\$21,871

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

<i>Finding Number</i>	2013-53
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Community Services Block Grant (CFDA #93.569)
<i>Federal Award Number</i>	CSBG-10-82007
<i>Federal Award Year</i>	October 1, 2009 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Michigan Department of Human Services
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Procurement

Criteria

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

The contract (The Agreement) between the State of Michigan Department of Human Services (MDHS) and the City of Detroit Department of Human Services (DHS – the grantee) requires that the grantee not assign the Agreement or subcontract the Agreement to other parties without obtaining prior written approval of the DHS Office of Contracts and Rate Setting. DHS, as a condition of granting such approval, shall require that such assignees or subcontractors shall be subject to all conditions and provisions of the Agreement.

Condition

The City of Detroit was unable to provide adequate documentation to provide evidence that DHS had requested approval from MDHS prior to the initiation of the subrecipient contracts with Detroit Rescue Mission and Salvation Army.

Possible Asserted Cause and Effect

Procedures to obtain approval for subcontracts were not established.

Recommendation

We recommend that the Department of Human Services establish policies and procedures to ensure that DHS is in compliance with all agreed upon contract terms related to subcontractors.

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, 2013

<i>Finding Number</i>	2013-54
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2012-81
<i>Federal Program</i>	Community Services Block Grant (CFDA #93.569)
<i>Federal Award Number</i>	CSBG-10-82007
<i>Federal Award Year</i>	October 1, 2009 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Michigan Department of Human Services
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Reporting

Criteria

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

Condition

2 of 4 monthly Statement of Expenditures selected for testing were not submitted to the State of Michigan in a timely manner.

Possible Asserted Cause and Effect

Existing policies related to filing of reports timely were not followed.

Recommendation

We recommend that internal monitoring procedures be established to ascertain whether policies are being followed.

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, 2013

<i>Finding Number</i>	2013-55
<i>Finding Type</i>	Scope limitation / material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Community Services Block Grant (CFDA #93.569)
<i>Federal Award Number</i>	CSBG-10-82007
<i>Federal Award Year</i>	October 1, 2009 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Michigan Department of Human Services
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Reporting

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. The contract (The Agreement) between the State of Michigan Department of Human Services (MDHS) and the City of Detroit Department of Human Services (DHS – the grantee) requires that the grantee shall submit a CSBG-IS (CSBG-Information System) Survey Report on the forms and in the manner identified by DHS.

Condition

The City of Detroit was unable to provide adequate documentation to support the amounts reported within the 9/30/12 CSBG-IS Survey.

Possible Asserted Cause and Effect

Existing policies related to document retention were not followed.

Recommendation

We recommend the City establishes internal monitoring to ascertain whether policies are being followed.

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, 2013

<i>Finding Number</i>	2013-56
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2012-80
<i>Federal Program</i>	Community Services Block Grant (CFDA #93.569)
<i>Federal Award Number</i>	CSBG-10-82007-2
<i>Federal Award Year</i>	October 1, 2009 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Michigan Department of Human Services
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Period of Availability

Criteria

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

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

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

Condition

DHS did not record all its expenses within the correct reporting period. 3 of 18 Subrecipient selected for testing, in the amount of \$27,971 were for services performed in a prior fiscal year period before the period of availability. 16 of 43 vendor payment selected for testing, in the amount of \$7,597, were for services/expenditures incurred in a prior fiscal year period before the period of availability.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Possible Asserted Cause and Effect

Cash management issues hindered the department towards the end of FY11 through FY13. Central City allocations were not recorded and charged to the grant on a timely basis. As such, DHS did not comply with period of availability requirements

Recommendation

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

Questioned Costs

\$35,568

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

<i>Finding Number</i>	2013-57
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Community Services Block Grant (CFDA #93.569)
<i>Federal Award Number</i>	CSBG-10-82007-2
<i>Federal Award Year</i>	October 1, 2009 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Michigan Department of Human Services
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Reporting, Activities Allowed or Unallowed, and Allowable Costs/Cost Principles

Criteria

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

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

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

Condition

The original Statement of Expenditures (SOE's), submitted by the City of Detroit for expense reimbursement from the State, included unsupported costs that were disallowed during the State of Michigan review process. The final revised SOE's subsequent to the State audits appropriately excluded the unsupported costs.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Possible Asserted Cause and Effect

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

Recommendation

We recommend that Department of Human Services establish policies and procedures to ensure that activities allowed, allowable costs, and reporting requirements are met.

