

**Michigan State Housing Development
Authority**
(a component unit of the State of Michigan)

**Federal Awards
Supplemental Information
June 30, 2016**

Michigan State Housing Development Authority

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

Independent Auditor's Report

To the Board of Directors,
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Michigan State Housing Development Authority

We have audited the financial statements of the business-type activities and the discretely presented component unit of Michigan State Housing Development Authority (the "Authority") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated October 19, 2016, which contained unmodified opinions on the financial statements of the business-type activities and the discretely presented component unit. Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 19, 2016.

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

Plante & Moran, PLLC

March 21, 2017

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

Independent Auditor's Report

To Management and the Board of Directors,
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Michigan State Housing Development Authority

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 business-type activities and the discretely presented component unit of Michigan State Housing Development Authority (the "Authority"), a component unit of the State of Michigan, as of and for the year ended June 30, 2016, and related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 19, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To Management and the Board of Directors,
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Michigan State Housing Development Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Michigan State Housing Development Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 19, 2016

Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance
Required by the Uniform Guidance

Independent Auditor's Report

To the the Board of Directors,
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Michigan State Housing Development Authority

Report on Compliance for Each Major Federal Program

We have audited Michigan State Housing Development Authority's (the "Authority") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. Michigan State Housing Development Authority's major federal programs are identified in the summary of auditor's 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 each of its federal programs.

Auditor's Responsibility

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

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

To the Board of Directors,
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Michigan State Housing Development Authority

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Michigan State Housing Development Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Michigan State Housing Development Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with OMB Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

Michigan State Housing Development Authority's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Michigan State Housing Development Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Management of Michigan State Housing Development Authority 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 Michigan State Housing Development Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

To the Board of Directors,
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Michigan State Housing Development Authority

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2016-001, that we consider to be a significant deficiency.

Michigan State Housing Development Authority's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Michigan State Housing Development Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

Plante & Moran, PLLC

March 21, 2017

Michigan State Housing Development Authority

Schedule of Expenditures of Federal Awards Year Ended June 30, 2016

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Amount Provided to Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development:				
Section 8 Project-based Cluster:				
Section 8 - Contract Administration	14.182	Various	\$ 219,264,706	\$ 226,144,584
Section 8 - New Construction/Substantial Rehabilitation	14.182	Various	105,001,024	105,001,024
Section 8 - Lower Income Housing Assistance Program - Moderate Rehabilitation	14.856	Various	1,300,194	1,300,194
Total Section 8 Project-based Cluster			325,565,924	332,445,802
Housing Voucher Cluster - Section 8 Cluster:				
Section 8 - Housing Choice Vouchers	14.871	Various	171,552,618	189,834,208
Mainstream Vouchers	14.879	Various	268,637	268,637
Total Housing Voucher - Section 8 Cluster			171,821,255	190,102,845
Total Clusters			497,387,179	522,548,647
Home Investment Partnership Program	14.239	M-14-SG-26-0100	23,940,404	25,123,445
Technical Assistance	14.239	MI CH 002 08	95,616	95,616
Continuum of Care Program	14.267	MI0428L5F001300 MI0009L5F001306	59,800 739,788	59,800 739,788
Total Continuum of Care Program			799,588	799,588
Emergency Shelter Grants Program	14.231	E-13-DC-26-0001 E-14-DC-26-0001 E-15-DC-26-0001	16,553 2,437,447 2,371,160	16,553 2,437,447 2,371,160
Total Emergency Shelter Grants Program			4,825,160	4,825,160
Family Self-Sufficiency Program	14.896	MI901FSH334A014	966,000	966,000
Community Development Block Grant Program - Passed through the State of Michigan Economic Development Corporation CDBG - State administered CDBG Program	14.228	Various	5,725,527	5,882,636
Neighborhood Stabilization Program (Recovery Act Funded) ARRA- Neighborhood Stabilization Program	14.256	B-09-CN-MI-0035	12,580,897	12,580,897
Total U.S. Department of Housing and Urban Development:			546,320,371	572,821,989
U.S. Department of Treasury - Passed through Neighborhood Works - National Foreclosure Mitigation Counseling	21.000	PL113-235X1350	98,084	101,970
U.S. Department of Transportation - Passed through Michigan Department of Transportation - Highway Planning and Construction Cluster - Highway Planning and Construction	20.205	ENH200500043 / STP 0884 (048) / ENH200700037	31,422	31,422
U.S. Department of the Interior - Historic Preservation Fund Grants-in-Aid	15.904	PA14AF00081 P15AF00047	60,253 -	65,534 884,515
Total U.S. Department of Interior			60,253	950,049
Total Federal Awards			\$ 546,510,130	\$ 573,905,430

