
Michigan State Housing Development Authority

(a component unit of the State of Michigan)

Federal Awards Supplemental Information

June 30, 2019

Independent Auditor's Reports

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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 and
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, 2019 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated October 22, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 22, 2019.

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 basic 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 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

March 13, 2020

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*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2019 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2019-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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

The Authority's Response to the Finding

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

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.



October 22, 2019

Report on Compliance for Each Major Federal
Program and Report on Internal Control Over
Compliance Required by the Uniform Guidance

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance
Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors and
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 the Authority's major federal programs for the year ended June 30, 2019. The 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs for the year ended June 30, 2019.

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

Report on Internal Control Over Compliance

Management of the 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 the 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 a 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.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 13, 2020

Michigan State Housing Development Authority

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

| Program Title/Project Number/Subrecipient Name | CFDA Number | Pass-through Entity Identifying Number | Total 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 | \$ - | \$ 239,451,965 |
| Section 8 - New Construction/Substantial Rehabilitation | 14.182 | Various | - | 117,348,267 |
| Section 8 - Lower Income Housing Assistance Program - Moderate Rehabilitation | 14.856 | Various | - | 1,303,710 |
| Total Section 8 Project-based Cluster | | | - | 358,103,942 |
| Housing Voucher Cluster - Section 8 Cluster: | | | | |
| Section 8 - Housing Choice Vouchers | 14.871 | Various | - | 204,157,867 |
| Mainstream Vouchers | 14.879 | Various | - | 267,669 |
| Total Housing Voucher - Section 8 Cluster | | | - | 204,425,536 |
| Total U.S. Department of Housing and Urban Development Clusters | | | - | 562,529,478 |
| Home Investment Partnership | 14.239 | M-18-SG-260100 | 1,846,854 | 21,348,094 |
| Housing Counseling Program | 14.169 | HC170341008 | - | 50,304 |
| | 14.169 | HC180341002 | 452,936 | 464,521 |
| Total Housing Counseling Program | | | 452,936 | 514,825 |
| Continuum of Care Program | 14.267 | MI0518L5F001600 | 165,369 | 165,369 |
| | 14.267 | MI0559L5F001700 | 179,889 | 281,955 |
| | 14.267 | MI0009L5F001710 | 570,803 | 570,803 |
| | 14.267 | MI0007L5F001710 | 135,855 | 135,855 |
| Total Continuum of Care Program | | | 1,051,916 | 1,153,982 |
| Emergency Solutions Grants Program | 14.231 | E-16-DC-260001 | 973 | 973 |
| | 14.231 | E-17-DC-260001 | 2,129,067 | 2,129,067 |
| | 14.231 | E-18-DC-260001 | 2,201,077 | 2,201,077 |
| Total Emergency Solutions Grants Program | | | 4,331,117 | 4,331,117 |
| Program of Section 811 Supportive Housing for Persons with Disabilities | 14.326 | MI28DRD1301 | 145,239 | 309,311 |
| Family Self-Sufficiency Program | 14.896 | FSS17MI0418 | - | 484,738 |
| | 14.896 | FSS18MI2619 | - | 518,540 |
| Total Family Self-Sufficiency Program | | | - | 1,003,278 |
| Total U.S. Department of Housing and Urban Development | | | 7,828,062 | 591,190,085 |
| 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 | 27,539 | 27,539 |
| U.S. Department of the Interior - Historic Preservation Fund Grants-in-Aid | 15.904 | P16F00097 | 30,437 | 30,437 |
| | 15.904 | P17AF00072-0002 | 85,404 | 107,090 |
| | 15.904 | P17AP00066 | - | 49,500 |
| | 15.904 | P18AF00043-0001 | - | 1,129,494 |
| | 15.904 | P18AF00043-0002 | 58,500 | 192,000 |
| | 15.904 | P19AF00019-0001 | - | 1,191,857 |
| Total U.S. Department of the Interior | | | 174,341 | 2,700,378 |
| Total federal awards | | | \$ 8,029,942 | \$ 593,918,002 |

See notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

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 (the "Authority") under programs of the federal government for the year ended June 30, 2019. The information in the 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 the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following 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.

The Authority has elected not to use the 10 percent *de minimis* 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, 2019

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

Noncompliance material to financial statements noted? Yes X None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X 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 X No

Identification of major programs:

| CFDA Number | Name of Federal Program or Cluster |
|-------------------|--------------------------------------|
| 14.871 and 14.879 | Housing Voucher Cluster |
| 14.239 | Home Investment Partnerships Program |
| 14.231 | Emergency Solutions Grant Program |

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

Auditee qualified as low-risk auditee? X Yes No

Michigan State Housing Development Authority

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings

| Reference Number | Finding |
|------------------|---|
| 2019-001 | <p>Finding Type - Significant deficiency</p> <p>Criteria - Good business practices require the general ledger to be complete and free of misstatements before financial statement audits begin. The general ledger should be complete, reconciled, and reviewed during the year-end close process.</p> <p>Condition - Certain general ledger account balances were not appropriately stated on the trial balance received, and some reconciliation and review processes had not occurred prior to the beginning of the audit.</p> <p>Context - The Authority has a significant amount of activity related to operations, especially near year end. Consequently, the audit and portions of the year-end close process were performed simultaneously.</p> <p>We identified immaterial adjustments as a result of audit procedures, and the Authority provided us with several journal entries during the audit that impacted the following balances in the financial statements:</p> <ul style="list-style-type: none">(1) Cash(2) Escrow funds(3) Other miscellaneous receivables(4) Other liabilities(5) Loan origination fees(6) Loan interest income(7) Federal program revenue(8) Federal program expense <p>Cause - There is a high level of operational activity performed at year end with limited staff preparing journal entries. There was not time for sufficient reviews and reconciliations to occur and to identify errors before the general ledger was provided for audit purposes.</p> <p>Effect - Multiple immaterial account adjustments were identified as a result of audit procedures.</p> <p>Recommendation - The Authority should put appropriate controls in place to ensure timely and accurate close of its year-end balances.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The Authority agrees with Plante & Moran, PLLC's finding that staff was not prepared when Plante & Moran, PLLC's staff were expected to begin their audit procedures. We are also in agreement that additional adjustments and reconciliations were being performed during the audit.</p> |

Section III - Federal Program Audit Findings

None