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, 2013

<i>Finding Number</i>	2013-58
<i>Finding Type</i>	Scope limitation / material noncompliance / material weakness
<i>Prior Year Finding</i>	2012-82
<i>Federal Program</i>	Community Services Block Grant (CFDA #93.569)
<i>Federal Award Number</i>	CSBG-10-82007-2
<i>Federal Award Year</i>	October 1, 2009 - September 30, 2012
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	Michigan Department of Human Services
<i>City of Detroit Department</i>	Department of Human Services
<i>Compliance Requirement</i>	Subrecipient Monitoring

Criteria

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

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

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

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Condition

The City could not provide monitoring files for 2 of 2 selected subrecipients (Detroit Rescue Mission Ministries and Salvation Army), and therefore we were unable to determine if an effective monitoring process was in place. The City also could not provide documentation that a review process took place upon the City's receipt of the subrecipient A-133 reports. In addition, neither of the subrecipient contracts for Detroit Rescue Mission Ministries and Salvation Army included the requirement that subrecipients must have an A-133 audit performed.

Possible Asserted Cause and Effect

Subrecipient monitoring procedures were not developed nor implemented.

Recommendation

We recommend that subrecipient monitoring procedures be established and conducted on a regular basis. Additionally, internal monitoring should take place to ensure that subrecipient monitoring activities are taking place.

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, 2013

<i>Finding Number</i>	2013-59
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	HIV Emergency Relief (CFDA #93.914)
<i>Federal Award Number</i>	H89HA00021
<i>Federal Award Year</i>	March 1, 2011 - February 29, 2012, March 1, 2012 - February 28, 2013
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Department of Health & Wellness Promotion
<i>Compliance Requirement</i>	Procurement, Suspension and Debarment

Criteria

Per §____.36(b)(9) and 2 CFR section 215.46, §____.36(b)(1) and (d)(4); and 2 CFR sections 215.43 and 215.44(e), and §____.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

The City was unable to provide documentation to support the selection of the SEMHA contract over other contracts that were submitted for the RFP.

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 SEMHA contract and that appropriate procurement procedures were followed.

Recommendation

We recommend that management establish policies and procedures to ensure that procurement procedures are followed and that pertinent procurement 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, 2013

<i>Finding Number</i>	2013-60
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	2012-93
<i>Federal Program</i>	HIV Emergency Relief (CFDA #93.914)
<i>Federal Award Number</i>	H89HA00021
<i>Federal Award Year</i>	March 1, 2011 - February 29, 2012, March 1, 2012 - February 28, 2013
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Department of Health & Wellness Promotion
<i>Compliance Requirement</i>	Procurement, Suspension and Debarment

Criteria

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

Condition

We performed test work over two contracts, noting both contracts were approved after the effective date of the contract. One of the contracts was approved four months after its effective date, and the other contract was approved two months after its effective date.

Possible Asserted Cause and Effect

Both the March 2012 and March 2013 contracts between the City and SEMHA were approved in June 2012 and May 2013, respectively, which is after the start of the grant year. This allowed SEMHA to operate without an approved contract for 4 and 2 months, respectively.

Recommendation

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

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

<i>Finding Number</i>	2013-61
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	HIV Emergency Relief (CFDA #93.914)
<i>Federal Award Number</i>	H89HA00021
<i>Federal Award Year</i>	March 1, 2011 - February 29, 2012, March 1, 2012 - February 28, 2013
<i>Federal Agency</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Department of Health & Wellness Promotion
<i>Compliance Requirement</i>	Subrecipient Monitoring

Criteria

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

Condition

We obtained the SEMHA subrecipient monitoring file, noting there is no evidence that SEMHA OMB Circular A-133 reports were reviewed in a timely manner. No evidence was provided by the City to support when the SEMHA OMB Circular A-133 report was received by the City, whether the City followed up with SEMHA on reported findings, whether the City issued a management decision within six months after receipt of the report, and whether SEMHA took appropriate and timely corrective actions to address reported findings.

Possible Asserted Cause and Effect

Because no supporting documentation was provided by the City, we were not able to verify that there was no bias in the selection of the SEMHA contract and that compliance procedures were followed.

