

Office of the Auditor General

Michigan State Housing Development Authority (A Discretely Presented Component Unit of the State of Michigan) **Single Audit Report**

Fiscal Year Ended June 30, 2021

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

The auditor general may make investigations pertinent to the conduct of audits.



OAG

Office of the Auditor General

Report Summary

Single Audit Report

Michigan State Housing Development Authority (MSHDA)

(A Discretely Presented Component Unit of the State of Michigan)

Fiscal Year Ended June 30, 2021

Report Number:
000-0800-22

Released:
August 2022

A single audit is designed to meet the needs of all financial report users, including an entity's federal grantor agencies. The audit determines if the financial statements are fairly presented, considers internal control over financial reporting and internal control over federal program compliance, determines compliance with requirements material to the financial statements, and assesses compliance with direct and material requirements of the major federal programs.

Audit Results for MSHDA's Basic Financial Statements

Fairly presented, in all material respects	Internal Control Over Financial Reporting		No instances of noncompliance or other matters required to be reported
	No material weaknesses identified	1 significant deficiency	

Audit Results for the Schedule of Expenditures of Federal Awards

Fairly presented in all material respects. (1 material weakness)

Audit Results for the Federal Awards

Federal Awards Expended	Unmodified Opinion	Qualified Opinion	Adverse Opinion	Total Known Questioned Costs (Net)	Internal Control Over Compliance Findings	
					Material Weaknesses	Significant Deficiencies
\$798,146,400	4 programs	No programs	No programs	\$5,955,112	No material weaknesses identified	6
Number of findings repeated from the prior audit					0	0

Identification of Major Federal Programs, Type of Opinion Issued on Compliance, Known Questioned Costs, and Audit Finding Numbers:

Assistance Listing Number(s)	Name of Major Federal Program or Cluster	Opinion	Known Questioned Costs	Audit Finding Number(s)
14.871 and 14.879	Housing Voucher Cluster, including COVID-19	Unmodified	\$4,908,257	2021-006
14.231	Emergency Solutions Grant Program, including COVID-19	Unmodified	\$0	2021-003 2021-004
21.019	Coronavirus Relief Fund, including COVID-19	Unmodified	\$1,046,855	2021-003 2021-004 2021-005 2021-007
21.023	Emergency Rental Assistance Program, including COVID-19	Unmodified	\$0	2021-003 2021-004 2021-005 2021-008

Obtain Audit Reports

Online: audgen.michigan.gov

Phone: (517) 334-8050

Office of the Auditor General
201 N. Washington Square, Sixth Floor
Lansing, Michigan 48913

Doug A. Ringler, CPA, CIA
Auditor General

Laura J. Hirst, CPA
Deputy Auditor General



OAG

Office of the Auditor General

201 N. Washington Square, Sixth Floor • Lansing, Michigan 48913 • Phone: (517) 334-8050 • audgen.michigan.gov

Doug A. Ringler, CPA, CIA
Auditor General

August 5, 2022

Ms. Susan Corbin, Chair
Michigan State Housing Development Authority Board
and
Mr. Gary Heidel, Acting Executive Director
Michigan State Housing Development Authority
735 East Michigan Avenue
Lansing, Michigan

Dear Ms. Corbin and Mr. Heidel:

This is our single audit report for the Michigan State Housing Development Authority, a discretely presented component unit of the State of Michigan, for the fiscal year ended June 30, 2021.

Findings and recommendations are contained in Section II and Section III of the schedule of findings and questioned costs. Management's corrective action plan is included within the auditee section of this report. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Doug Ringler
Auditor General

TABLE OF CONTENTS

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY (A Discretely Presented Component Unit of the State of Michigan) SINGLE AUDIT REPORT

	<u>Page</u>
INTRODUCTION	
Report Summary	1
Report Letter	3
SUPPLEMENTAL FINANCIAL SCHEDULE	
Schedule of Expenditures of Federal Awards	8
Notes to the Schedule of Expenditures of Federal Awards	9
INDEPENDENT AUDITOR'S REPORTS	
Independent Auditor's Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	12
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	
Section I: Summary of Auditor's Results	18
Section II: Findings Related to the Financial Statements	19
2021-002 Inaccurate Reporting of Federal Expenditures	19
Section III: Findings and Questioned Costs Related to Federal Awards	20
2021-003 MATT 2.0 Security Management and Access Controls	20
2021-004 MATT 2.0 Change Management Process	22
2021-005 MSHDA, Subrecipient Monitoring - Subaward Information	24
2021-006 Housing Voucher Cluster, ALN 14.871 and 14.879, Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Accounting for HAP Expenditures	25

2021-007	Coronavirus Relief Fund, ALN 21.019, Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payments in Excess of Grant Award Amount	27
2021-008	Emergency Rental Assistance Program, ALN 21.023, Procurement and Suspension and Debarment - Suspension and Debarment Process	28

AUDITEE SECTION

Summary Schedule of Prior Audit Findings	33
Management Views and Corrective Action Plan	36

GLOSSARY

Glossary of Abbreviations and Terms	44
-------------------------------------	----

SUPPLEMENTAL FINANCIAL SCHEDULE

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
(A Discretely Presented Component Unit of the State of Michigan)
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

<u>Federal Agency/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity</u>	<u>Pass-Through Identification Number</u>	<u>Distributed to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>					
Section 8 Project-Based Cluster:					
Section 8 - Contract Administration	14.182			\$	\$ 344,186,565
Section 8 - New Construction/Substantial Rehabilitation	14.182				43,095,410
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856				959,330
Total Section 8 Project-Based Cluster				<u>\$ 0</u>	<u>\$ 388,241,305</u>
Housing Voucher Cluster:					
COVID-19 - Section 8 Housing Choice Vouchers	14.871			\$	\$ 11,113,488
Section 8 Housing Choice Vouchers	14.871				197,087,511
Emergency Housing Voucher Program	14.871				623,200
COVID-19 - Mainstream Vouchers	14.879				12,790
Mainstream Vouchers	14.879				671,215
Total Housing Voucher Cluster				<u>\$ 0</u>	<u>\$ 209,508,204</u>
Housing Counseling Assistance Program	14.169			\$ 675,703	\$ 731,760
Emergency Solutions Grant Program	14.231			4,228,994	4,228,994
COVID-19 - Emergency Solutions Grant Program	14.231			7,566,974	7,566,974
Total Emergency Solutions Grant Program				<u>\$ 11,795,968</u>	<u>\$ 11,795,968</u>
Home Investment Partnerships Program	14.239			\$ 476,263	\$ 26,007,249
ARRA - Neighborhood Stabilization Program (Recovery Act Funded)	14.256				46,322
Continuum of Care Program	14.267			1,598,970	1,598,970
Housing Trust Fund	14.275				9,208,129
Project Rental Assistance Demonstration (PRA Demo) Program of Section 811 Supportive Housing for Persons with Disabilities	14.326			271,618	308,418
Family Self-Sufficiency Program	14.896				1,061,207
Total U.S. Department of Housing and Urban Development				<u>\$ 14,818,522</u>	<u>\$ 648,507,532</u>
<u>U.S. Department of the Treasury</u>					
COVID-19 - Coronavirus Relief Fund	21.019			\$ 62,855,322	\$ 62,855,322
COVID-19 - Emergency Rental Assistance Program	21.023			86,783,546	86,783,546
Total U.S. Department of the Treasury				<u>\$149,638,868</u>	<u>\$ 149,638,868</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$164,457,390</u>	<u>\$ 798,146,400</u>