Michigan State Housing Development Authority

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Michigan State Housing Development Authority under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Michigan State Housing Development Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of Michigan State Housing Development Authority.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Authority has not elected to use the 10 percent *de minimus* indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Michigan State Housing Development Authority

Schedule of Findings and Questioned Costs Year Ended June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: Unmodified

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.871 and 14.879	Housing Choice Voucher Cluster - Section 8 Cluster
14.239	Home Investment Partnership Program and Technical Assistance
14.231	Emergency Shelter Grants Program
14.256	ARRA-Neighborhood Stabilization Program

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

Auditee qualified as low-risk auditee? Yes No

Michigan State Housing Development Authority

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Finding
2016-001	<p>CFDA Number, Federal Agency, and Program Name - CFDA #14.231 Emergency Shelter Grants Program and CFDA #14.239 HOME Investment Partnership Program</p> <p>Federal Award Identification Number and Year - Emergency Shelter Grants Program - E-13-DC-26-001; E-14-DC-26-001; and E-15-DC-26-001 HOME Investment Partnership Program - M-14-SG-26-0100</p> <p>Pass-through Entity - N/A</p> <p>Finding Type - Significant deficiency and material noncompliance with laws and regulations</p> <p>Repeat Finding - Yes; 2015-002</p>

Michigan State Housing Development Authority

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2016-001 (Cont.)	<p>Criteria - On December 19, 2014, within 79 FR 76078 (the “Joint Interim Final Rule”), HUD amended Title 24, Subtitle A, Part 84, §84.1 that deals with the applicability of 2 CFR Part 200. Subparagraph (b) of this section says “federal awards made prior to December 26, 2014 will continue to be governed by the regulations in effect and codified in 24 CFR part 84 (2013 edition) or as provided under the terms of the federal award. Where the terms of a federal award made prior to December 26, 2014 state that the award will be subject to regulations as may be amended, the federal award shall be subject to 2 CFR Part 200.”</p> <p>In accordance with Notice SD 2015 01, issued on February 26, 2015 by HUD, which provides transition guidance to 2 CFR Part 200, the grant agreements for some HUD programs (including the Emergency Shelter Grants Program and Home Investment Partnership Program) incorporate the regulations “as now in effect and as may be amended from time to time” and therefore, 2 CFR part 200 will be applicable to these grants on December 26, 2014.</p> <p>In addition, Notice CPD-16-04, issued on April 13, 2016 provided further guidance as to when subrecipient agreements needed to be amended to include the requirements of 2 CFR Part 200.</p> <p>Per 2 CFR 200.331(a), there are specific data elements that must be included in the subrecipient grant agreements.</p> <p>Condition - During testing of a sample of subrecipient grant agreements, it was noted that certain required data elements were missing from the grant agreements for both the Emergency Shelter Grants Program and the Home Investment Partnership Program that were effective after the requirements to amend subrecipient agreements went into effect.</p> <p>Questioned Costs - None</p> <p>Identification of How Questioned Costs Were Computed - N/A</p> <p>Context - Subrecipient grant agreements were not drafted in compliance with 2 CFR 200.331(a) requirements for both the Emergency Shelter Grants Program and the Home Investment Partnership Program and did not contain certain required data elements.</p>

Michigan State Housing Development Authority

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2016-001 (Cont.)	<p>Cause and Effect - The Authority has developed subrecipient grant agreement templates in accordance with 2 CFR 200.331(a); however, they are using these templates on a go-forward basis rather than amending existing agreements. The agreements applicable for current year expenditures were existing agreements. As a result, all the required data elements were not included in the subrecipient agreements.</p> <p>Recommendation - All subrecipient grant agreements should be revised to include required data elements from 2 CFR 200.331(a) in accordance with the criteria referenced above.</p> <p>Views of Responsible Officials and Planned Corrective Actions - MSHDA legal staff has developed grant agreements for the Home Investment Partnership Program and Emergency Shelter Grants Program and other grant programs subject to 2 CFR part 200 to include required data elements from 2 CFR 200.331(a) going forward.</p>