Recommendation

We recommend that management establish policies and procedures to ensure that procurement rules are followed and pertinent procurement 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, 2013

<i>Finding Number</i>	2013-62
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Homeland Security Grant Program (CFDA #97.067)
<i>Federal Award Number</i>	2009-SS-T9-0060, 2010-SS-T0-0009
<i>Federal Award Year</i>	September 1, 2008 - July 31, 2012, August 1, 2009 - October 31, 2012, August 1, 2010 - April 30, 2013
<i>Federal Agency</i>	U.S. Department of Homeland Security
<i>Pass-Through Entity</i>	Michigan Department of State Police, Emergency Management and Homeland Security Division
<i>City of Detroit Department</i>	Homeland Security and Emergency Management
<i>Compliance Requirement</i>	Activities Allowed or Unallowed, and Allowable Costs/Cost Principles

Criteria

A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires nonfederal entities receiving Federal Awards (i.e., auditee management) to establish and maintain internal controls designed to ensure reasonable compliance with laws, regulations and program compliance requirements.

Per the HSGP grant agreement, “The subgrantee agrees to follow all responsibilities of Section V (Responsibilities of the Subgrantee) of the grant agreement”. Under this agreement, “The Subgrantee agrees to comply with all applicable federal and state regulations, including the following”:

Submit an Allowable Cost Justification (ACJ) form for all costs that are part of approved projects prior to the encumbering of the cost. If an ACJ is not submitted, the Subgrantee will be held responsible for all costs determined to be ineligible by the Subgrantor of DHS.

Comply with applicable financial and administrative requirements set forth in the current edition of 44 CFR, part 13 including the following provision:

Retain all financial records, supporting documents, statistical records, and all other records pertinent to the FYxx HSGP for at least three year after the close-out date of this grant program, for purposes of federal and/or state examination and audit.

Condition

The City failed to maintain the ACJ records in accordance with established record retention policies and therefore was unable to provide a copy of the required ACJ forms for 19 out of 65 expenditure items selected for testing. The ACJ form is required to be submitted to the Region II UASI Board for proposed projects and costs for approval prior to encumbering any cost for the Homeland Security Grant Program. In addition, for 1 out of the 65 expenditure items selected, the City was unable to provide either a bank statement or a cancelled check showing proof of expenditure. Additionally for 2 of 65 expenditure items selected for testing the expenditure amount on the invoice exceeded the approved ACJ amount. The Invoiced amount exceeded the amount per the ACJ by \$1,294.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Possible Asserted Cause and Effect

Existing document retention policies were not followed

Recommendation

We recommend documentation be maintained in accordance with the City's document retention policies and with applicable federal financial and administrative requirements.

Questioned Costs

\$1,294

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

<i>Finding Number</i>	2013-63
<i>Finding Type</i>	Scope limitation / material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Homeland Security Grant Program (CFDA #97.067)
<i>Federal Award Number</i>	2009-SS-T9-0060, 2010-SS-T0-0009
<i>Federal Award Year</i>	August 1, 2009 - October 31, 2012, August 1, 2010 - April 30, 2013
<i>Federal Agency</i>	U.S. Department of Homeland Security
<i>Pass-Through Entity</i>	Michigan Department of State Police, Emergency Management and Homeland Security Division
<i>City of Detroit Department</i>	Homeland Security and Emergency Management
<i>Compliance Requirement</i>	Cash Management

Criteria

A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires nonfederal entities receiving Federal Awards (i.e., auditee management) to establish and maintain internal controls designed to ensure reasonable compliance with laws, regulations and program compliance requirements. Per the HSGP grant agreement, "The subgrantee agrees to follow all responsibilities of Section V (Responsibilities of the Subgrantee) of the grant agreement". Under this agreement, "The Subgrantee agrees to comply with all applicable federal and state regulations, including the following": Comply with applicable financial and administrative requirements set forth in the current edition of 44 CFR, part 13 including the following provision: Retain all financial records, supporting documents, statistical records, and all other records pertinent to the FYxx HSGP for at least three year after the close-out date of this grant program, for purposes of federal and/or state examination and audit.