Notes to the Schedule of Expenditures of Federal Awards

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (financial schedule) includes the federal grant activity of the Michigan State Housing Development Authority (MSHDA) under programs of the federal government for the fiscal year ended June 30, 2021. The information in the financial 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* (Uniform Guidance). Because the financial schedule presents only a selected portion of the operations of MSHDA, it is not intended to and does not present the financial position, changes in net position, or cash flows of MSHDA.

Note 2 Summary of Significant Accounting Policies

Expenditures reported in the financial schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

MSHDA has elected not to use the 10% de minimis indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

INDEPENDENT AUDITOR'S REPORTS



OAG

Office of the Auditor General

201 N. Washington Square, Sixth Floor • Lansing, Michigan 48913 • Phone: (517) 334-8050 • audgen.michigan.gov

Doug A. Ringler, CPA, CIA
Auditor General

Independent Auditor's Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Ms. Susan Corbin, Chair
Michigan State Housing Development Authority Board
and
Mr. Gary Heidel, Acting Executive Director
Michigan State Housing Development Authority

Report on the Schedule of Expenditures of Federal Awards

We have audited the accompanying schedule of expenditures of federal awards (the financial schedule) of the Michigan State Housing Development Authority, a discretely presented component unit of the State of Michigan, for the fiscal year ended June 30, 2021 and the related notes to the financial schedule as listed in the table of contents.

Management's Responsibility for the Financial Schedule

Management is responsible for the preparation and fair presentation of the financial schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial schedule based on our audit. We conducted our audit 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* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial schedule referred to in the first paragraph presents fairly, in all material respects, the expenditures of federal awards of the Michigan State Housing Development Authority for the fiscal year ended June 30, 2021 in accordance with accounting principles generally accepted in the United States of America.

Sincerely,

A handwritten signature in black ink that reads "Doug Ringler". The signature is written in a cursive, flowing style.

Doug Ringler
Auditor General
July 5, 2022



OAG

Office of the Auditor General

201 N. Washington Square, Sixth Floor • Lansing, Michigan 48913 • Phone: (517) 334-8050 • audgen.michigan.gov

Doug A. Ringler, CPA, CIA
Auditor General

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

Ms. Susan Corbin, Chair
Michigan State Housing Development Authority Board
and
Mr. Gary Heidel, Acting Executive Director
Michigan State Housing Development Authority

Report on Compliance for Each Major Federal Program

We have audited the Michigan State Housing Development Authority's (MSHDA's) 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 MSHDA's major federal programs for the fiscal year ended June 30, 2021. MSHDA'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 MSHDA'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 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 MSHDA'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 MSHDA's compliance.

Opinion on Each Major Federal Program

In our opinion, MSHDA 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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the fiscal year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs in Findings 2021-006 and 2021-007. Our opinion on each major federal program is not modified with respect to these matters.

MSHDA's response to the noncompliance findings identified in our audit is presented in the accompanying corrective action plan and management views sections of the schedule of findings and questioned costs. MSHDA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of MSHDA 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 MSHDA'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 MSHDA's internal control over compliance.

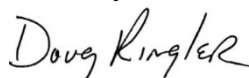
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and question costs in Findings 2021-003, 2021-004, 2021-005, 2021-006, 2021-007, and 2021-008 that we consider to be significant deficiencies.

MSHDA's response to the internal control over compliance findings identified in our audit is presented in the accompanying corrective action plan and management views sections of the schedule of findings and questioned costs. MSHDA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Sincerely,



Doug Ringler
Auditor General
July 5, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified*

Internal control* over financial reporting:

Material weaknesses* identified? No

Significant deficiencies* identified? Yes

Noncompliance or other matters material to the financial statements? No

Federal Awards

Internal control over major programs:

Material weaknesses* identified? No

Significant deficiencies* identified? Yes

Any audit findings disclosed that are required to be reported in accordance with federal regulation 2 *CFR* 200.516(a)? Yes

Identification of Major Federal Programs and Type of Opinion Issued on Compliance:

Assistance Listing Number(s)*	Name of Major Federal Program or Cluster*	Opinion
14.871 and 14.879	Housing Voucher Cluster, including COVID-19	Unmodified
14.231	Emergency Solutions Grant Program, including COVID-19	Unmodified
21.019	Coronavirus Relief Fund, including COVID-19	Unmodified
21.023	Emergency Rental Assistance Program, including COVID-19	Unmodified

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

Auditee qualified as a low-risk auditee*? Yes

Required Reporting Thresholds

Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance*) requires the auditor to test key controls at a level that would provide sufficient evidence that the established control structure would provide a high probability that material federal program noncompliance would be prevented or detected and corrected. This requires that the auditor set the tolerable exception rate of occurrence at a very low level. During the audit fieldwork, the auditor, in close consultation with the auditee, identifies the key controls that the auditee has established to ensure federal program compliance. In those cases in which the auditor's tests of key controls identify exception rates in excess of the tolerable exception rate of occurrence, the auditor must generally report the observed exception rate in the report finding.

Further, the Uniform Guidance requires the auditor to report in Section III of the audit report known questioned costs* that are greater than \$25,000 for a type of compliance requirement for a major program and known questioned costs that are less than \$25,000 for a type of compliance requirement for a major program if it is likely that total questioned costs* would exceed \$25,000.

As a result of these low required reporting thresholds, the reader may note that, in some cases, the observed exception rates of occurrence and reported known questioned costs appear

* See glossary at end of report for definition.

insignificant in relation to the overall federal expenditures of the auditee. After the audit report is filed with the federal audit clearinghouse, the responsible federal agency is required to issue a management decision within six months of acceptance of the audit report by the federal audit clearinghouse. The management decision may include a request for the return of the known questioned costs.

Management's Corrective Action Plan

Management's planned corrective action for the findings in Section II and Section III is located in the auditee section beginning on page 36.

Section II: Findings Related to the Financial Statements

Finding 2021-001 relates to the basic financial statements, which were audited by other auditors, and is reported in the Michigan State Housing Development Authority Financial Report for the Fiscal Year Ended June 30, 2021, located at: audgen.michigan.gov/wp-content/uploads/2022/04/59805-MSHDA-0621-AUD-REISSUE-1.pdf

FINDING 2021-002

Inaccurate Reporting of Federal Expenditures

Condition

The Michigan State Housing Development Authority (MSHDA) needs to enhance its internal control over advancements to ensure the schedule of expenditures of federal awards (SEFA) reflects only expenditures incurred as of the fiscal year-end for the Emergency Rental Assistance (ERA) Program and Emergency Solutions Grant (ESG) Program.

During fiscal year 2021, MSHDA advanced funds to select ERA Program and ESG Program subrecipients*. However, it did not perform procedures to determine the amount of advancements subsequently becoming expenditures incurred by the subrecipients as of June 30, 2021, which resulted in a net expenditure overstatement of \$72.5 million on MSHDA's SEFA. By recording these advancements as expenditures when the funds were disbursed, MSHDA utilized a cash basis of accounting; however, MSHDA's SEFA is prepared on the accrual basis. MSHDA subsequently corrected the ERA Program expenditures overstatement on its SEFA for inclusion in this audit report. We noted:

- a. MSHDA overstated ERA Program expenditures by a net of \$72,557,946 for 37 subrecipients for which 34 (92%) had not incurred expenditures and 3 (8%) had incurred expenditures as of June 30, 2021.
- b. MSHDA understated ESG Program expenditures by a net of \$17,283 for 7 (37%) of 19 sampled subrecipients; for these 7 subrecipients, 4 had incurred expenditures and 3 had not incurred expenditures as of June 30, 2021.

Criteria

Title 2, Part 200, sections 502(a), 508(b), and 510(b) of the *Code of Federal Regulations** (CFR) require MSHDA to prepare a SEFA reporting the total federal awards expended based on when the activity related to the federal award occurs. Also, federal regulation 2 CFR 200.1 indicates for a SEFA prepared on an accrual basis, expenditures include the services performed by subrecipients, whereas for a SEFA prepared on a cash basis, expenditures include cash advance payments and payments made to subrecipients.

* See glossary at end of report for definition.

Section N50.116 of the *Codification of Governmental Accounting and Financial Reporting Standards** (Codification), published by the Governmental Accounting Standards Board* (GASB), states that, for these voluntary nonexchange transactions, eligibility requirements are required to be met before a transaction can occur and until those requirements are met, the expenses and revenues for resources transmitted in advance should not be recognized. Section N50.117 of the Codification states that eligibility requirements include instances when the provider offers resources on a reimbursement ("expenditure-driven") basis and the recipient has incurred allowable costs under the applicable program.

Cause

MSHDA informed us it believed that an expenditure existed when the funds were paid to the subrecipient and that certain eligibility requirements related to GASB 33 had been met, and were thus allowed to recognize an expenditure.

Effect

An increased risk exists that inaccurate information could be presented on the SEFA impacting decisions made using this information.

We considered this to be a material weakness because MSHDA overstated its SEFA by \$72.5 million (prior to correction).

Known Questioned Costs

None.

Recommendation

We recommend that MSHDA enhance its internal control over advancements to ensure the SEFA reflects only expenditures incurred as of the fiscal year-end.

Management Views

MSHDA agrees with the finding.

Section III: Findings and Questioned Costs Related to Federal Awards

FINDING 2021-003

MATT 2.0 Security Management and Access Controls

Federal Agency	U.S. Department of Housing and Urban Development	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Emergency Solutions Grant Program: ALN 14.231 and 14.231 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	E-18-DC-26-0001	07/01/2018 - 08/29/2020
	E-19-DC-26-0001	07/01/2019 - 09/30/2021
	E-20-DC-26-0001	11/12/2020 - 11/12/2022
	E-20-DW-26-0001	07/23/2020 - 07/23/2022
Total Expenditures of Federal Awards	\$11,795,968	
Total COVID-19 Expenditures	\$7,566,974	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions – Obligation, Expenditure and Payment Requirements	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	

* See glossary at end of report for definition.

Repeat Finding	Not Applicable
State Agency	Michigan State Housing Development Authority

Federal Agency	U.S. Department of the Treasury
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Coronavirus Relief Fund: ALN 21.019 (COVID-19)
Federal Award Identification Number (FAIN) and Year	SLT0040 03/01/2020 - 12/31/2021
Total Expenditures of Federal Awards	\$62,855,322
Total COVID-19 Expenditures	\$62,855,322
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, and Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan State Housing Development Authority

Federal Agency	U.S. Department of the Treasury
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Emergency Rental Assistance Program: ALN 21.023 (COVID-19)
Federal Award Identification Number (FAIN) and Year	ERA0415 03/13/2020 - 09/30/2022
Total Expenditures of Federal Awards	\$86,783,546
Total COVID-19 Expenditures	\$86,783,546
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, and Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan State Housing Development Authority

Condition

MSHDA did not fully establish effective security* management and access controls* over the MSHDA Activity Tracking Tool (MATT) 2.0 users. Federal program subrecipients utilize MATT 2.0 to submit financial status reports and payment requests. Also, MSHDA program staff utilizes MATT 2.0 to manage its subgrants and review and approve subrecipient payment requests. We noted:

- a. MSHDA did not establish a process to review previously created active generic or test accounts that were not associated with a specific user.
- b. MSHDA did not review user access semiannually for privileged accounts or annually for all other accounts.
- c. MSHDA did not disable 3,096 (88%) of 3,514 MATT 2.0 user accounts that last logged in before fiscal year 2021. These users include 111 MSHDA employees, 8 other State employees, and 2,977 external partners. Also, 2,197 (71%) of these users had not logged in since access was granted.

* See glossary at end of report for definition.

Criteria

Federal regulation 2 *CFR* 200.303 requires the auditee to establish and maintain effective internal control over federal awards that provides reasonable assurance that the auditee is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards.