Condition

The City failed to maintain the check request forms in accordance with established record retention policies and therefore, the City did not provide the auditor with a check request form for 33 out of 65 expenditure items selected for testing. We also noted that for 2 of 65 expenditure items selected for testing the date of the invoice did not agree to the invoice date on the check request.

Possible Asserted Cause and Effect

Existing document retention policies were not followed.

Recommendation

We recommend that internal monitoring procedures be established to ascertain whether

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, 2013

<i>Finding Number</i>	2013-64
<i>Finding Type</i>	Scope limitation / material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Homeland Security Grant Program (CFDA #97.067)
<i>Federal Award Number</i>	2009-SS-T9-0060, 2010-SS-T0-0009
<i>Federal Award Year</i>	September 1, 2008 – July 31, 2012, August 1, 2009 - October 31, 2012
<i>Federal Agency</i>	U.S. Department of Homeland Security
<i>Pass-Through Entity</i>	Michigan Department of State Police, Emergency Management and Homeland Security Division
<i>City of Detroit Department</i>	Homeland Security and Emergency Management
<i>Compliance Requirement</i>	Cash Management

Criteria

A-102 Common Rule, 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. Per the HSGP grant agreements, Part VII. Payment Procedures, “The subgrantee agrees to prepare the Reimbursement Cover Sheet (EMD-054) and all required attached documentation, including all required authorized signatures, and submit it to the Subgrantor at a minimum at the end of each quarter (or more frequently, as needed)”. Per the HSGP grant agreements, Part VII Drawdown of Funds in advance: Subgrantees may request funds (for purchases of \$25,000 or more) up to 120 days prior to expenditure. All of the following requirements must be met to obtain advanced funds: 1) The Subgrantee must complete a letter stating the reason they are requesting an advance; 2) The Subgrantee must submit a copy of an approved purchase order showing the delivery date for the items ordered to be within 120 days of the purchase order date; 3) these funds must be placed in an interest-bearing account (2CFR, part 215.22k).

Condition

We selected 65 payments charged to the grant, totaling \$2,091,909 and noted that for 18 of the expenditure items selected, totaling \$80,373, the City failed to retain the cost reimbursement form (cash draw down request) in accordance with the City’s record retention policies. Additionally, for 23 of the expenditures, totaling \$235,321, the City did not minimize the time lapse between draw down and payment to 3 business days or less, as required. 9 expenditures exceeded the time lapse by 72-95 days; 5 expenditures exceeded the time lapse by 55-66 days; 3 expenditures exceeded the time lapse by 42 days; 4 expenditures exceeded the time lapse by 22 days; 2 expenditures exceeded the time lapse by 8 days.

Lastly, the City failed to provide proof that it complied with the requirements of Section VII of the HSGP grant agreements for all 23 advance drawdown of funds noted above, which would allow a time lapse between draw down and payment to be greater than 3 days. Additionally, funds received at the Department of Homeland Security are not placed in interest bearing accounts.

Possible Asserted Cause and Effect

Procedures were not established to comply with the cash management requirements.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Recommendation

We recommend that policies and procedures to ensure compliance with cash management requirements be established.

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, 2013

<i>Finding Number</i>	2013-65
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Homeland Security Grant Program (CFDA #97.067)
<i>Federal Award Number</i>	2009-SS-T9-0060
<i>Federal Award Year</i>	September 1, 2008 – July 31, 2012, August 1, 2009 - October 31, 2012
<i>Federal Agency</i>	U.S. Department of Homeland Security
<i>Pass-Through Entity</i>	Michigan Department of State Police, Emergency Management and Homeland Security Division
<i>City of Detroit Department</i>	Homeland Security and Emergency Management
<i>Compliance Requirement</i>	Earmarking

Criteria

A-102 requires nonfederal entities receiving Federal Awards to establish and maintain internal controls designed to ensure reasonable compliance with laws, regulations and program compliance requirements. Per Part IV, General HSGP Allowable Costs Guidance of the HSGP Grant guidance and Application Kit, DHS funding priorities for 2008 HSGP are focused on risk-based funding and capability-based planning. HSGP identifies three objectives as its highest priorities. These three objectives are: 1. Measuring progress in achieving the National Preparedness Guidelines. 2. Strengthening improvised explosive device (IED) attack deference, prevention, and protection capabilities. 3. Strengthening preparedness planning. In addition, for 2008, at least 25 percent (25%) of UASI award funds must be dedicated towards law enforcement terrorism prevention-oriented planning, organization, training, exercise, and equipment activities (LETTP).