According to State of Michigan Administrative Guide to State Government policy 1340.00, security controls must be implemented to protect State information from unauthorized access, use, disclosure, modification, destruction, or denial and to ensure confidentiality, integrity, and availability of State information.

State of Michigan Technical Standard 1340.00.020.01 requires agencies to implement and document baseline controls ensuring that users are only granted access which is necessary to accomplish assigned tasks in accordance with roles and responsibilities of their job functions. The Standard also requires agencies to specify the authorized users for each account, that accounts should be reviewed for compliance with account management requirements semiannually for privileged accounts and annually for all other accounts, and the information system to automatically disable inactive user accounts after 60 days.

Cause

MSHDA informed us that it is in process of establishing controls over internal generic and test accounts and reviewing and disabling internal user accounts. Also, MSHDA believed its review should be limited to those users who do not use the portal.

Effect

Without effective security management and access controls, individuals may obtain unauthorized or inappropriate access to MATT 2.0. As a result, an increased risk exists that MSHDA cannot ensure the security of the MATT 2.0 data used to issue payments to subrecipients of federal awards.

Known Questioned Costs

None.

Recommendation

We recommend that MSHDA fully establish effective security management and access controls over MATT 2.0.

Management Views

MSHDA agrees with the finding.

FINDING 2021-004

MATT 2.0 Change Management Process

Federal Agency	U.S. Department of Housing and Urban Development	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Emergency Solutions Grant Program: ALN 14.231 and 14.231 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	E-18-DC-26-0001	07/01/2018 - 08/29/2020
	E-19-DC-26-0001	07/01/2019 - 09/30/2021
	E-20-DC-26-0001	11/12/2020 - 11/12/2022
	E-20-DW-26-0001	07/23/2020 - 07/23/2022
Total Expenditures of Federal Awards	\$11,795,968	
Total COVID-19 Expenditures	\$7,566,974	

Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Obligation, Expenditure and Payment Requirements
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan State Housing Development Authority

Federal Agency	U.S. Department of the Treasury
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Coronavirus Relief Fund: ALN 21.019 (COVID-19)
Federal Award Identification Number (FAIN) and Year	SLT0040 03/01/2020 - 12/31/2021
Total Expenditures of Federal Awards	\$62,855,322
Total COVID-19 Expenditures	\$62,855,322
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, and Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan State Housing Development Authority

Federal Agency	U.S. Department of the Treasury
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Emergency Rental Assistance Program: ALN 21.023 (COVID-19)
Federal Award Identification Number (FAIN) and Year	ERA0415 03/13/2020 - 09/30/2022
Total Expenditures of Federal Awards	\$86,783,546
Total COVID-19 Expenditures	\$86,783,546
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, and Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan State Housing Development Authority

Condition

MSHDA did not fully implement an effective change management process over its MATT 2.0 application. We sampled 20 MATT 2.0 change records and noted for all 20 records MSHDA did not document approvals prior to implementation of changes in the production environment.

Criteria

Federal regulation 2 *CFR* 200.303 requires the auditee to establish and maintain effective internal control over federal awards that provides reasonable assurance that the auditee is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards.

State of Michigan Technical Standard 1340.00.060.04 requires that the business owner authorize the implementation in the production environment.

State of Michigan Administrative Guide to State Government policy 1340.00 requires approved personnel to adequately manage the configuration of the State's systems, such as tracking and documenting system changes.

Cause

MSHDA informed us that it authorized the change to the production environment after receipt of verbal approval from the responsible business area.

Effect

Without an effective change management process, individuals may make unauthorized or inappropriate changes to MATT 2.0. As a result, an increased risk exists that MSHDA cannot ensure that MATT 2.0 is configured and operating securely and as intended.

Known Questioned Costs

None.

Recommendation

We recommend that MSHDA fully implement an effective change management process over MATT 2.0.

Management Views

MSHDA agrees with the finding.

FINDING 2021-005

MSHDA, Subrecipient Monitoring – Subaward Information

Federal Agency	U.S. Department of the Treasury
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Coronavirus Relief Fund: ALN 21.019 (COVID-19)
Federal Award Identification Number (FAIN) and Year	SLT0040 03/01/2020 - 12/31/2021
Total Expenditures of Federal Awards	\$62,855,322
Total COVID-19 Expenditures	\$62,855,322
Compliance Requirement(s)	Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan State Housing Development Authority

Federal Agency	U.S. Department of the Treasury
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Emergency Rental Assistance Program: ALN 21.023 (COVID-19)
Federal Award Identification Number (FAIN) and Year	ERA0415 03/13/2020 - 09/30/2022
Total Expenditures of Federal Awards	\$86,783,546
Total COVID-19 Expenditures	\$86,783,546
Compliance Requirement(s)	Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan State Housing Development Authority

Condition

MSHDA did not report to its subrecipients all subaward information as required by the Uniform Guidance.

We noted for the fiscal year 2021 grants:

- a. MSHDA did not report the subrecipient's unique entity identifier, FAIN, federal award date, and name of the federal awarding agency for all 9 sampled Coronavirus Relief Fund (CRF) subrecipients.
- b. MSHDA did not report the subrecipient's unique entity identifier for all 9 sampled ERA Program subrecipients.

Criteria

Federal regulation 2 *CFR* 200.332(a) effective November 12, 2020, previously codified in 2 *CFR* 200.331(a) effective through November 11, 2020, requires that all pass-through entities* ensure that every subaward includes certain information, including the subrecipient's unique entity identifier (i.e., the DUNS number during the audit period), FAIN, federal award date, and name of the federal awarding agency.

Cause

MSHDA informed us that because of an oversight, it did not always provide all required subaward information to subrecipients.

Effect

Subrecipients and their auditors may not be aware of the federal award information needed to ensure compliance with the federal requirements. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MSHDA report to its subrecipients all subaward information as required by the Uniform Guidance.

Management Views

MSHDA agrees with the finding.

FINDING 2021-006

Housing Voucher Cluster, ALN 14.871 and 14.879, Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Accounting for HAP Expenditures

Federal Agency	U.S. Department of Housing and Urban Development	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Housing Voucher Cluster: ALN 14.871, 14.871 (COVID-19), 14.879, and 14.879 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	MI901VO0672	08/01/2019 - 07/31/2020
	MI901VO0673	08/01/2019 - 07/31/2020
	MI901VO0674	11/01/2019 - 10/31/2020
	MI901VO0680	11/01/2019 - 10/31/2020
	MI901VO0727	06/01/2020 - 09/30/2020
	MI901VO0729	10/01/2020 - 10/31/2020
	MI901VO0730	08/01/2020 - 08/31/2020
	MI901VO0731	11/01/2020 - 12/31/2020
	MI901VO0732	01/01/2021 - 02/28/2021

* See glossary at end of report for definition.

FAIN and Year (Continued)	MI901VO0733	01/01/2021 - 12/31/2021
	MI901VO0734	01/01/2021 - 12/31/2021
	MI901VO0735	10/01/2020 - 12/31/2020
	MI901VO0736	02/01/2021 - 01/31/2022
	MI901VO0781	03/01/2021 - 03/31/2021
	MI901VO0782	04/01/2021 - 05/31/2021
	MI901VO0783	06/01/2021 - 09/30/2021
	MI901AF0255	06/01/2020 - 09/30/2020
	MI901AF0256	10/01/2020 - 10/31/2020
	MI901AF0258	08/01/2020 - 08/31/2020
	MI901AF0259	11/01/2020 - 12/31/2020
	MI901AF0260	01/01/2021 - 02/28/2021
	MI901AF0261	10/01/2020 - 10/31/2020
	MI901AF0262	03/01/2021 - 03/31/2021
	MI901AF0263	04/01/2021 - 05/31/2021
	MI901AF0264	06/01/2021 - 09/30/2021
	MI901AFHV32	09/01/2020 - 09/30/2020
	MI901AFHV33	06/01/2021 - 06/30/2021
	MI901AFR220	09/01/2020 - 09/30/2020
	MI901VOTR03	01/01/2021 - 01/31/2021
Total Expenditures of Federal Awards	\$209,508,204	
Total COVID-19 Expenditures	\$11,126,278	
Compliance Requirement(s)	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency and Noncompliance	
Known Questioned Costs by FAIN	MI901VO0731 - \$4,908,257	
Repeat Finding	Not Applicable	
State Agency	Michigan State Housing Development Authority	

Condition

MSHDA had not fully established controls to ensure that expenditures were accurately recorded and claimed against the appropriate housing assistance payment (HAP) grant*.

MSHDA originally claimed \$4,908,257 of expenditures for federal reimbursement against the HAP grant and, after determining the funds were also eligible for reimbursement against the HAP COVID-19 grant, it processed an accounting adjustment charging the HAP COVID-19 grant. Subsequently, MSHDA again processed an accounting transaction inappropriately claiming these same expenditures against the HAP grant.

Criteria

Federal regulation 2 *CFR* 200.303 requires the auditee to establish and maintain effective internal control over federal awards that provides reasonable assurance that the auditee is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards. In addition, federal regulation 24 *CFR* 982.158 requires the auditee to maintain complete and accurate accounts and other records for the program in accordance with the U.S. Department of Housing and Urban Development requirements in a manner that permits a speedy and effective audit.

Also, Subpart E of federal regulation 2 *CFR* 200 requires that costs charged to federal programs be necessary and reasonable for the administration of the federal award and be in accordance with the relative benefits received by the program.

Cause

MSHDA inadvertently recorded the expenditure transaction twice and its controls did not identify the error.

* See glossary at end of report for definition.

Effect

MSHDA claimed \$4,908,257 of expenditures that were not in accordance with Housing Voucher Cluster laws and regulations. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$4,908,275 - federal share.

Recommendation

We recommend that MSHDA establish controls to ensure that expenditures are accurately recorded and claimed against the appropriate HAP grant.

Management Views

MSHDA agrees with the finding.

FINDING 2021-007

Coronavirus Relief Fund, ALN 21.019, Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payments in Excess of Grant Award Amount

Federal Agency	U.S. Department of the Treasury
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Coronavirus Relief Fund: ALN 21.019 (COVID-19)
Federal Award Identification Number (FAIN) and Year	SLT0040 03/01/2020 – 12/31/2021
Total Expenditures of Federal Awards	\$62,855,322
Total COVID-19 Expenditures	\$62,855,322
Compliance Requirement(s)	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	SLT0040 - \$1,046,855
Repeat Finding	Not Applicable
State Agency	Michigan State Housing Development Authority

Condition

MSHDA did not have sufficient controls in place to prevent payments to subrecipients in excess of their CRF grant award amounts. We noted MSHDA overpaid \$1,046,855 to a CRF subrecipient.

Criteria

Federal regulation 2 *CFR* 200.303 requires the auditee to establish and maintain effective internal control over the federal awards that provides reasonable assurance that the auditee is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards.

Coronavirus Aid, Relief, and Economic Security (CARES) Act (Public Law 116-136), Section 5001(d), requires CRF funds be used to cover only those costs which are necessary expenditures incurred because of the COVID-19* public health emergency.

Federal Register 86:10 (15 January 2021) page 4,183 indicates that in all cases for a cost to be considered incurred, performance or delivery must occur during the covered period but payment

* See glossary at end of report for definition.

of funds need not be made during that time. Also, in all cases, it must be necessary that performance or delivery of goods and services take place during the covered period.

Cause

MSHDA informed us the overpayment was the result of a system error.

Effect

MSHDA made an unallowable payment for the COVID-19 public health emergency. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$1,046,855 - federal share.

Recommendation

We recommend that MSHDA improve its controls to prevent payments to subrecipients in excess of the CRF grant award amounts.

Management Views

MSHDA agrees with the finding.

FINDING 2021-008

Emergency Rental Assistance Program, ALN 21.023, Procurement and Suspension and Debarment – Suspension and Debarment Process

Federal Agency	U.S. Department of the Treasury
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Emergency Rental Assistance Program: ALN 21.023 (COVID-19)
Federal Award Identification Number (FAIN) and Year	ERA0415 03/13/2020 - 09/30/2022
Total Expenditures of Federal Awards	\$86,783,546
Total COVID-19 Expenditures	\$86,783,546
Compliance Requirement(s)	Procurement and Suspension and Debarment
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan State Housing Development Authority

Condition

MSHDA did not have an adequate process to ensure that its ERA Program subrecipients were not suspended or debarred prior to its plans to enter into grant agreements with 7 of the 9 subrecipients we reviewed. We noted:

- For 6 subrecipients, MSHDA used the suspension and debarment verifications completed during its award process for another federal program, which was on average completed 5 months prior to the December 2021 establishment of the federal ERA Program.
- For 1 subrecipient, MSHDA did not verify the suspension or debarment status until after the ERA Program grant agreement was executed.