Condition

The City does not have policies and procedures in place that allows management to ensure compliance with the earmarking requirements set forth by the HSGP grant agreements. For the 2009 UASI grant program (during fiscal year 2013), the City spent 2% of its expenditures on LETPP programs instead of the required 25%. The City was unable to provide a listing of transactions to support the amounts the City indicated it spent on LETPP to verify proper classification of expenditures to meet the earmarking requirements.

Possible Asserted Cause and Effect

The City failed to measure its compliance with the earmarking requirements.

Recommendation

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

Questioned Costs

None

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2013

<i>Finding Number</i>	2013-66
<i>Finding Type</i>	Scope Limitation / material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Homeland Security Grant Program (CFDA #97.067)
<i>Federal Award Number</i>	2009-SS-T9-0060, 2010-SS-T0-0009
<i>Federal Award Year</i>	September 1, 2008 – July 31, 2012, August 1, 2009 - October 31, 2012, August 1, 2010 – April 30, 2013
<i>Federal Agency</i>	U.S. Department of Homeland Security
<i>Pass-Through Entity</i>	Michigan Department of State Police, Emergency Management and Homeland Security Division
<i>City of Detroit Department Compliance Requirement</i>	Homeland Security and Emergency Management Equipment and Real Property Management

Criteria

A-102 requires nonfederal entities receiving Federal Awards to establish and maintain internal controls designed to ensure reasonable compliance with laws, regulations and program compliance requirements.

Per the HSGP grant agreement, “The subgrantee agrees to follow all responsibilities of Section V (Responsibilities of the Subgrantee) of the grant agreement”. Under this agreement, “The Subgrantee agrees to comply with all applicable federal and state regulations, including the following”:

Create and maintain an inventory of all HSGP equipment purchases that lists, at minimum, the piece of equipment, the cost of equipment, what agency the equipment is assigned to and the physical location of the equipment for the grant period and at least three years after the grant is closed. Any equipment purchased with HSGP funds must be prominently marked as purchased with funds provided by the U.S. Department of Homeland Security.

Per 44 CFR 13.32 (d) and (e):

(d)Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

(5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

(e)Disposition. When original or replacement equipment acquired under a grant or subgrant is no longer needed for the original project or program or for other activities currently or previously supported by a Federal agency, disposition of the equipment will be made as follows:

(1) Items of equipment with a current per-unit fair market value of less than \$5,000 may be retained, sold or otherwise disposed of with no further obligation to the awarding agency.

(2) Items of equipment with a current per unit fair market value in excess of \$5,000 may be retained or sold and the awarding agency shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the awarding agency's share of the equipment.

(3) In cases where a grantee or subgrantee fails to take appropriate disposition actions, the awarding agency may direct the grantee or subgrantee to take excess and disposition actions.

Condition

The City did not follow its existing policies and procedures for the management of equipment purchased with Federal funds. Further, the City was unable to provide a listing of equipment disposals and acquisitions during the fiscal year ended June 30, 2013. Also, the City did not properly track and manage equipment purchased with Federal funds, nor did the City perform an appropriate physical inventory of the equipment purchased with Federal Funds.

Possible Asserted Cause and Effect

Existing policies were not followed.

Recommendation

We recommend that internal monitoring procedures are established to ascertain whether established policies are being followed.

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, 2013

<i>Finding Number</i>	2013-67
<i>Finding Type</i>	Material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Homeland Security Grant Program (CFDA #97.067)
<i>Federal Award Number</i>	2009-SS-T9-0060, 2010-SS-T0-0009
<i>Federal Award Year</i>	September 1, 2008 – July 31, 2012, August 1, 2009 - October 31, 2012
<i>Federal Agency</i>	U.S. Department of Homeland Security
<i>Pass-Through Entity</i>	Michigan Department of State Police, Emergency Management and Homeland Security Division
<i>City of Detroit Department</i>	Homeland Security and Emergency Management
<i>Compliance Requirement</i>	Period of Availability

Criteria

A-102 requires nonfederal entities receiving Federal Awards to establish and maintain internal controls designed to ensure reasonable compliance with laws, regulations and program compliance requirements.