Criteria

Federal regulation 2 *CFR* 180.300 requires when MSHDA enters into a covered transaction with a subrecipient with whom it plans to do business, it must verify that the subrecipient is not suspended or debarred. This can be accomplished by checking the federal Web site, collecting a certification, or adding a clause or condition to the covered transaction agreement.

Cause

MSHDA informed us it used another federal program's application process to verify that the ERA Program subrecipients were not suspended or debarred.

Effect

An increased risk exists that MSHDA could provide grant funds to subrecipients that were suspended or debarred. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None. We reviewed the federal Web site and noted that these 7 subrecipients were not suspended or debarred; therefore, we did not question the costs.

Recommendation

We recommend that MSHDA establish an adequate process to ensure that it verifies ERA Program subrecipients are not suspended or debarred prior to its plans to enter into grant agreements.

Management Views

MSHDA agrees with the finding.

AUDITEE SECTION

Summary Schedule of Prior Audit Findings



STATE OF MICHIGAN

GRETCHEN WHITMER
GOVERNOR

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
LANSING

GARY HEIDEL
ACTING EXECUTIVE DIRECTOR

Summary Schedule of Prior Audit Findings Fiscal Year Ended June 30, 2021

Prior Audit Findings Related to the Financial Statements

Audit Period: July 1, 2019 through June 30, 2020
Finding Number: 2020-001
Initial Year Written: Fiscal Year 2020

Finding: 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.

Current Status: The MSHDA did not correct the deficiencies noted in the finding.

Reason(s) for Recurrence: The uncertainty of the duration of time staff would be out of the office, and the immediate lack of access to accounting documents, resulted in the financial statements being created behind schedule.

Corrective Action:
The MSDHA purchased new equipment, including laptops, monitors, printers, and other equipment necessary for the Finance/ Accounting department staff to perform their duties from home. The MSHDA also granted Finance/Accounting staff access to offices and work documents, as necessary, for the financial statements.

Prior Audit Findings Related to Federal Awards

Audit Period: July 1, 2019 through June 30, 2020
Finding Number: 2020-001
Initial Year Written: Fiscal Year 2020
Finding Title: Section 8 Project-Based Cluster, CFDA 14.182 and 14.856, Special Tests and Provisions - Vacant Units - Quality Control Reviews*

735 EAST MICHIGAN AVENUE P.O. Box 30044, LANSING, MICHIGAN 48909

michigan.gov/mshda · 517.373.8370 · FAX 517.335.4797

Michigan Office of the Auditor General
000-0800-22



Finding: The Michigan State Housing Development Authority (MSHDA) did not ensure that it completed quality control reviews for 3 (12%) of 25 sampled vendor-approved special claim payments.

Current Status: The MSHDA corrected the deficiencies noted in the finding.

Audit Period: July 1, 2019 through June 30, 2020

Finding Number: 2020-002

Initial Year Written: Fiscal Year 2020

Finding Title: Housing Trust Fund, CFDA 14.275, Eligibility - Monitoring of Property Developers' Eligibility Determinations

Finding: MSHDA had not fully established its process to monitor the property developers' efforts to ensure that tenants of Housing Trust Fund (HTF) assisted units met the income eligibility requirements.

Current Status: The MSHDA corrected the deficiencies noted in the finding.

Management Views and Corrective Action Plan



STATE OF MICHIGAN

GRETCHEN WHITMER
GOVERNOR

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
LANSING

GARY HEIDEL
ACTING EXECUTIVE DIRECTOR

Management Views and Corrective Action Plan

Findings Related to the Financial Statements

Finding 2021-001

Timely Closing Process and Preparation of the Financial Statements

Management Views

The MSHDA agrees in part. The Authority had a number of unique and a few onetime accounting adjustments that were discussed with Plante & Moran, PLLC auditors after the ledger was provided. Going forward, the Authority will discuss known issues earlier in the audit. There will remain the possibility that, during the audit process, the independent auditors will come to a different conclusion as to the recording of activities that will result in late entries or be added to the unrecorded possible adjustments schedule.

Planned Corrective Action

The planned Corrective Action implemented by the MSHDA to address this finding is to schedule an entrance/planning meeting prior to each future Financial Audit, to discuss adjustments and/or modifications to the financial statements, in an effort to ensure the general ledger is complete and free of adjustments before the audit begins.

Anticipated Completion Date

June 24, 2022

Responsible Individual(s)

Jason Fedewa, Chief Accountant

Findings Related to the Federal Awards

Finding 2021-002

Inaccurate Reporting of Federal Expenditures

Management Views

The MSHDA agrees.

The MSHDA's original position was that an expenditure existed when the funds were paid to the subrecipients. While we did collect year end information related to advances, the MSDHA did not process an adjustment to account for them. The MSHDA originally prepared its SEFA based on guidance outlined in the AICPA Audit Guide for the Government Auditing Standards and Single Audits, Chapter 7, paragraph 7.07 and

735 EAST MICHIGAN AVENUE P.O. Box 30044, LANSING, MICHIGAN 48909

michigan.gov/mshda • 517.373.8370 • FAX 517.335.4797

Table 7-1, and Title 2, Subtitle A, Chapter II, Part 200, Subpart F, 200.502. This guidance indicates that the basis for determining when federal awards are expended for amounts provided to subrecipients is when the disbursement is made to the subrecipient. After reviewing guidance within Title 2, Subtitle A, Chapter II, Part 200, Subpart A, 200.1 related to accrual expenditures and consulting with the OAG and the Michigan Office of Financial Management (OFM) during this Single Audit, the MSHDA adjusted its SEFA to align with the guidance in Subpart A.

The MSHDA does perform subsequent procedures to determine allowable expenses and requires sub-grantees to submit supporting documentation in the Financial State Report (FSR) process. Cumulative data is compiled quarterly by program staff and provided to finance staff.

Subpart a. The \$72,557,946 in CERA program funds and \$17,283 in ESG funds were properly advanced to sub-grantees in accordance with the grant agreements. Expenditures are supported with documentation through the FSR process. MSHDA adjusted our SEFA and the reporting of expenditures.

Planned Corrective Action

a. The MSHDA agreed to adjust our FY20-21 financial statements to align with the guidance in Subpart A. This is completed.

b. For FY21-22 and future, adjustments will be entered to account for the difference between total advanced program funds and expenditures incurred as of the MSHDA's fiscal year end and reported on the SEFA accordingly.

Completion Dates

Completed: March 17, 2022.

Anticipated Completion date: June 30, 2022.

Responsible Individual(s)

Jason Fedewa, Chief Accountant

Finding 2021-003

MATT 2.0 Security Management and Access Controls

Management Views

The MSHDA agrees.