Condition

The Homeland Security Department did not have adequate management review controls in place to ensure expenditures were incurred in the period of availability set forth by the HSGP grant agreements.

Possible Asserted Cause and Effect

The established policies and procedures did not include a level of supervisory review.

Recommendation

We recommend that a supervisory level review be conducted to determine the appropriate period of availability.

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, 2013

<i>Finding Number</i>	2013-68
<i>Finding Type</i>	Scope Limitation / material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Homeland Security Grant Program (CFDA #97.067)
<i>Federal Award Number</i>	2009-SS-T9-0060, 2010-SS-T0-0009
<i>Federal Award Year</i>	September 1, 2008 – July 31, 2012, August 1, 2009 - October 31, 2012
<i>Federal Agency</i>	U.S. Department of Homeland Security
<i>Pass-Through Entity</i>	Michigan Department of State Police, Emergency Management and Homeland Security Division
<i>City of Detroit Department Compliance Requirement</i>	Homeland Security and Emergency Management Reporting

Criteria

A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires nonfederal entities receiving Federal Awards (i.e., auditee management) to establish and maintain internal controls designed to ensure reasonable compliance with laws, regulations and program compliance requirements. Per the HSGP grant agreement, the reporting requirements are designed to provide the Emergency Management and Homeland Security Division with sufficient information to monitor project activities.

Condition

The City was unable to locate the submitted Quarterly Progress Reports and Biannual Strategy Implementation Reports for the fiscal year-ended June 30, 2013. Therefore, we were unable to verify whether the reports were prepared accurately and submitted timely.

Possible Asserted Cause and Effect

Existing document retention policies were not followed.

Recommendation

We recommend that document retention policies are followed.

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, 2013

<i>Finding Number</i>	2013-69
<i>Finding Type</i>	Scope limitation / material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Staffing for Adequate Fire and Emergency Response (CFDA #97.083)
<i>Federal Award Number</i>	EMW-2011-FH-00489, EMW-2012-FH-00665
<i>Federal Award Year</i>	September 22, 2012 – December 29, 2014
<i>Federal Agency</i>	U.S. Department of Homeland Security
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Detroit Fire Department
<i>Compliance Requirement</i>	Activities Allowed or Unallowed, and Allowable Costs/Cost Principles

Criteria

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. Costs be adequately documented. (OMB Cost Circular A-87, attachment A, paragraph C).

Condition

The City was unable to provide supporting documentation for the fringe benefits charged to the grant.

Possible Asserted Cause and Effect

Management relied on amounts charged to the general ledger for fringe benefits charged to the grant but were unable to provide supporting documentation for the associated fringe benefit costs to be audited.

Recommendation

We recommend that policies and procedures are developed that would result in all costs charged to the grant to be evidenced by supporting documentation.

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, 2013

<i>Finding Number</i>	2013-70
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Staffing for Adequate Fire and Emergency Response (CFDA #97.083)
<i>Federal Award Number</i>	EMW-2011-FH-00489, EMW-2012-FH-00665
<i>Federal Award Year</i>	September 22, 2012 – December 29, 2014
<i>Federal Agency</i>	U.S. Department of Homeland Security
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Detroit Fire Department
<i>Compliance Requirement</i>	Activities Allowed or Unallowed, and Allowable Costs/Cost Principles

Criteria

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

Additionally, to be allowable under Federal awards, costs must meet the following general criteria: be necessary and reasonable for proper and efficient performance and administration of Federal awards, be allocable to Federal awards under the provisions of this Circular, be authorized or not prohibited under State or local laws or regulations, conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items, be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit, be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost. Except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation. Be the net of all applicable credits. Be adequately documented. (OMB Cost Circular A-87, attachment A, paragraph C).

Condition

We selected a total of 65 out of 135 firefighters, totaling \$127,672 to test the Allowable activities / Allowable costs compliance requirement and noted the following:

For 13 of 65 items sampled, totaling \$24,474, the salary/payroll amount charged to the grant was greater than the amount paid to the employee;

For 4 out of 65 items selected we noted that the time entered into the timesheet did not agree to the time paid per the pay register and the City was unable to explain the difference. For three of the four timesheets with discrepancies, the exceptions were related to classification differences. The classifications in question are paid at the same rate. The hours worked in total for each of the three employees noted on the timesheet agreed to the pay register, and therefore, there is no monetary difference. For one of the four, the timesheet did not reflect any holiday overtime worked, however the pay register reflected 8 hours of holiday overtime paid at a rate of \$38.39/hour, totaling \$307.14.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Possible Asserted Cause and Effect

Established control procedures over payroll did not operate as intended.

Recommendation

We recommend that the City perform a review of the payroll information before it is entered into the "Salary and Fringe by pay date" spreadsheet to ensure the data in the timesheet and pay register agrees. Furthermore, we recommend a management level review to ensure that the amount that is submitted for reimbursement agrees to the amount that was paid to the firefighters.

Questioned Costs

\$24,781

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

<i>Finding Number</i>	2013-71
<i>Finding Type</i>	Noncompliance / significant deficiency
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Staffing for Adequate Fire and Emergency Response (CFDA #97.083)
<i>Federal Award Number</i>	EMW-2011-FH-00489, EMW-2012-FH-00665
<i>Federal Award Year</i>	September 22, 2012 – December 29, 2014
<i>Federal Agency</i>	U.S. Department of Homeland Security
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Detroit Fire Department
<i>Compliance Requirement</i>	Activities Allowed or Unallowed, and Allowable Costs/Cost Principles

Criteria

Code of Federal Regulations Part 225 Appendix B, paragraph 8(h)(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. The A-102 common rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

We noted that all employees charged to the grant were not originally supported with a time certification. The total payroll costs were \$6,708,405. Management provided time certifications for the employees that were missing certifications 18 months after year end. The certifications were not performed timely for employees charged to the SAFER grant.

Possible Asserted Cause and Effect

Management was unaware of the requirement to prepare time certifications.

Recommendation

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

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, 2013

<i>Finding Number</i>	2013-72
<i>Finding Type</i>	Material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Staffing for Adequate Fire and Emergency Response (CFDA #97.083)
<i>Federal Award Number</i>	EMW-2011-FH-00489, EMW-2012-FH-00665
<i>Federal Award Year</i>	September 22, 2012 – December 29, 2014
<i>Federal Agency</i>	U.S. Department of Homeland Security
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Detroit Fire Department
<i>Compliance Requirement</i>	Activities Allowed or Unallowed, and Allowable Costs/Cost Principles

Criteria

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

Condition

There is no formal policy and procedure in place to review the salary and fringe information from the payroll system before the information is entered into the "Salary and Fringe by pay date" spreadsheet, which is used to request reimbursement from FEMA. We noted that the journal entries related to the SAFER grant were prepared and approved by one employee. Furthermore, there is no reconciliation completed between the payroll reports and the information entered into the system to FEMA. There is no management review process over the "Salary and Fringe by pay date" spreadsheet used to track the SAFER Grant expenditures and submit requests to FEMA. Lastly, there is no formal review/approval process for the cash draw down requests.

Possible Asserted Cause and Effect

Internal controls were not properly designed, executed, and monitored to ensure effectiveness.

Recommendation

We recommend the City implement procedures to have separate individuals review and approve the payroll information that is entered in the "Salary and Fringe by pay date" spreadsheet, the "Salary and Fringe by pay date" spreadsheet, journal entries, and cash draw down requests. Furthermore, we recommend that management complete a reconciliation between the payroll reports and the information that is entered into the spreadsheet and subsequently submitted to FEMA for cash draw down requests.

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, 2013

<i>Finding Number</i>	2013-73
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Staffing for Adequate Fire and Emergency Response (CFDA #97.083)
<i>Federal Award Number</i>	EMW-2011-FH-00489, EMW-2012-FH-00665
<i>Federal Award Year</i>	September 22, 2012 – December 29, 2014
<i>Federal Agency</i>	U.S. Department of Homeland Security
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Detroit Fire Department
<i>Compliance Requirement</i>	Activities Allowed or Unallowed, and Allowable Costs/Cost Principles

Criteria

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

Additionally, to be allowable under Federal awards, costs must meet the following general criteria: be necessary and reasonable for proper and efficient performance and administration of Federal awards, be allocable to Federal awards under the provisions of this Circular, be authorized or not prohibited under State or local laws or regulations, conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items, be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit, be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost. Except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation. Be the net of all applicable credits. Be adequately documented. (OMB Cost Circular A-87, attachment A, paragraph C).