3.a The MSHDA agrees. Additionally, access review is also addressed in 3.b which appears to be the basis of this finding and where remediation is already in process.

3.b The MSHDA agrees. The MSHDA could be more proactive at monitoring user activity in the MATT 2.0 system. This was a finding for the same system that was audited, and part of the OAG performance audit report issued during this audit period in May 2021, which covered July 1, 2017 through December 31, 2019. Remediation is

already in process and almost complete. The MSHDA informed the OAG auditors of this open finding at the start of the audit and that the MSHDA has been in the process of remediation.

3.c. The MSHDA agrees. Please note that the 8 other State employees referenced are state employees, but these are actually set as external users in the system.

Historically, the MSHDA has always made a distinction between internal users and external users, as external users do not have the ability to access the main MATT 2.0 system. One key to better understand the system design is that when the MSHDA partners with a company, the system creates an external company portal that gives the company various tools that they can choose to utilize. This portal does not give nor allow access to the main MATT 2.0 system. These external company portal users are not considered system accounts and the system design does not allow unauthorized access, use, disclosure, or denial of State of Michigan information. However, the MSHDA's goal is to ensure the utmost security in our IT systems and agrees that regardless of internal or external, these accounts need to be disabled in a timely manner as the State's policy does not differentiate between the two. Therefore, as recommended, the MSHDA will start treating the external portal users the same as full system users and ensuring appropriate disabling of these accounts. To that end, Remediation is already in process as part of 3.a and 3.b and almost complete. Going forward the MSHDA will ensure timely disabling of both internal and external accounts.

Planned Corrective Action

The MSHDA Technical Support Services (TSS) department is completing a full user audit of the system as well as setting up the process of doing a semi-annual review of MATT 2.0 user accounts.

Anticipated Completion Date

October 31, 2022

Responsible Individual(s)

Mark Whitaker and SaVille Hill, MSHDA Technical Support Services

Finding 2021-004

MATT 2.0 Change Management Process

Management Views

The MSHDA agrees.

During the middle of calendar year 2020, the Technical Support Services (TSS) department was improving the existing change management process for MATT 2.0 and was aware of all system changes being requested during this time. These requests were all reviewed and recorded within a tracking system where there is documentation of which changes were allowed into production. As of November

2021, the MSHDA has completed implementing a stricter change management process which includes requiring electronically documented approval from the TSS department before any production changes can be made.

Corrective Action

The MSHDA implemented a change management process requiring approval from TSS department before production changes can be made.

Completion Date

November 10, 2021

Responsible Individual(s)

Mark Whitaker

SaVille Hill

Finding 2021-005

MSHDA, Subrecipient Monitoring – Subaward Information

Management Views

The MSHDA agrees.

Planned Corrective Action

As this project ended 12/31/2021, the MSHDA will ensure that the unique entity identifier is included in future grant agreements. The MSHDA will amend current grant agreements to include the unique entity identifier.

Completion Dates

- a. Project ended December 31, 2021.
- b. Correction for current grant agreements via amendment May 31, 2022.

Responsible Individual(s)

Juli Chant, Departmental Analyst

Peggy Pertner, Manager

Finding 2021-006

Housing Voucher Cluster, ALN 14.871 and 14.879, Activities Allowed and Unallowed and Allowable Costs/Cost Principles

Management Views

The MSHDA agrees.

Housing Assistance Payments of \$4.9 million were eligible expenses for both the CARES funding and Housing Choice Voucher Program. In December 2020 the CARES funding was used to pay for those Housing Assistance Payments. A journal entry was made to expense the cost to the CARES grant. However, after this entry, another entry

was made also charging the expense the Housing Choice Voucher Program. This accounting error was discovered and corrected in fiscal year 2022. The same expense was temporarily listed twice: no improper funds were requested of nor received from either federal funding source.

The expenditure of \$4,908,275 in program funds was applied toward allowable costs, despite the corrected accounting error, as evidenced by support documentation for those expenditures.

Planned Corrective Action

Finance management will perform a more thorough review and reconciliation of federal expenditures prior to closing the financials for the year.

Anticipated Completion Date

June 30, 2022

Responsible Individual(s)

Jason Fedewa, Chief Accountant

Finding 2021-007

Coronavirus Relief Fund, ALN 21.019 (COVID-19), Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payments in Excess of Grant Award Amount

Management Views

The MSHDA agrees.

The reported condition was identified by MSHDA program staff as a technical system error that was reported to the 3rd party vendor for correction upon identification of the error. OAG auditors were affirmatively notified of this condition during their audit.

Planned Corrective Action

System error: The MSHDA notified the system vendor of this error on 12/23/2020. The issue was corrected by the vendor and the fix was moved into production on 1/28/2021. Reports were then worked on and generated to help identify any possible overpayments. During this time, it was discovered that there were still issues with the 'Cash on Hand' and the final fix went into production on 8/27/2021. Screenshots of the code changes fixing this issue were provided to the OAG during the audit.

Overpayment: MSHDA began seeking repayment of the overpayment upon identification of the error. The overpayment was communicated to the sub-recipient and a demand for repayment was issued. The MSHDA notified the sub-recipient that a reconciliation will be performed in accordance with 2 CFR 200.1 once the funds are returned. The MSHDA is also coordinating with federal grantor agencies to recapture overpaid funds.

Completion Dates

System error: Completed August 27, 2021.

Overpayment: Anticipated Completion October 1, 2022, pending coordination with federal grantor agencies.

Responsible Individual(s)

System error: Mark Whitaker, MSHDA Technical Support Services

Overpayment: Jonathan Hilliker, MSHDA Audit, Compliance, and Fraud Investigation

Finding 2021-008

Emergency Rental Assistance, ALN 21.023, Procurement and Suspension and Debarment – Suspension and Debarment Process

Management Views

The MSHDA agrees with this finding.

The MSHDA did not previously have an established process, specific to CERA, to check for suspensions or debarments; however, we relied on a parallel process in FY21 for the ESG program, which includes CERA fiduciaries and a check for suspension or debarment.

Planned Corrective Action

The MSHDA has already implemented corrective action to address this condition. The MSHDA is performing a separate check for CERA sub-grantees and separately documenting the result and time the check was performed.

Further, the MSHDA is working to incorporate this suspension or debarment check in our existing sub-grantee profile review process (initially and annually) where this check is performed for all federal sub-grantees administered by the MSHDA.