Condition

We noted that the City charged the grant \$2,646,547 related to pension contributions. Upon review of documentation it was noted that the City did not actually make pension contributions during the year under audit. The City subsequently corrected this entry and removed the expenditures from the SEFA.

Possible Asserted Cause and Effect

Drawdowns were not adjusted when pension contributions were not made as originally contemplated in the budget.

Recommendation

We recommend that the City assess the impact of changing circumstances to grant programs to determine if adjustments to drawdowns are warranted.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Questioned Costs

\$2,646,547

Views of Responsible Officials

Management concurs with this finding.

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

<i>Finding Number</i>	2013-74
<i>Finding Type</i>	Noncompliance / significant deficiency
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Staffing for Adequate Fire and Emergency Response (CFDA #97.083)
<i>Federal Award Number</i>	EMW-2011-FH-00489, EMW-2012-FH-00665
<i>Federal Award Year</i>	September 22, 2012 – December 29, 2014
<i>Federal Agency</i>	U.S. Department of Homeland Security
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Detroit Fire Department
<i>Compliance Requirement</i>	Reporting

Criteria

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

Per Appendix II (D)(1) of the SAFER 2012 of the Grant Guidance and application kit, Recipients of any SAFER grants awarded on or after October 1, 2009 are required to submit a semi-annual Federal Financial Report (FFR, SF-425). The FFR, to be submitted using the online e-Grant system, will be due semi-annually based on the calendar year beginning with the period after the award is made. Grant recipients will be required to submit a FFR throughout the entire period of performance of the grant.

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

Additionally, to be allowable under Federal awards, costs must meet the following general criteria: be necessary and reasonable for proper and efficient performance and administration of Federal awards, be allocable to Federal awards under the provisions of this Circular, be authorized or not prohibited under State or local laws or regulations, conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items, be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit, be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost. Except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation. Be the net of all applicable credits. Be adequately documented. (OMB Cost Circular A-87, attachment A, paragraph C).

Condition

During our testwork over the Reporting compliance requirement we selected 2 SF-425's and 2 quarterly performance reports for testing and noted the following:

CITY OF DETROIT, MICHIGAN
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

The SAFER 2011 grant (EMW-2011-FH-00489) report for the period ended June 30, 2013 was submitted on August 30, 2013, 31 days after the due date of July 30 2013.

The SAFER 2012 grant (EMW-2012-FH-00665) report for the period ended June 30, 2013 was submitted on August 30, 2013, 31 days after the due date of July 30, 2013

The same employee prepared and submitted the SF-425's and there is no procedure in place to have a supervisor review and approve the reports before submission to FEMA.

The same employee prepared and submitted the quarterly performance reports and there is no procedure in place to have a supervisor review and approve the reports before submission to FEMA.

Possible Asserted Cause and Effect

The City's policy to submit reports timely was not followed. Additionally, an appropriate segregation of duties did not exist.

Recommendation

We recommend that DFD/grant management implement procedures to have separate individuals review and approve the SF-425 reports, and 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, 2013

<i>Finding Number</i>	2013-75
<i>Finding Type</i>	Material noncompliance / material weakness
<i>Prior Year Finding</i>	N/A
<i>Federal Program</i>	Staffing for Adequate Fire and Emergency Response (CFDA #97.083)
<i>Federal Award Number</i>	EMW-2011-FH-00489, EMW-2012-FH-00665
<i>Federal Award Year</i>	September 22, 2012 – December 29, 2014
<i>Federal Agency</i>	U.S. Department of Homeland Security
<i>Pass-Through Entity</i>	N/A
<i>City of Detroit Department</i>	Detroit Fire Department
<i>Compliance Requirement</i>	Reporting

Criteria

Per Appendix II (A)(3) of the SAFER 2012 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

We noted that the Fire Department did not maintain the number of SAFER funded positions or the number of overall positions declared at the time of the award. 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 with the Reporting requirement.

Recommendation

We recommend that DFD maintain the number of SAFER funded positions or obtain a waiver for this requirement if DFD cannot maintain the positions.

Questioned Costs

None

Views of Responsible Officials

Management concurs with this finding.