Completion Dates

CERA-specific suspension or debarment check implemented: January 4, 2022

Responsible Individual(s)

Jack Ho

GLOSSARY

GLOSSARY OF ABBREVIATIONS AND TERMS

access controls	Controls that protect data from unauthorized modification, loss, or disclosure by restricting access and detecting inappropriate access attempts.
adverse opinion	A type of modified opinion in which the auditor states that the audited entity did not comply, in all material respects, with the cited compliance requirements that are applicable to each major federal program.
ARRA	American Recovery and Reinvestment Act of 2009.
Assistance Listings	Descriptions of federal programs that provide grants, loans, scholarships, insurance, and other types of assistance awards.
Assistance Listing Number (ALN)	A five-digit code, formerly known as a <i>Catalog of Federal Domestic Assistance (CFDA)</i> number, assigned to a federal assistance program included in the Assistance Listings.
auditor's comments to management views	Comments the OAG includes in a single audit to comply with <i>Government Auditing Standards</i> . Auditors are required to evaluate the validity of the audited entity's management views when they are inconsistent or in conflict with the findings, conclusions, or recommendations. If the auditors disagree with the management views, they should explain in the report their reasons for disagreement.
CARES	Coronavirus Aid, Relief, and Economic Security.
cluster	A grouping of closely related federal programs that have similar compliance requirements. Although the programs within a cluster are administered as separate programs, a cluster of programs is treated as a single program for the purpose of meeting the audit requirements of the Uniform Guidance.
Code of Federal Regulations (CFR)	The codification of the general and permanent rules published by the departments and agencies of the federal government.
Codification of Governmental Accounting and Financial Reporting Standards (Codification)	An integration of currently effective accounting and reporting standards for state and local governments.

COVID-19	The disease caused by a new coronavirus called SARS-CoV-2. It is a potentially severe illness often characterized by fever, coughing, and shortness of breath. The World Health Organization learned of the virus in December 2019.
CRF	Coronavirus Relief Fund.
deficiency in internal control over federal program compliance	The design or operation of a control over compliance that 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.
deficiency in internal control over financial reporting	The design or operation of a control that 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.
ERA	Emergency Rental Assistance.
ESG	Emergency Solutions Grant.
FAIN	Federal Award Identification Number.
financial audit	An audit that is designed to provide reasonable assurance about whether the basic financial statements and/or financial schedules of an audited entity are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.
Governmental Accounting Standards Board (GASB)	An arm of the Financial Accounting Foundation established to promulgate standards of financial accounting and reporting with respect to activities and transactions of state and local governmental entities.
housing assistance payment (HAP) grant	The monthly assistance payment by the State, which includes: <ol style="list-style-type: none"> 1. A payment to the owner for rent to the owner under the family's lease; and 2. An additional payment to the family if the total assistance payment exceeds the rent to owner.
internal control	A process, effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

known questioned cost	Questioned cost that are specifically identified by the auditor.
low-risk auditee	As provided for in the Uniform Guidance, an auditee that may qualify for reduced federal audit coverage if it receives an annual single audit and it meets other criteria related to prior audit results.
material misstatement	A misstatement in the basic financial statements and/or financial schedules that causes the statements and/or schedules to not present fairly the financial position or the changes in financial position, and, where applicable, cash flows thereof, in accordance with the applicable financial reporting framework.
material noncompliance	Violations of laws, regulations, contracts, and grants that could have a direct and material effect on major federal programs or on basic financial statement and/or financial schedule amounts.
material weakness in internal control over federal program compliance	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.
material weakness in internal control over financial reporting	A deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the basic financial statements and/or financial schedules will not be prevented, or detected and corrected, on a timely basis.
MATT 2.0	MSHDA Activity Tracking Tool.
modified opinion	A qualified opinion, an adverse opinion, or a disclaimer of opinion.
MSHDA	Michigan State Housing Development Authority.
other noncompliance	Violations of contracts or grant agreements that are not material to the basic financial statements or financial schedules but should be communicated to management in accordance with <i>Government Auditing Standards</i> . Other noncompliance also includes violations of laws, regulations, contracts, or grant agreements; fraud; or other internal control deficiencies that may be communicated to management in accordance with <i>Government Auditing Standards</i> .
pass-through entity	A nonfederal entity that provides a federal award to a subrecipient to carry out a federal program.

qualified opinion	A type of modified opinion in which the auditor identifies a scope limitation or material noncompliance with one or more of the cited compliance requirements that are applicable to each major federal program.
questioned cost	<p>A cost that is questioned by the auditor because of an audit finding: (1) which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a federal award, including for funds used to match federal funds; (2) where the costs, at the time of the audit, are not supported by adequate documentation; or (3) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.</p> <p>Questioned costs are not an improper payment until reviewed and confirmed to be improper as defined in OMB Circular A-123 appendix C.</p>
security	Safeguarding an entity's data from unauthorized access or modification to ensure its availability, confidentiality, and integrity.
SEFA	schedule of expenditures of federal awards.
significant deficiency in internal control over federal program compliance	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.
significant deficiency in internal control over financial reporting	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.
single audit	A financial audit, performed in accordance with the Single Audit Act Amendments of 1996 and the Uniform Guidance, which is designed to meet the needs of all federal grantor agencies and other financial report users. In addition to performing the audit in accordance with the requirements of auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller General of the United States, a single audit requires the assessment of compliance with requirements that could have a direct and material effect on a major federal program and the consideration of internal control over compliance in accordance with the Uniform Guidance.
subrecipient	A nonfederal entity that receives a subaward from a pass-through entity to carry out part of a federal program but does not include an individual that is a beneficiary of such

program. A subrecipient may also be a recipient of other federal awards directly from a federal awarding agency.

Uniform Guidance

Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The Uniform Guidance, which was officially implemented in December 2014 by the Council on Financial Assistance Reform, establishes uniform cost principles and audit requirements for federal awards to nonfederal entities and administrative requirements for all federal grants and cooperative agreements. The Uniform Guidance supersedes guidance from earlier OMB circulars.

unmodified opinion

The opinion expressed by the auditor when the auditor, having obtained sufficient appropriate audit evidence, concludes:

- a. The basic financial statements or financial schedules are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.
- b. The audited entity complied, in all material respects, with the cited compliance requirements that are applicable to each major federal program.

**U.S. Office of
Management and
Budget (OMB)**

A cabinet-level office that assists the President in overseeing the preparation of the federal budget and in supervising its administration in executive branch agencies.



Report Fraud/Waste/Abuse

Online: audgen.michigan.gov/report-fraud

Hotline: (517) 334-8070